

PAVILION

REAL ESTATE INVESTMENT TRUST



ANNUAL REPORT

2014

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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.

VISION, MISSION AND INVESTMENT STRATEGIES

The **principal investment policy** of Pavilion REIT is **investing directly and indirectly**, in a diversified portfolio of income producing **real estate** 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** as well as real estate related assets.

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
- (c) Proactively managing the properties and implementing asset enhancement strategies
 - 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
 - maximise quality shopper traffic at Pavilion Kuala Lumpur Mall
 - active management of tenant base in order to increase rental rates and maintain high occupancy rates
 - continued asset enhancement initiatives to increase net lettable area and rental potential
 - improving cost efficiency



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

Deputy Chairman and Non-Independent Non-Executive Director

Omer Abdulaziz H A Al-Marwani

Non-Independent Non-Executive Director

Mohd Nasser A M Al-Humaidi
Saif Mohd A M Al-Madfaa
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



CORPORATE
INFORMATION
continued

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
Website: www.pavilion-reit.com

MANAGER'S REGISTERED OFFICE

6-2 Level 6 East Wing, Menara ING
No. 84 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia

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

AUDIT COMMITTEE

Dato' Mohzani bin Abdul Wahab (Chairman)
Omer Abdulaziz H A Al-Marwani
Dato' Maznah binti Abdul Jalil
Dato' Choo Chuo Siong

NOMINATION COMMITTEE

Dato' Maznah binti Abdul Jalil (Chairperson)
Omer Abdulaziz H A Al-Marwani
Dato' Mohzani bin Abdul Wahab
Dato' Choo Chuo Siong
Ooi Ah Heong

COMPANY SECRETARY OF THE MANAGER

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

TRUSTEE

AmTrustee Berhad (Company Number: 163032-V)
Level 22, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia

Telephone No.: +603 2036 2633
Facsimile No.: +603 2032 1914

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 (Firm No. AF 0758)
Chartered Accountants
Level 10, 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

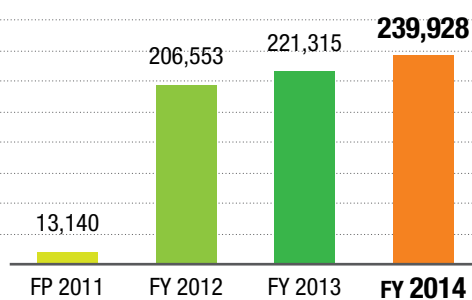
REGISTRAR

Tricor Investor Services Sdn Bhd
(Company Number: 118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

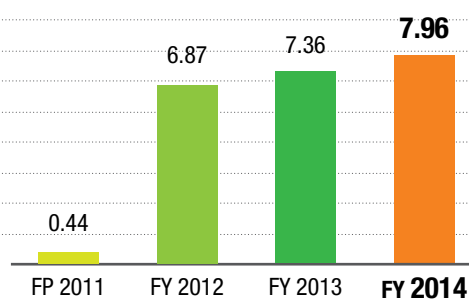
Telephone No.: +603 2264 3883
Facsimile No.: +603 2282 1886



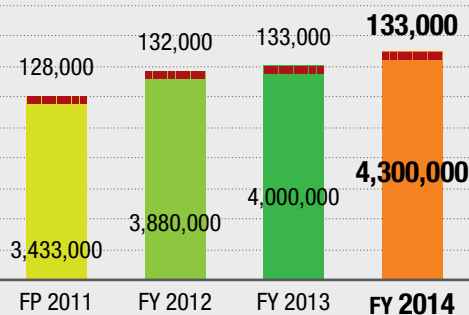
HIGHLIGHTS



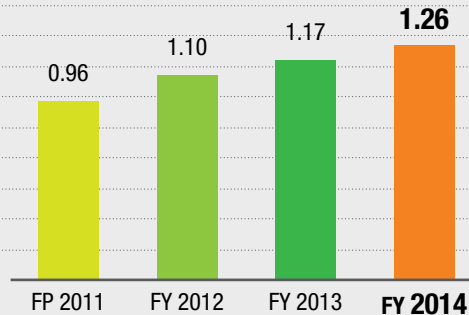
Distributable Income
(RM'000)



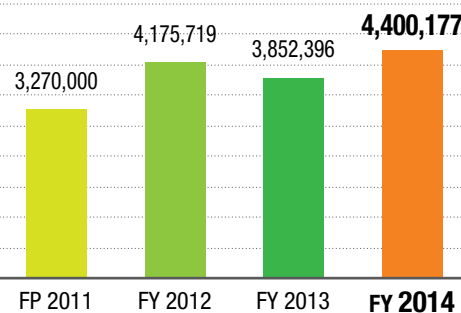
Distribution per Unit
(sen)



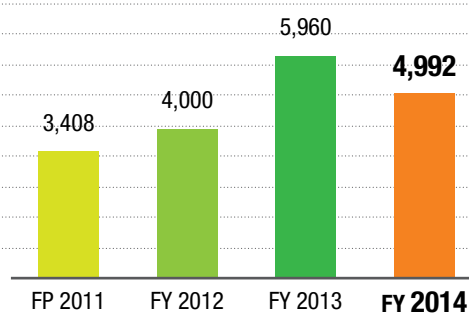
Investment Properties
(RM'000)



Net Asset Value per Unit
(RM)



Market Capitalisation
(RM'000)



No of Unitholders



MESSAGE FROM THE CHAIRMAN



Pavilion REIT's asset under management increased from **RM4.1 billion** to **RM4.4 billion**. This represents an increase of **7%**.

ECONOMIC OVERVIEW

The cumulative uncertainties in global economy have weighted in for 2014. United States is the only economy that still shows sign of recovery and improvement after they ended their quantitative easing program towards the year end. Their unemployment rates have improved to below 6% with stronger payroll statistic indicator in recent years.

The European Union (EU) recovery seems to have slowed down for 2014 as they struggle with disinflation. With the latest news of European Central Banks introducing potential EU quantitative easing program, this will hopefully boost EU spending thus resulting in growth.

Closer to home, the China economy have shown slower growth, due to property market and shares clampdown. In Japan, the economy initially had a good kick start. However since then, the sign of recovery have also faded off, amongst others due to recent sales tax hike. Singapore only recorded 2% GDP growth for 2014.

Malaysia is expected to record a respectable GDP growth of between 5% and 6% in 2014. It has been a turbulent year for the country and economy with the loss of life from the airlines tragedies.

The general public has also been faced with increased in electricity rates and assessment hike at the beginning of the year. By middle of the year, Bank Negara Malaysia has also increased the overnight policy rate by 25 basis points to 3.25%. Consumer confidence has dampened after a series of subsidy rationalisation measures being imposed

besides the drop in crude oil prices and volatile Malaysian Ringgit towards the year end. It is projected that the retail industry for 2014 will achieve only 5% increase as compared to the projection at the beginning of year of 6%.

However, the Government responded to the economic situation by increasing their budgeted expenditure to assist the lower and middle income Malaysians, continuing with the capital infrastructure program like the mass rapid transit system in the Klang Valley and subsequently reducing the petrol prices, thus effectively ending the market subsidy of petrol in this country.

MARKET REVIEW

During the year the M-REIT market grew from RM31.8 billion to RM35.7 billion. This represents a growth of RM3.9 billion or 12%, despite Al-Hadharah Boustead REIT being delisted during the year.

This coupled with some acquisitions during the year by Axis REIT, Sunway REIT and Quill Capita valued at RM1.3 billion have improved the marketability and renewed interest of investors and fund managers for the M-REIT industry.

For the year ended 31 December 2014, Pavilion REIT's asset under management increased from RM4.1 billion to RM4.4 billion. This represents an increase of 7%.

Its unit price also closed higher at RM1.46 per unit as at the end of the year as compared to year end 2013 closing of RM1.28 per unit.

MESSAGE FROM
THE CHAIRMAN
continued



INVESTMENT AND ASSET PERFORMANCE

A total of 17% of net lettable areas were due for renewal during the year, with achievement of 9% rental reversion.

During the period we have completed the following asset enhancements:-

- The extension of 'Couture Pavilion' with the introduction of Tory Burch, MCM, Davidoff, Moschino and Loewe.
- The 'Beauty Precinct' opening with nine tenants, namely Jurlique, Bmic Nail Spa Salon, The Sloane Clinic, Dr Ko, Clariancy, Mayfair, Swiss Perfection Spa by The Art of Beauty & Slimming, Miko Galere with Kerastase and Asterspring.
- And finally, 'Dining Loft @ Level 7' with several new restaurants to provide our shoppers with additional new F&B experiences.

Its mall also won 3 additional awards during 2014, namely :-

1. **Gold Award** – Chinese New Year '688 Trail of Fortune' by ICSC Asia Pacific Shopping Centre Awards 2104
2. **Platinum Award** – Best Shopping Mall by Kuala Lumpur Mayor's Tourism Award 2014
3. **Most Popular Shopping Mall** – World Bloggers and Social Media Award

resulting in Pavilion Kuala Lumpur achieving 28 international and local best retail awards.

The Manager has also been actively reviewing investment opportunities during the year. However, no suitable asset has been identified for acquisition. Continuous efforts will be deployed to seek real estate investment opportunities for the Fund in 2015.

MARKET OUTLOOK

With the weakening of crude oil price and volatile currency movements towards the year end, the International Monetary Fund's projection of 3.8% growth rate for the world economy is likely to be revised down further.

Malaysia's GDP growth is expected to be between 5% and 6% for 2015, with inflation rate ranging between 3% and 4%. We anticipate that the retail sector is to expand by around 6% for 2015, as compared to 5% in 2014.

With the government continuing its support for the tourism industry in 2015, and the promotion of 'Mega-Sales', we are expecting a positive growth to the industry even with the implementation of GST.

M-REIT might have some excitement with the potential 'REIT-ing' of WCT Berhad's retail assets worth approximately RM2.0 billion to the market later this year.

ANNUAL GENERAL MEETING (AGM)

Pavilion REIT's second annual general meeting held on 20 March 2014 to lay Pavilion REIT's audited financial statement for the year ended 31 December 2013 went on smoothly.

For the forthcoming AGM this year, other than tabling Pavilion REIT's 2014 audited financial statement, we are also proposing to seek unitholders approval for authority to allot and issue new units of up to 20% of the existing Fund size for potential investments, acquisitions and / or capital expenditure to enhance the value of Pavilion REIT.

ACKNOWLEDGEMENTS

I would like to express my gratitude to the Board members for their dedication and input throughout the year.

On behalf of the Board members, we would also like to extend our appreciation to all management staff and employees for their contribution. Last but not least, our thanks to all the unitholders, tenants, financiers, business associates and other stakeholders for their trust and support in Pavilion REIT.

TAN SRI LIM SIEW CHOON
Chairman

15 January 2015

BOARD OF DIRECTORS

Tan Sri Lim Siew Choon

Chairman and Non-Independent Executive Director

Tan Sri Lim Siew Choon, age 54, a Malaysian, holds a Bachelor of Business Administration degree (majoring in Finance) from the University of Central Oklahoma in the United States.

He has more than 32 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 Executive Chairman of the Manager on 11 August 2011. He is currently the Executive Chairman and board member of Malton Berhad. His spouse, Puan Sri Tan Kewi Yong is a Non-Independent Executive Director and a major unitholder of Pavilion REIT.

Omer Abdulaziz H A Al-Marwani

Deputy Chairman and Non-Independent Non-Executive Director

Omer Abdulaziz H A Al-Marwani, age 40, a Qatari, graduated with a Bachelor of Accounting degree from Qatar University and he passed the public accountant certification (CPA) in 2002, United States.

He is currently the Chief Financial Officer at Qatar Investment Authority.

He was also the Director of the Finance and Administration Affairs Department at the Qatari Supreme Council for Economic Affairs and Investment since 2003.

He began his career as an accountant at Qatar Petroleum in 1996. From 1997 to 1999, he was the Finance Department Controller at Qatar Islamic Bank. From 1999 to 2002, he was Senior Auditor at the Qatari State Audit Bureau.

He was appointed to the Board of the Manager on 10 August 2011 and subsequently appointed the Deputy Chairman of the Manager on 19 May 2014. He is a member of the Manager's Audit Committee and Nomination Committee. He has no other directorship in other Malaysian public companies.

Puan Sri Tan Kewi Yong

Non-Independent Executive Director

Puan Sri Tan Kewi Yong, age 58, a Malaysian, pursued her tertiary education in the United Kingdom specialising in Business and Marketing Studies.

She has over 31 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.

Dato' Lee Tuck Fook

Non-Independent Executive Director

Dato' Lee Tuck Fook, age 60, a Malaysian, 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. He is also an Independent Non-Executive Director of SAM Engineering & Equipment (M) Berhad and the Independent Non-Executive Chairman of Pesona Metro Holdings Berhad.

BOARD OF
DIRECTORS
continued

Mohd Nasser A M Al-Humaidi

Non-Independent
Non-Executive Director

Mohd Nasser A M Al-Humaidi, age 43, a Qatari, graduated from the Cairo University in Egypt with a LLB followed by a LLM (Commercial & Maritime Law) from the University of Wales, United Kingdom.

He is currently the Director of the Human Resources Department at Qatar Investment Authority; Secretary to the Board of Qatar Holding and Acting Secretary to the Board of Qatar Investment Authority.

He worked as a lawyer in the Ministry of Justice of the State from 1996 until 2003. Subsequently, in February 2003, he worked as the Public Prosecutor, Attorney-General of the State of Qatar until April 2005.

In May 2000 to January 2002, he was seconded as Legal Advisor of the Supreme Council for Economic Affairs & Investment. From January 2002 to January 2009, he was seconded as Legal Advisor of Qatar Investment Authority.

He was appointed to the Board of the Manager on 2 August 2012. He has no other directorship in other Malaysian public companies.

Saif Mohd A M Al-Madfaa

Non-Independent
Non-Executive Director

Saif Mohd A M Al-Madfaa, age 41, a Qatari, graduated with Bachelors of Commerce from Cairo University.

He is currently the Director-Internal Audit of Qatar Investment Authority. He has professional experience of 15 years within government and semi-government organisation at various leading positions including internal audit, regulatory audits, finance and employee affairs.

He was appointed to the Board of the Manager on 1 November 2012 with no other directorship in Malaysian public companies.

Navid Chamdia

Non-Independent
Non-Executive Director

Navid Chamdia, age 42, a 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 Qatar Holdings LLC, 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 Qatar Investment Authority.

Prior to joining Qatar Holdings LLC and Qatar Investment Authority 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 with no other directorship in Malaysian public companies.

Ooi Ah Heong

Non-Independent
Non-Executive Director

Ooi Ah Heong, aged 63, a Malaysian, graduated from the University of Singapore in 1976.

He has over 38 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 Nomination Committee. He has no directorship in other Malaysian public companies.

BOARD OF
DIRECTORS
continued

Dato' Mohzani bin Abdul Wahab

Independent Non-Executive Director

Dato' Mohzani bin Abdul Wahab, age 61, a Malaysian, 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.

Since his retirement at the end of 2009, he has been appointed to the board of TH Heavy Engineering Berhad as a Non-Independent and Non-Executive Director and assumed the role as Chairman of TH Alam Management Sdn Bhd and TH Marine Sdn Bhd. He served as an Independent Director of EON Bank Bhd including EONCAP Islamic Bank until its merger with Hong Leong Bank Bhd. In November 2011 he was appointed as Independent Director of Hong Leong Investment Bank Bhd. He resigned from the board of TH Heavy Engineering Berhad on 18 October 2012.

Previously, he sat as director of the Petroleum Industry of Malaysia Mutual Aid Group. He is currently a member of the Investment Panel of Lembaga Tabung Haji. He is an Independent Non-Executive Director of Celcom Axiata Berhad and Senior Independent Non-Executive Director of Boustead Plantations Berhad. He is also a Non-Independent Non-Executive Director of Merchantrade Asia Sdn Bhd.

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 Nomination Committee.

Dato' Maznah binti Abdul Jalil

Independent Non-Executive Director

Dato' Maznah binti Abdul Jalil, age 61, a Malaysian, graduated with a Bachelor and Masters Degree in Business Administration (Finance) from Northern Illinois University and Central Michigan University, respectively.

Currently, she is the Executive Director and Chief Financial Officer of Sona Petroleum Berhad. She is also a Non-Executive Director of Prestariang Berhad, a Director of Universiti Teknologi Mara (Uitm) and the Chairman of SCS Global Advisory Sdn Bhd.

She joined Master-Carriage (Malaysia) Sdn Bhd as Director of Corporate Affairs in 1992. Prior to that, she was with Amanah Merchant Bank Bhd, in Corporate Finance and Advisory for 13 years. In 1997 she was appointed as Vice President of Hicom Holdings Berhad. 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 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 as well as on the board of UOB Bank Berhad. 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 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 Nomination Committee.

BOARD OF
DIRECTORS
continued

Dato' Choo Chuo Siong

Independent Non-Executive Director

Dato' Choo Chuo Siong, age 50, a citizen of Malaysia, graduated from the prestigious 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 and as the non-executive director and chairman of the Board of United Pacific Industries Limited, a company listed on the Primary Board of Hong Kong Exchange (stock code: 176) since September 2014.

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 Nomination Committee. He also holds directorship in Xiao En Memorial Park Bhd (formerly known as Nilai Memorial Park (NS) Bhd) and Memorial Venture Berhad.

**Syed Mohd Fareed bin
Shaikh Alhabshi**

Independent Non-Executive Director

Syed Mohd Fareed bin Shaikh Alhabshi, age 60, is a Malaysian.

He is currently the Business Development Director in Dragoni International LLC, an interior contracting company, where he holds 20% equity interest.

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 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. He was appointed as the Advisor (Middle East) to the Albukhary Foundation in 2000. He is also a Representative of the Middle East to the East Coast Economic Region Development Council since August 2010.

He was appointed to the Board of the Manager on 29 July 2011. He is also a director with National Gas Berhad.

MANAGEMENT TEAM

Philip Ho Yew Hong

Chief Executive Officer

Philip Ho, aged 49, a Malaysian, 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 26 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, nor does he have any conviction for offences within the past 10 years 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.

Joyce Yap Soh Ching

Asset Manager (Retail)

She holds a Bachelor of Arts (Hons) in Business Studies from North East London Polytechnic, London and a Certificate in Centre Management from PPKM.

During her 32 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.

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 is also currently the Chairman of BBKLCC Tourism Association.

Lovell Ho Wai Hoong

Asset Manager (Leasing)

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 21 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 and was subsequently appointed as Director of Leasing in 2010.

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.

MANAGEMENT
TEAM
continued

Kung Suan Ai

Asset Manager (Marketing)

She holds a Bachelor of Arts (Hons) in Communications from Universiti Kebangsaan Malaysia.

She has 18 years of experience in retail and corporate marketing for shopping centres and integrated developments.

She joined KLP in 2008 as General Manager, Marketing before being appointed as Director of Marketing in 2010. She oversees the marketing and concierge services of Pavilion Kuala Lumpur Mall.

Prior to joining KLP, she was the Director of Marketing for the integrated Mid Valley City development in 2008. Starting her career with Sunway Pyramid, she joined Mid Valley Megamall as Advertising and Promotions Manager in 2001 before being promoted to Director of Advertising & Promotions in 2004.

Francis Ong Heng Khai

Asset Manager
(Facilities Management)

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 21 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.

Lim Mian Nyee

Senior Manager (Finance)

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, 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.

Yap Jer Yee

Senior Manager
(Legal and Compliance)

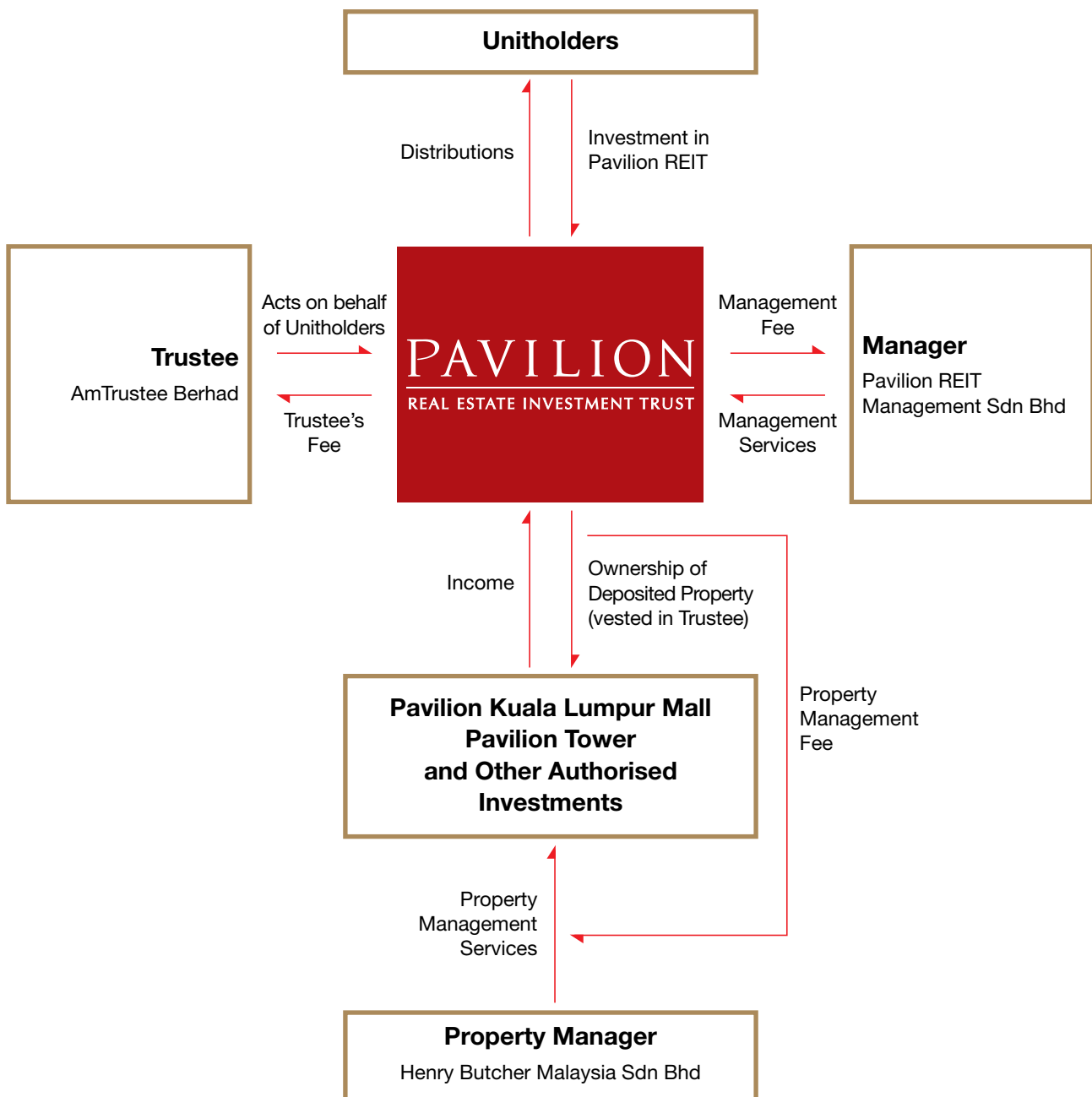
She holds a Bachelor of Laws from Monash University, Australia.

Prior to joining Pavilion REIT Management Sdn Bhd, she was the Legal Adviser of United Overseas Bank (Malaysia) Bhd. She held an advisory role in the bank with main responsibilities including drafting and reviewing company contracts. She started her career as an Advocate and Solicitor of the High Court of Malaya and subsequently acquired legal experience in commercial, banking and conveyancing areas.

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"> • The occurrence of any events listed under Clause 26.2 of the Deed • 999 years falling on 17 October 3010 • the date on which Pavilion REIT is terminated by the Manager under Clause 26.1(b) of the Deed
Approved Fund Size	3,100,000,000 Units
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 2014 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	At least once every three years by an independent registered valuer
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
Initial Public Offering Price per Unit	<ul style="list-style-type: none"> • Retail – RM0.88 • Institution – RM0.90
Stock Name	PAVREIT
Stock Code	5212

PAVILION REIT STRUCTURE





MANAGER'S REPORT

The Manager is pleased to submit their report and audited financial statements to unitholders of Pavilion REIT for the year ended 31 December 2014.

MESSAGE FROM THE CEO

The Manager recommends a final distribution of **4.12 sen** per Unit resulting in total annual payment of **7.96 sen** per Unit, representing an increase over the previous year of **8.2%**.



As the Manager of Pavilion REIT, we are pleased to share with you the performance of the Fund for the financial year ended 31 December 2014.

FINANCIAL PERFORMANCE

The gross revenue for the year increased 7.1% from RM375.5 million to RM402.1 million resulting in its net property income increasing by RM19.6 million or 7.5% from RM263.1 million to RM282.7 million.

The Fund's assets valuation increased from RM4.1 billion to RM4.4 billion, representing an increase of 7.3%. Borrowings remain relatively the same at RM707.5 million. However, the debt to total assets ratio improved to 15.2% due to the increase in valuation of the Fund's properties.

As the Fund has performed much better during the year, the Manager recommends a final distribution of 4.12 sen per Unit resulting in total annual payment of 7.96 sen per Unit, representing an increase over the previous year of 8.2%.

ASSET ENHANCEMENT INITIATIVES

During the year, the Manager has completed all the proposed enhancements exercises as stated in the previous year's annual report.

For 2015, the Manager proposes to carry out the following asset upgrading exercises :-

- Renovate the balance of toilets in the mall
- Renovate part of the floor space at Level 1, around the Gourmet Emporium area.
- Upgrade the air condition system in the mall to ensure more efficiency in the power consumption and distribution of airflow.

With the completion of the mass rapid transit tunnelling along Jalan Bukit Bintang during the year, we will continue to monitor the construction of the mass rapid transit station below Jalan Bukit Bintang and Jalan Sultan Ismail that resulted in closure of certain road lanes. With its completion anticipated by

MESSAGE
FROM THE CEO
continued



middle of 2017, we hope that more shoppers will patronize this area for shopping rather than avoid it due to traffic jam.

GOING FORWARD

The year of 2015 will indeed be challenging with the drop in crude oil prices, the weakening of Malaysian Ringgit, together with the introduction of GST for the first time in Malaysia. The combination of all this news with the potential increase in price of consumer products will dampen the consumer spending.

We anticipate that consumer spending will increase during the 1st quarter, followed by two quarters of retraction with the 4th quarter of the year showing growth sign again. Overall we are confident that the consumer market will still show a positive growth for 2015.

We will work towards improving the performance of the Fund and also seek investment opportunities to ensure the best return possible for unitholders during the year.

PHILIP HO YEW HONG
Chief Executive Officer

15 January 2015

FINANCIAL HIGHLIGHTS

Financial Results and Key Performance Indicators	FP 2011	FY 2012	FY 2013	FY 2014	Change (%)
					FY 2014 vs FY 2013
Gross Revenue (RM'000)	22,539	346,524	375,509	402,092	7.08%
Net Property Income ("NPI") (RM'000)	16,259	245,289	263,125	282,739	7.45%
Distributable Income (RM'000)	13,140	206,553	221,315	239,928	8.41%
Earnings per Unit (sen)	0.41	20.99	10.88	16.94	55.70%
Distribution per Unit (DPU) (sen)	0.44	6.87	7.36	7.96	8.15%
Distribution Yield (%) :-					
– based on retail IPO price of RM0.88	7.30 ^	7.81	8.36	9.05	8.25%
– based on market price as at 31 December	5.89 ^	4.94	5.75	5.45	(5.22)%
Management Expense Ratio ("MER") (%)	0.06	0.68	0.67	0.66	1.49%
Investment Properties (RM'000)	3,561,000	4,012,000	4,133,000	4,433,000	7.26%
Total Asset Value ("TAV") (RM'000)	3,681,088	4,221,355	4,355,353	4,649,931	6.76%
Net Asset Value ("NAV") (RM'000)	2,867,978	3,297,110	3,522,516	3,811,016	8.19%
NAV per Unit (RM)	0.96	1.10	1.17	1.26	7.69%
Gearing Ratio (%)	19.14	16.71	16.22	15.22	6.17%
Portfolio Turnover Ratio (times)	0.00	0.00	0.00	0.00	–

^ annualised based on distribution per unit of 6.42 sen as the Fund was listed on 7 December 2011

GROSS REVENUE AND NET PROPERTY INCOME

By Segment	Gross Revenue				Net Property Income			
	FY 2013		FY 2014		FY 2013		FY 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Retail	363,320	96.75	391,293	97.31	254,982	96.91	276,829	97.91
Office	12,189	3.25	10,799	2.69	8,143	3.09	5,910	2.09
Total	375,509	100.00	402,092	100.00	263,125	100.00	282,739	100.00

FINANCIAL HIGHLIGHTS

continued

Gross revenue achieved in 2014 is RM402.1 million or 7.1% higher when compare to the immediate preceding year mainly due to achievement of 9% rental reversion and increase in service charge from May 2014. Pavilion Tower office's revenue is 11.4% lower due to vacancies available as a single anchor tenant did not renew its tenancy.

This resulted in NPI increasing to RM282.7 million or 7.5% higher as compared the immediate preceding year despite incurring additional property operating expenses due to incurrence of repairs and preventive maintenance work, cost incurred for marketing events, maintenance cost to some advertising sites and increased in assessment charges.

Retail property continues to contribute approximately 97% of Pavilion REIT's total portfolio in terms of gross revenue and net property income. Overall, Pavilion REIT portfolio achieved NPI margin of 70% with retail and office achieving a NPI margin of 71% and 55% respectively.

DISTRIBUTION PER UNIT ("DPU")

Total DPU for 2014 increased to 7.96 sen from 2013 DPU of 7.36 sen. This represents 0.60 sen or 8.2% higher than 2013 DPU, despite the addition of Units in circulation increasing from 3,009,684,199 Units (as at the beginning of the year) to 3,013,819,536 Units as at 31 December 2014.

3.84 sen, earned for 1st and 2nd quarter of 2014 was paid on 25 August 2014 with the final distribution of 4.12 sen earned in 3rd and 4th quarter 2014, to be paid on 27 February 2015.

CAPITAL MANAGEMENT

Pavilion REIT's gearing is 15.2%, which is much below the market norm of approximately 30% to 40% or REIT Guidelines of up to the permitted 50% of Total Asset Value. Effective Pavilion REIT's 1st anniversary, its syndication of lenders had approved for part of revolving term loan facility amounting to RM705.9 million to be at a fixed interest rate of 4.2% per annum for the first 3 years. Currently, this portion represents 99.5% of total outstanding term loan.

In view of the increasing funding cost, the Manager will continue to source and evaluate viable financing options, including medium term notes programme, to have additional facility ready for future acquisitions or to re-finance the revolving term loan facility when due in the future.

INVESTMENT PROPERTIES AND VALUATION

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

The Manager has been actively pursuing and evaluating acquisition opportunities. However, no suitable asset has been identified as yet.

During the period under review, besides continuous upgrading of some of its toilets and its common corridor, the Manager had also enhanced Pavilion Kuala Lumpur mall by creating additional net lettable areas to cater for more brands and latest flagship stores in Malaysia, revamping tenant mix by relocation of its 7th Heaven tenants to Beauty Precinct at Centre Court to give them more visibility. Thereafter, the 7th Heaven precinct has been reconfigured and renamed Dining Loft to cater for more food and beverages options. Operational efficiency needs were also progressively being addressed by installation of car park guidance system to enable car drivers locate available parking spaces easily as well as continuous audit of its air conditioning / mechanical equipments to identify areas of inefficiency and to reduce energy usage.

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 re-valuation resulted in gain of RM278.1 million.

FINANCIAL
HIGHLIGHTS
continued

Property	Acquisition Price RM'000	Market Value @ 31 Dec 2013 RM'000	Enhancement RM'000	Market Value @ 31 Dec 2014 RM'000	Fair Value Adjustments RM'000
Pavilion Kuala Lumpur	3,190,300	4,000,000	21,888	4,300,000	278,112
Pavilion Tower	123,500	133,000	–	133,000	–
	3,313,800	4,133,000	21,888	4,433,000	278,112

MARKET REVIEW

2015 is expected to be challenging for the retail sector due to weak consumer sentiment from impending GST implementation, weakening of Ringgit Malaysia and inflationary pressures. With cheaper Ringgit Malaysia, it targeted that Malaysia would be able to attract more tourist arrivals that would translate to spending. Hencewith, other than continuous management of Pavilion REIT's operational cost via more efficient management, focus will also be to engage with all stakeholders with strategy of innovation and rejuvenation for the delivery of high impact and high publicity campaigns to draw shoppers to the retail mall.

Continuous efforts will also be employed to fill up the office space vacancies, although there are many options available to potential tenants with newer buildings in the market and attractive lower rent to attract occupants.

TOP 10 TENANTS

Pavilion REIT has a total combined tenancies list from the retail and office of 639 tenancies. Its ten largest tenants contributed to 17.8% of gross rental income as at 31 December 2014.

Tenant's Name	Trade Sector	Expiry Period
Apex Excellent Sdn Bhd	Food and Beverage	2016 Q3
Coach Malaysia Sdn Bhd	Fashion	2015 Q3
DNP Clothing Sdn Bhd	Fashion	2016 Q3
Gagan (Malaysia) Sdn Bhd	Fashion	2016 Q3
Golden Screen Cinemas Sdn Bhd	Urban Leisure	2016 Q4
Hermes Retail (Malaysia) Sdn Bhd	Fashion	2016 Q4
Padini Dot Com Sdn Bhd	Fashion	2016 Q3
Parkson Corporation Sdn Bhd	Fashion	2016 Q3
Royal Selangor Marketing Sdn Bhd	Gift and Souvenir	2016 Q3
Sharaf Fashion Retail Sdn Bhd	Fashion	2016 Q3

LEASE EXPIRY PROFILE

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 1.64 years against 2013 of 1.93 years whereby a substantial portion of retail property tenants would be due for renewal in 2016, with WALE for retail and office being 1.63 and 1.67 years respectively.

PORTFOLIO DETAILS

PORTFOLIO SUMMARY

Appraised Value as at 31 December 2014	RM 4,433 million
Net Lettable Area	1,497,689 square feet

(A) RETAIL

PAVILION KUALA LUMPUR MALL

Address	168 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	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
Year of Completion	2007
Age of Building	7 years
Title	Master Title No. Pajakan Negeri 50125, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan
Encumbrances	Private caveats have been lodged in favour of AmTrustee Berhad and Alliance Investment Bank Berhad
Tenure	99-year lease expiring on 26 October 2109
Gross Floor Area	2,250,684 square feet
Net Lettable Area	1,332,618 square feet
Number of Car Park Bays	2,473
Occupancy Rate as at 31 December 2014	98.1%
Date of Acquisition	7 December 2011
Acquisition Price	RM3,190 million
Appraised Value	RM4,300 million
Date of Latest Valuation	31 December 2014
Independent Valuer	Knight Frank Malaysia Sdn Bhd

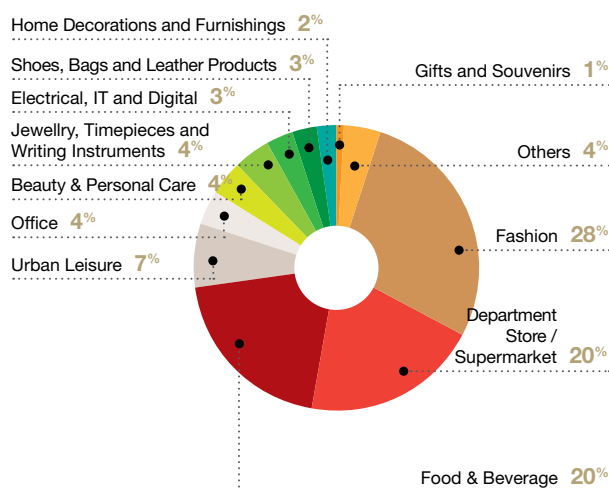
TENANCY EXPIRY PROFILE

Period	% of Occupied NLA	% of Gross Rental
Monthly	3	1
FY2015	15	19
FY2016	67	64
FY2017 and thereafter	15	16
Total	100	100

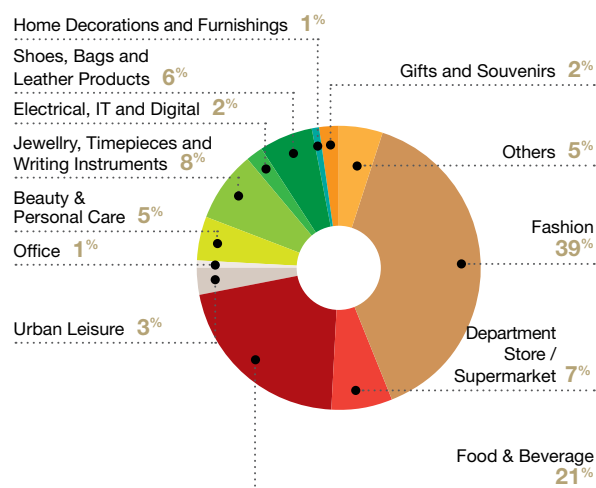
PORTFOLIO
DETAILS
continued

TRADE SECTOR ANALYSIS

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



(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	7 years
Title	Master Title No. Pajakan Negeri 50125, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan
Encumbrances	Private caveats have been lodged in favour of AmTrustee 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	165,071 square feet
Occupancy Rate as at 31 December 2014	80.5%
Date of Acquisition	7 December 2011
Acquisition Price	RM123 million
Appraised Value	RM133 million
Date of Latest Valuation	31 December 2014
Independent Valuer	Knight Frank Malaysia Sdn Bhd

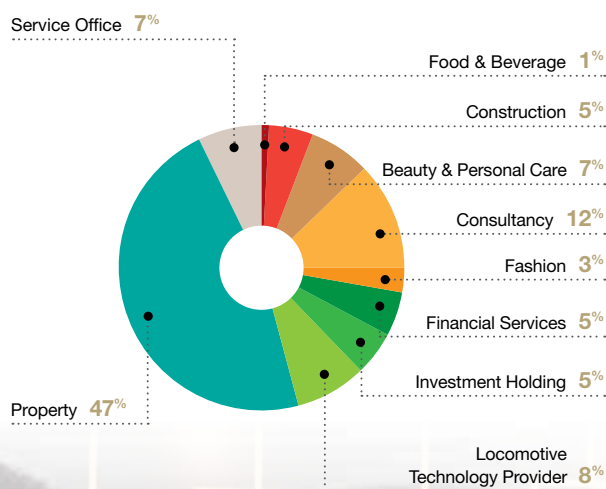
PORTFOLIO DETAILS continued

TENANCY EXPIRY PROFILE

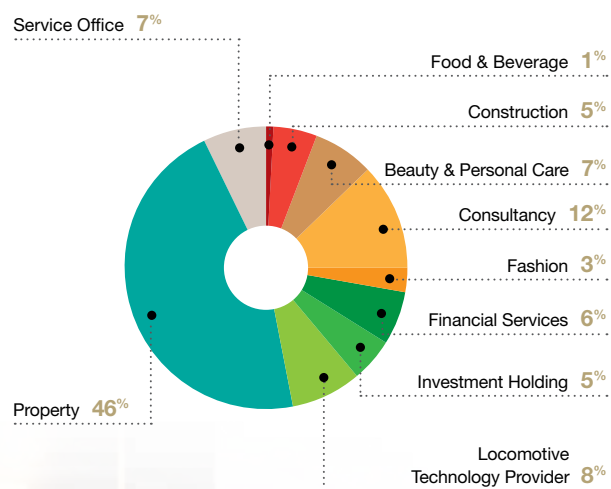
Period	% of Occupied NLA	% of Gross Rental
FY2015	22	23
FY2016	47	46
FY2017 and thereafter	31	31
Total	100	100

TRADE SECTOR ANALYSIS

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



ASSET ENHANCEMENT EXERCISE

During the year under review, some of its tenants continued to enhance / refurbish their retail outlets. Pavilion continued with its on-going exercise to maintain its image by upgrading its common area such as some of its toilets and upgrading mechanical and electrical system to enhance operational efficiency.

Green initiatives undertaken are as listed below:-

- Installation of Car Parking Guidance System to reduce carbon monoxide emission from vehicle as well as to reduce fuel wastage in looking for parking space
- Replacement of water basin taps, WC flushing, soap and paper dispenser from manual to sensor in toilets to reduce wastages
- Conduct air-conditioning system audit to identify areas of improvement to reduce energy costs

The following asset enhancement initiatives were concluded during the year:-

- ❖ Relocation of Beauty Precinct, from Level 7 above Connection to Level 7 at Centre Court. The new space was previously occupied by a single tenant, operating as a property gallery
- ❖ Extension and reconfiguration of part of Level 2 on Jalan Raja Chulan to cater for additional luxury designer labels such as Tory Burch, MCM, Loewe, Moschino and Davidoff
- ❖ Creation of additional space at Level 2M to cater for service retail precinct that offers services for convenience of shoppers and residents within the vicinity, such as Watch Clinic, Premium Luggage Repair Centre and High Tech Zone
- ❖ Conversion of beauty precinct to food and beverage outlets, known as Dining Loft, which offers diverse cuisines from American custom built burger to Chinese cuisine and Japanese charcoal grill
- ❖ For 2015, the Manager will continue to upgrade the balance of the toilets (in line with some that have been upgraded) as well as improving the air condition system for better operating efficiency



HIGHLIGHTS OF THE YEAR



EVENTS

Chinese New Year '688 Trail of Fortune' which featured 688 unique paper-marche horses, decorative lights and lanterns reinforcing the mall's positioning as a must-visit attraction for the Chinese New Year. The festival ended on Chap Goh Meh with a charity celebration event which saw all 688 Horses of Fortune being adopted for a good cause.

Pavilion PitStop #Stylestory, a signature event for fashion and F1 enthusiasts during the Malaysian F1 Grand Prix in April 2014. The one-week lifestyle event saw the latest in runway collections, celebrities in-mall and F1 drivers appearances.

KL Fashion Week Ready to Wear 2014, continued in June 2014 to reinforce Pavilion KL's positioning as the defining authority in fashion. New Malaysian designers, fashion bloggers and enthusiasts crowded the mall daily for special shows, seminars and exhibitions.

"Weaving Tradisi Raya", showcased the heritage of songket infused with the royal art paintings by renowned Malaysian artist Ken Yang. This collaboration shows the commitment of Pavilion KL as a promotional centre of arts and culture.

"60 Years of Made in Italy", the first of its kind fashion exhibition in Asia was curated with 30 treasured pieces from exclusive Italian brands worn by movie stars and

celebrities. Fashion icon Anna Fendi graced the event along with featured exhibitions from Gucci, Bulgari, Etro, Moschino with in-store previews by Fendi, Prada, Bottega, making the mall a hub for everything fashionable.

Deepavali's "Walk of Splendour", a collaboration with Raffles College of Arts showcasing a walk of 14 kolams from the Pavilion Crystal Fountain leading to a magnificent Kolam at the mall entrance.

"Christmas Magnificence" featured the grandest of decorations with moving and singing figurines, a 40-foot Santa tree and a magical light show, cementing the mall's positioning as the top mall for Christmas ambience and events.

AWARDS

"Platinum – Best Shopping Mall" – Kuala Lumpur Mayor's Tourism Awards 2014.

"Social Media Excellence – Popular Shopping Mall" – World Bloggers and Social Media Awards 2014.

"Gold Award for Marketing Excellence '688 Trail of Fortune'" – International Council of Shopping Centre (ICSC) Asia Pacific Shopping Centre Awards 2014.

CORPORATE SOCIAL RESPONSIBILITY

As shopping malls evolve in its function, the role of Pavilion KL as a hub for CSR activities is gaining momentum over the years. Festival celebrations are key attractions and the mall leveraged on the good crowd to raise funds for charity and needy organisations. Support for performing arts, dance, culture and traditions continued in 2014 with more community events. The mall's prompt response to disasters and relief efforts have prompted more communities to collaborate with Pavilion KL, thus positioning the mall as a caring organisation.



Chinese New Year fund raising for Old Folks Homes nationwide and other needy organizations through the sale of 688 Horses of Fortune started from 9 January 2014.

In celebration of **International Women's Day** on 8 March 2014, Pavilion KL supported the Women: Girls charity organization's project of 'Ikalmayang' by setting up an audio podcast station where the public could listen to amazing women's life stories. Celebrities like Sharifah Amani, Carmen Soo, Sofia Jane also attended the launch of the initiative where they shared their stories in a bid to heighten awareness on equality empowerment and women's rights.

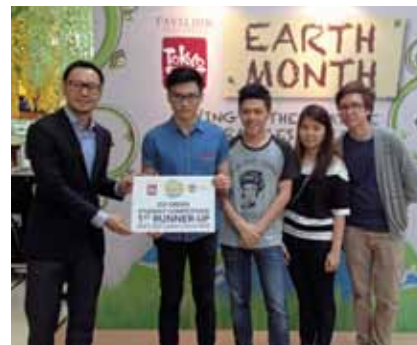
In support of **Earth Hour**, Pavilion KL initiated 'lights-off' on 29 March 2014, where the mall's non-essential lights were switched off for one hour to position the mall as a global partner on environment awareness.

Aveda Walk for Water Charity Event was an initiative to support Eco Knight's H2O Project. The event took place on 27 April 2014 and saw over 500 participants including Pavilion Junior members, took part in the Charity Walk held in Pavilion KL. All proceeds from the walk went to the Eco Knight's H2O Project to offer safe drinking water to those in Mantanani, Sabah.

"Keep Green & Recycle" was a campaign by Tokyo Street to celebrate Earth Month in June 2014. The campaign was done in collaboration with Raffles College where the students submitted art pieces made from recycling materials, to enter into a competition.

During the **Hari Raya celebration** of Weaving Tradisi Raya, Pavilion KL donated funds to Muslim orphanages on 22 July 2014 in the spirit of giving.

CORPORATE SOCIAL RESPONSIBILITY continued



Kakiseni International Art Festival dedicated the Lima Puluh Tujuh #MY57 project to celebrate 2014's Merdeka Day. Malaysians were encouraged to share their Malaysian stories to commemorate Malaysia's 57 years, through social media with #MY57, from 31 August to 16 September 2014.

International Peace Day was celebrated on 19 September 2014 where Pavilion KL supported Bodyshop in their campaign to spread messages of peace. Giant pinwheels were placed around the fountain to symbolize the gesture. Over 200 people including the media, attended the event.

The Pavilion KL team participated in the **KL Rat Race** on 23 September 2014. The initiatives behind the race were to raise funds for education, training programmes and promotion of financial literacy among disadvantaged children.

In association with October being the **Breast Cancer Awareness month**, Pavilion Kuala Lumpur supported Royal Selangor in their Pink Affair Event which took place on 4 October 2014. Shoppers were encouraged to take a photo with the Royal Selangor backdrop, and with every photo taken, RM20 will be donated to the Breast Cancer Welfare Association (BCWA). The event also had a truck parked in front of Pavilion KL where shoppers can hop on for an immediate breast cancer scan, free of charge.

The Pavilion KL team took part in **the Bursa Bull Charge Run** on 21 October 2014 in a bid to raise funds to support entrepreneurship growth in the community.

Fundraising efforts for Orphanages during **Christmas** was conducted through the Christmas charity with Santa programme where collection was done through photo-taking sessions with Santa Claus. The initiative was carried through the months of November and December 2014.

CSR initiatives for the **East Coast Flood Relief Fund** included a corporate donation to Mercy Malaysia and Malaysian Red Crescent Society, Christmas charity performances and a charity bazaar. The initiative started in 31 December 2014 and will last through January 2015.

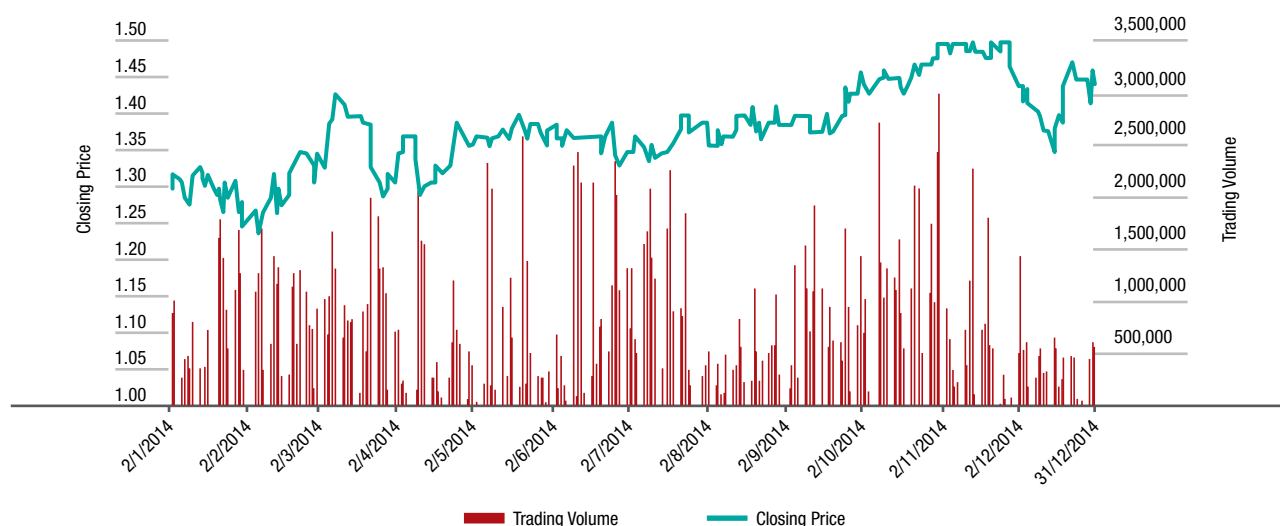
INVESTORS RELATION AND FUND PERFORMANCE

The Manager's management team continuously met analysts, fund managers and investors, besides attending investors' roadshows and seminars during the year to promote Pavilion REIT. Some of the roadshows attended by the team are:

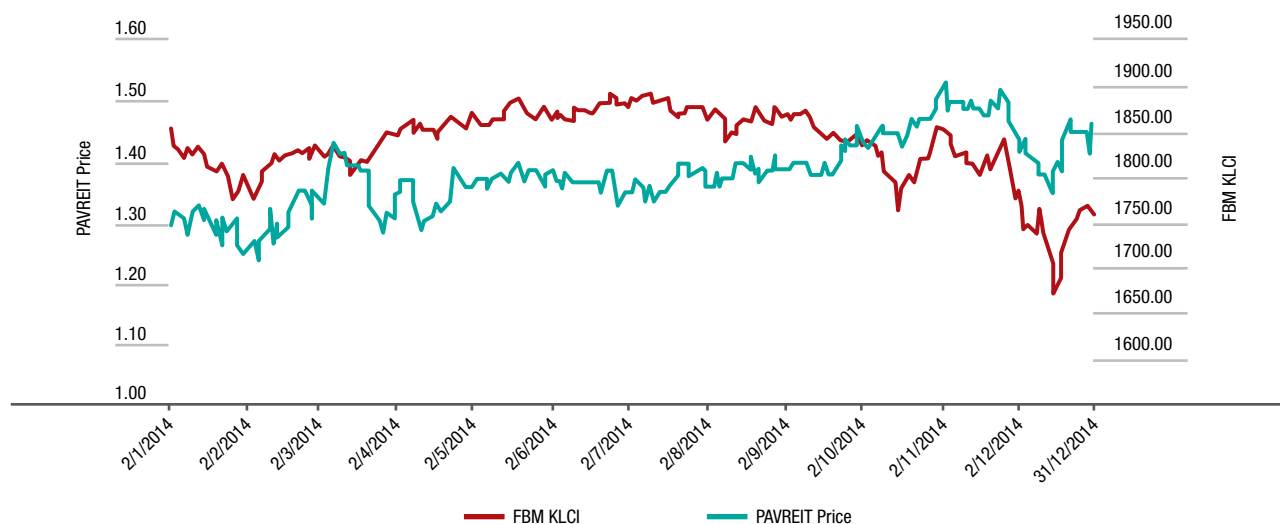
- › Half yearly analyst briefing
- › Affin's Investment Conference 2014
- › Citigroup Asean Conference, Singapore
- › Citigroup Asia Pacific Conference, Hong Kong
- › Bursa Malaysia – In the Spotlight

Pavilion REIT's annual general meeting was held on 20 March 2014 whereby its unitholders were updated on the performance of Pavilion REIT for the financial year ended 31 December 2013.

PAVILION REIT'S MONTHLY TRADING PERFORMANCE



PAVILION REIT'S UNIT PRICE PERFORMANCE AGAINST FBM KLCI



INVESTORS RELATION AND
FUND PERFORMANCE
continued

Trading Summary	FP 2011	FY 2012	FY 2013	FY 2014
Net Asset Value per Unit (RM)				
– As at 31 December	0.96	1.10	1.17	1.26
– Lowest during the year	0.00	0.95	1.12	1.15
– Highest during the year	0.96	1.10	1.17	1.26
Closing unit price (RM) as at 31 December	1.09	1.39	1.28	1.46
Highest traded price during the period / year (RM)	1.10	1.47	1.67	1.53
Lowest traded price during the period / year (RM)	0.98	1.04	1.20	1.23
Capital appreciation / (depreciation) (%) ¹	23.86	27.52	(7.91)	14.06
Annual total return (%) ²	29.75	32.46	(2.16)	19.51
Average total return over 3 years (%)	–	–	20.02	16.60
Units in circulation ('000)	3,000,000	3,004,115	3,009,684	3,013,819
Market capitalisation (RM'000)	3,270,000	4,175,719	3,852,396	4,400,177

¹ Capital appreciation is calculated based on the difference between opening and closing price for the relevant financial year. For FP 2011, it is the difference between retail IPO price and its closing price.

² Annual total return refers to total of capital appreciation and distribution yield.



CORPORATE GOVERNANCE STATEMENT

Pavilion REIT Management Sdn Bhd, the Manager of Pavilion Real Estate Investment Trust, was set-up to manage and administer Pavilion REIT. The Manager shall, subject to the provisions of the Deed, carry out all activities, as it may deem necessary for the management of Pavilion REIT and its business.

Objective

The Manager shall, in managing Pavilion REIT, undertake primary management activities in relation to Pavilion REIT, including but not limited to overall strategy, risk management strategy, new acquisition and disposal analysis, marketing and communications, individual asset performance and business planning, market performance analysis and other activities as provided under the Deed with proper, diligent and efficient manner with acceptable and efficacious business practices in the real estate investment industry.

Board Guidelines and Responsibilities

The Board members, with their wide, varied range of expertise, skills and experiences have adopted the primary responsibilities as listed in the REIT Guidelines and good corporate governance, all of which is to steward Pavilion REIT's business and facilitate the discharge of the Manager's responsibilities with a view to enhance unitholders value and interest and maintaining high standards of transparency, accountability and integrity. The Board Charter was formally approved and adopted by the Board on 1 November 2012.

The Board meets at least once every quarter and focuses on principal matters such as strategic issues and planning, including performance reviews and promoting business sustainability, setting the risk appetite, acquisitions and disposals, financial performance and advocating ethical standards through a code of conduct.

Notices, agenda and meeting papers are circulated to directors in a timely manner to ensure that the directors have sufficient time to review the matters under consideration. All members of the Board have access to the advice and services of Company Secretary and are entitled to obtain independent professional advice in discharging their duties.

Members of Board consists of twelve members, of which three are non-independent executive directors, five non-independent non-executive directors and four independent non-executive directors.

Although the Chairman is an executive director with only one third of its Board being independent non-executive directors, the Board believes that the Chairman, who has significant interest in Pavilion REIT will act in the best interest of Pavilion REIT unitholders. All other recommended best practices proposed by Code of Corporate Governance 2012 have been adopted.

The Chairman carries out a leadership role in the conduct of the Board and is primarily responsible for ensuring the adequacy and integrity of the governance process besides guiding and mediating the Board's action and maintaining regular dialogues with the CEO.

The CEO, whose position is held separately by a different person, is responsible to ensure the effective implementation of strategic plan and policies established by the Board to manage the daily conduct of its business to ensure the smooth operations, supervision and management of Pavilion REIT.

Guidelines for Related Party Transaction and Conflict of Interest

Any director that has any interest, whether directly or indirectly, in a contract or proposed contract would have to declare his / her interest and not participate in deliberations and shall abstain from casting his / her votes in any matter arising therefrom. Should there be an actual, potential or perceived conflict of interest or a related corporate and a director, or an associate of a director as a spouse or other family members, the director involved shall make full disclosure and act honestly in the best interest of Pavilion REIT. Directors shall devote sufficient time to carry out their responsibilities. The Board will obtain this commitment from its members at the time of appointment. Directors shall notify the Chairman before accepting any new directorships and the notification shall provide for an indication of time that will be spent on the new appointment.

The Manager has established internal control procedures to ensure that related party transactions are undertaken in compliance with Securities Commission REIT Guidelines, the Trust Deed and the Main Market Listing Requirements. Any related party transactions are to be established under normal commercial terms that are no less favourable than those arranged with independent parties.

CORPORATE
GOVERNANCE STATEMENT
continued

In respect of non-real estate related party transactions, the Manager has adopted the following parameter.

- 1) Transactions below the threshold of 0.5% of percentage ratio as stated under Paragraph 10.08(1) of Bursa Malaysia Securities Berhad Listing Requirements, for presentation to the Audit Committee for ratification.
- 2) Transactions above the threshold of 0.5% of percentage ratio which are not related to contract subsisting from immediate preceding year is to be reviewed by the Audit Committee and recommended to the Board for announcement on Bursa Securities Malaysia Berhad with Trustee to be informed immediately with relevant details.

Further to the establishment of Audit Committee on 24 October 2012, a Nomination Committee was formed on 24 April 2013. Please refer to their respective reports enclosed for further details.

Policies and standard operating procedures for level of authority for transactions, maintenance and operations of Pavilion REIT's properties as well as acquisitions and divestments of investments procedures are available and will be continuously reviewed, enhanced and updated in line with changes in the operating environment.

The CEO, as the official spokesperson for the Fund, has been actively meeting analysts, fund managers and investors besides attending investors' roadshows and seminars. Besides timely announcements and disclosures to Bursa Securities, its website, www.pavilion-reit.com is also regularly being updated. Please refer to Investors Relation and Fund Performance section for details of roadshows or seminars attended.

Board Meetings

The Board met four times during the financial year ended 31 December 2014 with details of attendance as stated below:

Name of Directors	Designation	Number of meetings attended
Tan Sri Lim Siew Choon	Chairman and Non-Independent Executive Director	4/4
Omer Abdulaziz H A Al-Marwani	Deputy Chairman and Non-Independent Non-Executive Director	3/4
Puan Sri Tan Kewi Yong	Non-Independent Executive Director	4/4
Dato' Lee Tuck Fook	Non-Independent Executive Director	4/4
Mohd Nasser A M Al-Humaidi	Non-Independent Non-Executive Director	3/4
Saif Mohd A M Al-Madfaa	Non-Independent Non-Executive Director	3/4
Navid Chamdia	Non-Independent Non-Executive Director	4/4
Ooi Ah Heong	Non-Independent Non-Executive Director	4/4
Dato' Mohzani bin Abdul Wahab	Independent Non-Executive Director	4/4
Dato' Maznah binti Abdul Jalil	Independent Non-Executive Director	4/4
Dato' Choo Chuo Siong	Independent Non-Executive Director	4/4
Syed Mohd Fareed bin Shaikh Alhabshi	Independent Non-Executive Director	4/4

CORPORATE
GOVERNANCE STATEMENT
continued

Directors' training

During the financial year under review, the Directors had attended various conferences and programmes to enhance their knowledge and expertise as well as to keep abreast with the relevant changes in law, regulations and business environment.

Training programmes, seminar and conferences attended by the Directors during the financial year were:

- Board of Directors Breakfast Series - Great Companies Deserve Great Boards
- Bond Markets : Application to Investors Protection, Financing Growth and Solution, Funding Strategy & Trends in Asia High Yield
- Good and Services Tax (GST), 2014 Budget and its Impact on Capital Market
- Nominating and Remuneration Committees – What Every Director Should Know
- Nominating Committee Programme 2 : Effective Board Evaluations
- Portfolio Management : Designing an Equity Strategy

Directors Remuneration

The remuneration or fees due to its Directors are paid by the Manager and not Pavilion REIT.

Dealings with Conflict of Interest / Related Party Transactions

Should there be any actual, potential or perceived conflict of interest or related party transaction, the relevant party / director involved shall make full disclosure and act honestly and shall not participate in deliberations and shall abstain from casting his or her vote.

The Audit Committee is responsible to review any related party transactions or conflict of interest situations and the Manager will ensure compliance with the Deed and any other regulatory guidelines.

Communication with Unitholders and Investors

Information for unitholders and investors are readily available via the various disclosures and announcements on Bursa Securities, its annual report and the corporate website, www.pavilion-reit.com.

The CEO also regularly meets with analyst and fund managers to provide them with updates or upon request.

Conflict of Interest Statement

None of the Directors have any conflict of interest with Pavilion REIT, save for the interest as disclosed in the notes to the financial statements.

Conviction of Offences

None of the Directors have any conviction for offences within the past ten (10) years other than traffic offences, if any.

Family Relationship with any Directors and / or Major Unitholder

Save as disclosed in the Board of Directors, none of the other Directors have any family relationship with any Director of the Manager and/or major unitholder of Pavilion REIT.

NOMINATION COMMITTEE REPORT

The Board has established a Nomination Committee on 24 April 2013. The Nomination Committee members comprising exclusively of Non-Executive Directors with a majority of whom are independent directors are as follows:-

Chairperson: Dato' Maznah binti Abdul Jalil (Independent Non-Executive Director)
 Members: Omer Abdulaziz H A Al-Marwani (Deputy Chairman and Non-Independent Non-Executive Director)
 Dato' Choo Chuo Siong (Independent Non-Executive Director)
 Dato' Mohzani bin Abdul Wahab (Independent Non-Executive Director)
 Ooi Ah Heong (Non-Independent Non-Executive Director)

The main objectives of the Nomination Committee are to identify, nominate and orientate new directors, assess the Board, Board Committees and the existing directors on an on-going basis, review the required mix of skills, experience and other qualities of the Directors to ensure that the Board and Board Committees are functioning effectively and efficiently. In the case of independent directors, they are accessed on their independence and abilities to discharge their responsibilities and functions.

The Board has not specified any gender policies in its evaluation of candidacy as the focus is on skills, experience, competence and integrity. However, the evaluation will be reviewed and revised from time to time to meet the needs of the Company.

During the financial year ended 31 December 2014, the Nomination Committee have carried out the following activities:-

- 1) Assessed the performance of the Board, Board Committees and the retiring Directors
- 2) Reviewed the independence of the retiring Independent Non-Executive Director;
- 3) Reviewed the terms of reference of the Nomination Committee; and
- 4) Recommended to the Board, candidates for re-election of directors by shareholders of the Manager, having given due consideration to their performance, competency and contribution to the Board.

The Nomination Committee is satisfied that the Board and Board Committees have been able to discharge their duties effectively.

Name of Directors	Designation	Number of meetings attended
Dato' Maznah binti Abdul Jalil (Chairperson)	Independent Non-Executive Director	1/1
Omer Abdulaziz H A Al-Marwani	Deputy Chairman and Non-Independent Non-Executive Director	0/1
Dato' Mohzani bin Abdul Wahab	Independent Non-Executive Director	1/1
Dato' Choo Chuo Siong	Independent Non-Executive Director	1/1
Ooi Ah Heong	Non-Independent Non-Executive Director	1/1

AUDIT COMMITTEE REPORT

The Audit Committee, formed on 24 October 2012 comprising of 4 members has been entrusted to assess the risks and control environment, oversee financial reporting, evaluate the internal and external audit process as well as to review conflict of interest situations and related party transactions.

Name of Directors	Designation	Number of meetings attended
Dato' Mohzani bin Abdul Wahab (Chairman)	Independent Non-Executive Director	4/4
Omer Abdulaziz H A Al-Marwani	Deputy Chairman and Non-Independent Non-Executive Director	3/4
Dato' Choo Chuo Siong	Independent Non-Executive Director	4/4
Dato' Maznah binti Abdul Jalil	Independent Non-Executive Director	4/4

Terms of Reference

Composition and Size

The Audit Committee shall be appointed from amongst the Board and shall comprise at least three members, a majority of whom are independent directors. All members of the Audit Committee shall be Non-Executive Directors.

Its members must have the required skills to engage with Management and auditors and be prepared to ask key and probing questions about Pavilion REIT's and the Manager's financial and operational risks, compliance with approved financial reporting standards and other relevant regulatory requirements.

At least one (1) member of the Audit Committee must be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he is not a member of the MIA, he must have at least three (3) years' working experience and
 - i. he must have passed the examination specified in Part 1 of the First Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one of the associations of accounts specified in Par II of the First Schedule of the Accountants Act 1967; or
- fulfils such other requirements as prescribed or approved by Bursa.

No alternate Director of the Board shall be appointed a member of Audit Committee. In the event of any vacancy with the result that the number of members is reduced to below three, the vacancy must be filled within 3 months.

Meetings

The Audit Committee shall meet at least four (4) times a year, with due notice of issues to be discussed, and shall record its conclusion in discharging its duties and responsibilities. Additional meetings may be called at any time if so requested by any Audit Committee member, management, internal auditor or external auditor. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

All or any members of the Committee may participate in a meeting of the Audit Committee by means of a teleconference or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

AUDIT
COMMITTEE REPORT
continued

Any decision made at meetings shall be by a simple majority. In the event issues requiring the Audit Committee's decision arise between meetings, such issues shall be resolved through circular resolution (limited to non-significant transactions) subsequent to discussions being held amongst the Audit Committee members, either via teleconference, videoconference, email, etc. in order for the Audit Committee as a whole to be appraised on such matters and obtain their view points before arriving at a decision. Such circular resolution in writing shall be valid and effectual if it is signed or approved by letter, telex, facsimile or telegram by all members of the Audit Committee and such discussions, including any concerns raised and the rationale for the decisions so made in the resolution shall be tabled at the immediate Audit Committee meeting for formal record keeping. Any significant transactions should be decided at a physical meeting attended by Audit Committee members.

The external auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee. The external and internal auditors may also request a meeting if they consider it necessary. Other Directors and employees shall attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

Considering the complexity of the issues to be discussed, it is imperative that Audit Committee members be provided with the meeting agenda and relevant papers at least a week in advance of each meeting. This will allow the Audit Committee members to give full consideration to the issues and, where necessary, obtain supplementary facts before the meeting.

Rights

In carrying out its duties and responsibilities, the Audit Committee shall:

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which it needs to perform its duties;
- (c) have full and unrestricted access to any information which it requires in the course of performing its duties;
- (d) have unrestricted access to the CEO and the Finance Director;
- (e) have direct communication channels with the external auditors and internal auditors;
- (f) be able to obtain independent professional or other advice in the performance of its duties at the cost of Pavilion REIT;
- (g) be able to invite outsiders with relevant experience to attend its meetings if necessary; and
- (h) be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other Directors and employee of the Manager, whenever deemed necessary.

Duties and Responsibilities

The duties and responsibilities of Audit Committee shall be as follows:-

- (a) to review the quarterly and annual financial statements, prior to submission to the Board, focusing particularly on:
 - changes in or implementation of accounting policies and practices;
 - major judgmental areas;
 - significant and unusual events;
 - the going concern assumption;
 - compliance with approved financial reporting standards and other legal requirements;
 - compliance with Bursa's Listing Requirements; and
 - compliance with the Securities Commission's Guidelines on Real Estate Investment Trusts
- (b) to assess whether financial statements present a true and fair view of Pavilion REIT's financial position and performance and comply with regulatory requirements;
- (c) to ensure timely submission of financial statements by the Manager;
- (d) to review with the external auditors:
 - their audit plan;
 - evaluation of the system of internal controls and management information systems;
 - problems and reservation arising from their audits; and
 - audit report;

AUDIT
COMMITTEE REPORT
continued

- (e) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (f) to review any management letter sent by the external auditors on Pavilion REIT and the Manager's responses to such letter;
- (g) to assess the adequacy and effectiveness of the systems of internal control and accounting control procedures of Pavilion REIT and the Manager;
- (h) to perform the following in relation to the internal audit function:
 - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- (i) to consider the nomination/ appointment of external auditors, internal auditors, the audit fee and any questions of resignation or dismissal;
- (j) to review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- (k) to review any related party transaction and conflict of interests situations that may arise within the Pavilion REIT and the Manager;
- (l) to verify that the allocation of options pursuant to Employees' Share Option Scheme complies with the criteria of allocation;
- (m) to report to the Board its activities, significant results and findings;
- (n) to seek continuing professional education to keep abreast of developments not only in the area of financial reporting but also in regulatory compliance, technology, business risk and the implications of significant changes that may affect Pavilion REIT

Summary of activities undertaken by Audit Committee during the year under review is as listed below:-

- (a) reviewed the quarterly financial results to recommend to the Board for approval and release to Bursa Securities
- (b) reviewed list of related party transactions
- (c) reviewed the internal control plan and thereafter assessed the internal control review report prepared by the internal auditor
- (d) reviewed audit plan with external auditor and thereafter discussed audit issues that arose from the audit conducted
- (e) reviewed the audit committee report and internal control statement for inclusion into annual report
- (f) evaluated the outsourced internal auditor and recommended for their engagement
- (g) evaluated the external auditor and recommended for their engagement for the following year

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Manager realizes the significance of ensuring a sufficient and effective risk management and internal control system, and has attended to this under the Pavilion REIT Operation Manual approved by the Board. Such process has been in place for the past years under review, including up to the date of approval of this statement for inclusion in the annual report.

There is a policy in place pertaining to the level of authority required for transactions and standard operating procedures pertaining to operations and maintenance of Pavilion REIT's properties as well as acquisitions and divestments of property.

The Audit Committee and Board meet at least once every quarter to review the financial performance of Pavilion REIT against the approved budget. The Board also reviews the business risk of Pavilion REIT, where identified by the CEO, internal auditor and external auditor and acts accordingly, where deemed appropriate. Board's approval is required for any proposed acquisition or disposal of investment property, which would be evaluated from the aspect of economic, environment, financial and risks relevant to the property industry / sector. The CEO meets the management regularly to review, monitor and manage risks identified by the management and thereafter, update the Audit Committee as required.

Standard Operating Procedures for management of Pavilion REIT properties have been adopted, which comprise operational guide, control and monitoring procedures / reports and they are being progressively updated.

BDO Governance Advisory Sdn Bhd ("BDO") has been appointed as internal auditor whereby they had performed internal control review of the following areas:-

- i) Procurement to Payment of Property Operating Expenses and Property Enhancements;
- ii) Tenancy Management to Collection of Rentals;
- iii) Acquisition and Divestment of Investment Properties; and
- iv) Fund Management Activities.

The objectives of the review by BDO for the year covered the followings areas:-

- To review the adequacy and test the integrity of the system of internal controls;
- To access compliance with policies and procedures and recommend business practices;
- To review and identify any potential areas for improvement in the effectiveness and efficiency of the process (if any) and
- Presenting the findings on internal control reviews to the Audit Committee

Recommendations required to expedite the refunds of deposits upon expiration of tenancy and to expedite receipt of top up tenancy deposits will continuously be monitored.

The Board has received assertion from the CEO that the risk management and internal control system is operating adequately and effectively, in all material aspects.

The Board is of the view that the risk management and internal control system in place for the year under review is adequate and effective. Nevertheless, it will always be revised, improved and updated in line with changes in the operating environment.

Presently being established for the Board is Pavilion REIT's official document on governance monitoring and reporting framework which includes whistle blowing policy.

Due to inherent restrictions, the controls which are employed are intended to cope and are not expected to eliminate all risks of failure to achieve business objectives. They can only provide realistic and not total assurance against material misstatement of management and financial information or against financial losses and fraud.

ADDITIONAL INFORMATION

Sanctions and/or penalties

There is no public sanction and/or penalty imposed on Pavilion REIT, the Manager or Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 December 2014

Non-audit fees

The non-audit fees payable to the external auditors of Pavilion REIT for the financial year ended 31 December 2014 amounted to RM12,000.

Soft commission

There was no soft commission received by the Manager during the financial year ended 31 December 2014.

Material litigation

There is no material litigation pending since the issuance of the latest financial report.

Directors Benefit

For the year ended 31 December 2014, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by the Fund or a related corporation with the Director or with a firm which the Director is a member, or with a company in which the Director has substantial financial interest except as disclosed in the Financial Statements.

There were no arrangements during and at the end of the twelve months period which had the object of enabling Directors of the Manager to acquire benefits by means of acquisition of Units or debentures of the Fund or any other body corporate.

Manager's Fee

Pursuant to the Deed, the Manager is entitled to receive the following from the Fund :-

- i) a base fee ("Base Fee") of up to 1.0% per annum of the total asset value of Pavilion REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- ii) a performance fee ("Performance Fee") of up to 5.0% per annum of net property income of Pavilion REIT.
- iii) an incentive fee ("Incentive Fee") receivable as follows effective from the second full financial year in which Pavilion REIT has been established and in operation (subject to the relevant approval by Pavilion REIT's unitholders being obtained).

Fee Receivable (% per annum of the total asset value of Pavilion REIT)	Criteria – Provided that annual growth in the distributable income in a Financial Year (calculated before accounting for Incentive Fee in that Financial Year):
Up to 0.10%	Exceeds 7.5% and up to 10.0%
Up to 0.15%	Exceeds 10.0% and up to 12.5%
Up to 0.20%	Exceeds 12.5%

- iv) an acquisition fee ("Acquisition Fee") of 1.0% of transaction value in relation to an acquisition of any real estate and real estate related assets directly or indirectly acquired.
- v) a divestment fee ("Divestment Fee") of 0.5% of transaction value in relation to disposal of any real estate and real estate related assets directly or indirectly sold or divested.

ADDITIONAL
INFORMATION
continued

The Base Fee, Performance Fee, Acquisition Fee and Divestment Fee shall be receivable in the form of cash, new Units of Pavilion REIT or a combination thereof at the sole discretion of the Manager. The Incentive Fee is receivable in Units only.

Fund management fees in cash are receivable within seven (7) days of the following events:

- i) in respect of the Base Fee and Performance Fee, the announcement of the relevant quarterly financial reports;
- ii) in respect of the Acquisition Fee and Divestment Fee, the completion of the relevant acquisition/divestment.

Fund management fees in units are receivable upon approval from the authority for the listing of and quotation of Pavilion REIT Units. Where approval cannot be obtained, the fees shall be receivable in cash.

Other Statutory Information

Before the statement of profit or loss and other comprehensive income and statement of financial position of Pavilion REIT were made out, the Manager took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in Pavilion REIT inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of Pavilion REIT misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of Pavilion REIT misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of Pavilion REIT misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of Pavilion REIT that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of Pavilion REIT that has arisen since the end of the financial year.

No contingent liability or other liability of Pavilion REIT has become enforceable, or is likely to become enforceable within the year of twelve months after the end of the financial year which, in the opinion of the Manager, will or may substantially affect the ability of Pavilion REIT to meet its obligations as and when they fall due.

In the opinion of the Manager, the financial performance of Pavilion REIT for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

ADDITIONAL
INFORMATION
continued

Auditor

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

For and on behalf of Pavilion REIT Management Sdn Bhd

TAN SRI LIM SIEW CHOON
Chairman

DATO' LEE TUCK FOOK
Non-Independent Executive Director

Kuala Lumpur
15 January 2015

FINANCIAL STATEMENTS

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STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 47 to 85 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of Pavilion Real Estate Investment Trust as at 31 December 2014 and of its financial performance and cash flows for the year ended on that date.

The information on the breakdown of realised and unrealised income included in Note 24 to the financial statements has been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

For and on behalf of the Manager,
Pavilion REIT Management Sdn. Bhd.,
Signed in accordance with a resolution of the Directors of the Manager:

Tan Sri Lim Siew Choon

Dato' Lee Tuck Fook

Kuala Lumpur,

Date: 15 January 2015

STATUTORY DECLARATION

I, **Dato' Lee Tuck Fook**, the Director of **Pavilion REIT Management Sdn. Bhd.** primarily responsible for the financial management of Pavilion Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 47 to 86, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Kuala Lumpur on 15 January 2015.

Dato' Lee Tuck Fook

Before me:

Commissioner for Oaths

TRUSTEE'S REPORT

to the Unitholders of Pavilion Real Estate Investment Trust (Established in Malaysia)

We have acted as Trustee of Pavilion Real Estate Investment Trust ("Pavilion REIT") for the financial year ended 31 December 2014. In our opinion and to the best of our knowledge, Pavilion REIT Management Sdn. Bhd. ("the Manager") has managed Pavilion REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed dated 13 October 2011, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of Pavilion REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared during the financial year ended 31 December 2014 are in line with and are reflective of the objectives of Pavilion REIT. Final distributions have been declared for the financial year ended 31 December 2014 as follows:

- 1) Final income distribution of 4.12 sen per unit payable on 27 February 2015.

For and on behalf of the Trustee,
AmTrustee Berhad

Tan Kok Cheeng
Chief Executive Officer

Selangor,

Date: 15 January 2015

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust (Established in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Pavilion Real Estate Investment Trust ("Pavilion REIT"), which comprise the statement of financial position as at 31 December 2014, and the statements of profit and loss and other comprehensive income, changes in net asset value and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 85.

Pavilion REIT Management Sdn. Bhd.'s Responsibility for the Financial Statements

Pavilion REIT Management Sdn. Bhd. ("the Manager") of Pavilion REIT is responsible for the preparation of the financial statements of Pavilion REIT so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Manager's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pavilion REIT as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information on the breakdown of realised and unrealised profit or losses included in statement of profit or loss and other comprehensive income and Note 24 on page 86 to the financial statements has been compiled by Pavilion REIT as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT
to the Unitholders of
Pavilion Real Estate Investment Trust
continued

Other Matter

This report is made solely to the unitholders of Pavilion REIT in accordance with the trust deed of Pavilion REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Petaling Jaya,

Date: 15 January 2015

Thong Foo Vung

Approval Number: 2867/08/16(J)
Chartered Accountant

STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Note	2014 RM'000	2013 RM'000
Assets			
Plant and equipment	4	1,835	2,586
Investment properties	5	4,433,000	4,133,000
Total non-current assets		4,434,835	4,135,586
Inventories		1,228	1,215
Trade and other receivables	6	8,328	10,983
Cash and cash equivalents	7	205,540	207,569
Total current assets		215,096	219,767
Total assets		4,649,931	4,355,353
Liabilities			
Borrowings	8	707,525	706,483
Payables and accruals	9	70,308	65,345
Total non-current liabilities		777,833	771,828
Payables and accruals	9	61,082	61,009
Total current liabilities		61,082	61,009
Total liabilities		838,915	832,837
Net asset value		3,811,016	3,522,516
Financed by Unitholders' fund			
Unitholders' capital	10	2,887,271	2,881,933
Accumulated income		923,745	640,583
Total unitholders' fund		3,811,016	3,522,516
Net asset value ("NAV")		3,811,016	3,522,516
Number of units in circulation ('000 units)	10	3,013,819	3,009,684
NAV per unit (RM)		1.2645	1.1704

The notes on pages 53 to 86 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Note	2014 RM'000	2013 RM'000
Rental income		339,900	313,124
Other income		62,192	62,385
Gross revenue		402,092	375,509
Utilities		(44,070)	(43,649)
Maintenance		(29,951)	(29,316)
Quit rent and assessment		(10,888)	(8,742)
Other operating expenses		(34,444)	(30,677)
Net property income		282,739	263,125
Fair value gain on investment properties		278,112	113,112
Interest income		6,084	5,896
Net investment income		566,935	382,133
Manager's management fees	11	(22,432)	(20,960)
Trustee's fees	1(c)	(400)	(400)
Valuation fee		(423)	(387)
Other trust expenses		(1,717)	(1,748)
Borrowing costs	12	(31,488)	(31,388)
Income before taxation		510,475	327,250
Tax expense	13	–	–
Income after taxation/Total comprehensive income attributable to unitholders		510,475	327,250
Income after taxation is made up as follows:			
Realised		232,363	214,138
Unrealised		278,112	113,112
		510,475	327,250
Earnings per unit (sen)	14	16.94	10.88

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014
continued

	Note	2014 RM'000	2013 RM'000
Total comprehensive income		510,475	327,250
Distribution adjustments	A	(270,547)	(105,935)
Distributable income		239,928	221,315
Distribution per unit (sen) - interim		3.84	3.65
Distribution per unit (sen) - final		4.12	3.71
Note A			
Distribution adjustments comprise:			
Amortisation of transaction costs		1,242	1,241
Depreciation		715	696
Fair value gain of investment properties		(278,112)	(113,112)
Manager's management fees payable in units	11	5,608	5,240
		(270,547)	(105,935)

The notes on pages 53 to 86 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE

for the year ended 31 December 2014

	Note	Unitholders' capital RM'000	Accumulated income/ (deficit) RM'000	Total funds RM'000
At 1 January 2013		2,873,992	423,118	3,297,110
Income after taxation/ Total comprehensive income for the year attributable to unitholders		–	327,250	327,250
Unitholders' transactions				
<i>Contributions by and distributions to unitholders</i>				
Issue of new units		7,941	–	7,941
Distribution to unitholders	15	–	(109,785)	(109,785)
Increase/(Decrease) in net assets resulting from unitholders' transactions		7,941	(109,785)	(101,844)
Net assets at 31 December 2013/1 January 2014		2,881,933	640,583	3,522,516
Income after taxation/ Total comprehensive income for the year attributable to unitholders		–	510,475	510,475
Unitholders' transactions				
<i>Contributions by and distributions to unitholders</i>				
Issue of new units		5,338	–	5,338
Distribution to unitholders	15	–	(227,313)	(227,313)
Increase/(Decrease) in net assets resulting from unitholders' transactions		5,338	(227,313)	(221,975)
Net assets at 31 December 2014		2,887,271	923,745	3,811,016

Note 10

The notes on pages 53 to 86 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	2014 RM'000	2013 RM'000
Cash flows from operating activities			
Income before taxation		510,475	327,250
<i>Adjustments for:</i>			
Bad debts written off		–	6
Borrowing costs	12	31,488	31,388
Depreciation	4	715	696
Fair value gain on investment properties		(278,112)	(113,112)
Gain/(Loss) on disposal of plant and equipment		8	(9)
Impairment loss on trade receivables		219	1,322
Interest income		(6,084)	(5,896)
Plant and equipment written off		25	5
Operating income before changes in working capital		258,734	241,650
Changes in inventories		(13)	(111)
Changes in receivables		2,436	(3,956)
Changes in payables		6,351	13,280
Changes in tenants' deposits		4,023	7,656
Net cash from operating activities		271,531	258,519
Cash flows from investing activities			
Interest received		6,084	5,896
Payment for enhancement of investment properties		(21,888)	(7,888)
Pledged deposit		(576)	(534)
Proceeds from disposal of plant and equipment		3	17
Purchase of plant and equipment		–	(265)
Net cash used in investing activities		(16,377)	(2,774)
Cash flows from financing activities			
Distribution to unitholders		(227,313)	(215,229)
Interest paid		(30,246)	(30,147)
Payment of financing expenses		(200)	(200)
Net cash used in financing activities		(257,759)	(245,576)
Net (decrease)/increase in cash and cash equivalents		(2,605)	10,169
Cash and cash equivalents at 1 January		189,484	179,315
Cash and cash equivalents at 31 December	(i)	186,879	189,484

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014
continued

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2014 RM'000	2013 RM'000
Cash and bank balances	7	2,539	3,536
Deposits placed with licensed banks	7	203,001	204,033
		205,540	207,569
Less: Pledged deposits		(18,661)	(18,085)
		186,879	189,484

The notes on pages 53 to 86 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General

Pavilion Real Estate Investment Trust ("Pavilion REIT") is a Malaysia-domiciled real estate investment trust constituted pursuant to a trust deed dated 13 October 2011 ("the Deed") between Pavilion REIT Management Sdn. Bhd. ("the Manager") and AmTrustee Berhad ("the Trustee"). The Deed is regulated by the Securities Commission Act 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Pavilion REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 26 of the Deed. The addresses of the Manager's registered office and principal place of business are as follows:

Registered office

6-2, Level 6, East Wing
Menara ING
No.84, Jalan Raja Chulan
50200 Kuala Lumpur

Principal place of business

Lot 10.00.00, Level 10
Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur

The financial statements as at and for the financial year ended 31 December 2014 comprise the Pavilion REIT and its wholly-owned special purpose company, Pavilion REIT Venture Capital Sdn. Bhd., a company incorporated in Malaysia, of which the principal activity is to raise financing for and on behalf of Pavilion REIT.

Pavilion REIT is to invest, directly and indirectly in a diversified portfolio of income producing real estate used solely or predominantly for retail purposes with the primary objective to provide the unitholders with regular and stable distributions and achieve long-term growth in net assets value ("NAV") (being the total unitholders' fund) per unit, while maintaining an appropriate capital structure.

Pavilion REIT was formally admitted to the Main Market of Bursa Malaysia Securities Berhad on 7 December 2011.

Pavilion REIT entered into several service agreements in relation to the management of Pavilion REIT and its property operations. The fee structure of these services is as follows:

(a) Property management fees

The Property Manager, Henry Butcher Malaysia Sdn. Bhd., is entitled to property management fee of RM30,000 (2013: RM30,000) per month (excluding service tax). In addition, the Property Manager is also entitled to full reimbursement of costs and expenses incurred in the operation, maintenance, management and marketing of the properties held by Pavilion REIT (including but not limited to the cost relating to the employment and remuneration of on-site staff provided) ("Permitted Expenses") as well as fees and reimbursements for Permitted Expenses payable to its service providers.

(b) Manager's management fees

Pursuant to the Deed, the Manager is entitled to receive the following fees from Pavilion REIT:

- i) a base fee ("Base Fee") of up to 1.0% per annum of the Total Asset Value of Pavilion REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- ii) a performance fee ("Performance Fee") of up to 5.0% per annum of Net Property Income.

NOTES TO THE
FINANCIAL STATEMENTS
continued

1. General (continued)

(b) Manager's management fees (continued)

- iii) an incentive fee ("Incentive Fee") payable as follows effective from the second full financial year in which Pavilion REIT has been established and in operation (subject to the relevant approval by unitholders being obtained).

Fee Payable (% per annum of the Total Asset Value of Pavilion REIT)	Criteria – Provided that annual growth in the Distributable Income in a Financial Year (calculated before accounting for Incentive Fee in that Financial Year):
Up to 0.10%	Exceeds 7.5% and up to 10.0%
Up to 0.15%	Exceeds 10.0% and up to 12.5%
Up to 0.20%	Exceeds 12.5%

- iv) an acquisition fee ("Acquisition Fee") of 1.0% of transaction value in relation to an acquisition of any real estate and real estate related assets directly or indirectly acquired.
- v) a divestment fee ("Divestment Fee") of 0.5% of transaction value in relation to disposal of any real estate and real estate related assets directly or indirectly sold or divested.

The Manager shall be paid the Base Fee, Performance Fee, Acquisition Fee and Divestment Fee in the form of cash, new units or a combination thereof at the election of the Manager in its sole discretion. The Incentive Fee is payable in units only.

The payment of the Manager's management fee in the form of new units will be in accordance with the following formula:

$$\text{New Units to be issued as payment of the Management Company's management fee} = \frac{\text{Management Company's management fee payable in Units}}{\text{Market Price}}$$

For this purpose, "Market Price" means the volume weighted average market price of the Units for the last 5 Market Days preceding the following events:

- (i) in respect of the Base Fee and Performance Fee, the announcement of the relevant quarterly financial reports;
- (ii) in respect of the Incentive Fee, the announcement of the annual financial statements; or
- (iii) in respect of the Acquisition Fee and Divestment Fee, the completion of the relevant acquisition/divestment,

(each a "Trigger Event").

With reference to any book closing date, where the Trigger Event is before but the issuance of the new Units relating to such Trigger Event is after the said book closing date, the Market Price will be further adjusted for the entitlement relating to such book closing date.

The Manager will make an immediate announcement to Bursa Securities disclosing the number of new units to be issued and the issue price of the new units when new units are issued as payment for Management Fee. Payment of the Management Fees in units shall also be subjected to Pavilion REIT complying with the public spread requirements stated in the Main Market Listing Requirements and there being no adverse implications under the Malaysian Code on Take-Overs and Mergers 2010.

NOTES TO THE
FINANCIAL STATEMENTS
continued

1. General (continued)

(c) Trustee's fees

In accordance to the Deed, an annual trusteeship fee of up to 0.05% per annum of NAV, but limited to RM400,000 for the current financial year, is to be paid to Trustee.

The financial statements were approved by the Board of Directors of the Manager on 15 January 2015.

2. Basis of preparation

(a) Statement of compliance

The financial statements of Pavilion REIT have been prepared in accordance with the provisions of the Deed, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by Pavilion REIT:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

NOTES TO THE
FINANCIAL STATEMENTS
continued

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

Pavilion REIT plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for amendments to MFRS 3 and MFRS 138 which are not applicable to Pavilion REIT.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for amendments to MFRS 5, MFRS 10, MFRS 11 and MFRS 127 which are not applicable to Pavilion REIT.
- from the annual period beginning on 1 January 2017 for the accounting standard that is effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for the accounting standard that is effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Pavilion REIT except as mentioned below:

(i) MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

Pavilion REIT is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

Pavilion REIT is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

NOTES TO THE
FINANCIAL STATEMENTS
continued

2. Basis of preparation (continued)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of Pavilion REIT. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 5 – fair value of investment properties.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the years presented in these financial statements by Pavilion REIT, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by Pavilion REIT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Pavilion REIT controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

Pavilion REIT also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Pavilion REIT's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

NOTES TO THE
FINANCIAL STATEMENTS
continued

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to Pavilion REIT.

Pavilion REIT measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, Pavilion REIT elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that Pavilion REIT incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, Pavilion REIT derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If Pavilion REIT retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control ceases. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these financial statements.

(b) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, Pavilion REIT becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

NOTES TO THE
FINANCIAL STATEMENTS
continued

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Pavilion REIT categorises financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Financial assets are subject to review for impairment (see Note 3(h)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS
continued

3. Significant accounting policies (continued)

(c) Plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Pavilion REIT, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment.

The estimated useful lives for the current and comparative year are as follows:

Furniture and fittings	10 years
IT equipment and software	3 years
Motor vehicles	5 years
Office equipment	5 years
Tools and equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the financial year, and adjusted as appropriate.

(d) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the profit or loss for the financial year in which they arise. For investment properties acquired under equity-settled share-based payment transactions, the investment properties are initially measured at fair value, with corresponding increase in equity.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the financial year in which the item is derecognised.

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Pavilion REIT's investment properties portfolio every year.

NOTES TO THE
FINANCIAL STATEMENTS
continued

3. Significant accounting policies (continued)

(e) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in terms of which Pavilion REIT assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(f) Inventories

Inventories represent general supplies used in the daily operations of Pavilion REIT.

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in-first-out basis, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment

(i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

The carrying amounts of other assets (except for inventories and investment property that is measured at fair value) are reviewed at the end of each financial year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS
continued

3. Significant accounting policies (continued)

(i) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(k) Revenue and other income

(i) Rental income

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iii) Other income

Other income consists of carpark income, utilities charges billed to tenants, events, advertising, turnover rent and other miscellaneous income, and is recognised in the profit or loss on an accrual basis.

(l) Expenses

(i) Property expenses

Property expenses consist of property management fees, quit rents and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of Pavilion REIT.

Property management fees are recognised on an accrual basis.

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3. Significant accounting policies (continued)

(l) Expenses (continued)

(ii) Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(b).

(iii) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(c).

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the financial year, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the financial year.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(d), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each financial year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Earnings per unit

Pavilion REIT's earnings per unit ("EPU") is presented based on basic and diluted format.

Basic EPU is calculated by dividing the profit or loss attributable to unitholders of Pavilion REIT by the weighted average number of units outstanding during the year.

Diluted EPU is determined by adjusting the profit or loss attributable to unitholders against the weighted average number of units outstanding adjusted for the effects of all dilutive potential units.

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3. Significant accounting policies (continued)

(o) Operating segments

An operating segment is a component of Pavilion REIT that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Pavilion REIT's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Manager of Pavilion REIT, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete segmental financial information is available.

(p) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, Pavilion REIT uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Pavilion REIT can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

Pavilion REIT recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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4. Plant and equipment

	Furniture and fittings RM'000	IT equipment and software RM'000	Motor vehicles RM'000	Office equipment RM'000	Tools and equipment RM'000	Total RM'000
Cost						
At 1 January 2013	1,293	407	3	130	1,889	3,722
Additions	–	101	19	–	145	265
Disposal	–	–	–	(1)	(9)	(10)
Write off	–	(5)	–	(2)	(2)	(9)
At 31 December 2013/ 1 January 2014	1,293	503	22	127	2,023	3,968
Disposal	–	–	–	–	(20)	(20)
Write off	(14)	–	–	(12)	(15)	(41)
At 31 December 2014	1,279	503	22	115	1,988	3,907
Accumulated depreciation						
At 1 January 2013	136	130	–	28	398	692
Depreciation for the year	129	151	2	26	388	696
Disposal	–	–	–	–	(2)	(2)
Write off	–	(3)	–	(1)	–	(4)
At 31 December 2013/ 1 January 2014	265	278	2	53	784	1,382
Depreciation for the year	128	159	4	25	399	715
Disposal	–	–	–	–	(9)	(9)
Write off	(3)	–	–	(7)	(6)	(16)
At 31 December 2014	390	437	6	71	1,168	2,072
Carrying amounts						
At 1 January 2013	1,157	277	3	102	1,491	3,030
At 31 December 2013/ 1 January 2014	1,028	225	20	74	1,239	2,586
At 31 December 2014	889	66	16	44	820	1,835

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5. Investment properties

	2014 RM'000	2013 RM'000
At 1 January	4,133,000	4,012,000
Enhancements/Capital expenditure	21,888	7,888
Change in fair value recognised in profit or loss	278,112	113,112
At 31 December	4,433,000	4,133,000

Investment properties are charged as securities for bank borrowings as disclosed in Note 8.

Details of the investment properties are as follows:

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2014 %	Fair value as at 31.12.2014 RM'000	Cost as at 31.12.2014 RM'000	Percentage of fair value to NAV as at 31.12.2014 %
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2014	Kuala Lumpur	Leasehold*	98	4,300,000	3,478,206	113
Pavilion Tower	7.12.2011	31.12.2014	Kuala Lumpur	Leasehold*	81	133,000	128,000	3
Investment properties						4,433,000	3,606,206	

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2013 %	Fair value as at 31.12.2013 RM'000	Cost as at 31.12.2013 RM'000	Percentage of fair value to NAV as at 31.12.2013 %
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2013	Kuala Lumpur	Leasehold*	96	4,000,000	3,456,318	114
Pavilion Tower	7.12.2011	31.12.2013	Kuala Lumpur	Leasehold*	100	133,000	128,000	4
Investment properties						4,133,000	3,584,318	

* The lease has a period of 99 years expiring in 2109.

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	2014 Level 3 RM'000	2013 Level 3 RM'000
Pavilion Kuala Lumpur Mall	4,300,000	4,000,000
Pavilion Tower	133,000	133,000
	4,433,000	4,133,000

NOTES TO THE
FINANCIAL STATEMENTS
continued

5. Investment properties (continued)

5.1 Fair value information (continued)

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	2014 RM'000	2013 RM'000
At 1 January	4,133,000	4,012,000
Additions	21,888	7,888
Gains and losses recognised in profit or loss		
Fair value gain on investment properties		
- unrealised	278,112	113,112
At 31 December	4,433,000	4,133,000

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.	<ul style="list-style-type: none"> Risk-adjusted capitalisation rates ranging from 6.25%-6.75% (2013: 6.00%-6.25%). Risk-adjusted discount rate of 6.50% (2013: 6.25%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> risk-adjusted capitalisation rates were lower (higher). risk-adjusted discount rates were lower (higher).

Individual block strata titles in respect of the subject properties have not been issued. The valuation is on the basis/assumption that individual block strata titles in respect of the subject properties are forthcoming and when issued, will be free from all encumbrances and will convey 99-year leasehold interest expiring in year 2109 over the respective floor areas.

NOTES TO THE
FINANCIAL STATEMENTS
continued

5. Investment properties (continued)

5.1 Fair value information (continued)

The transfer of the land title in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower in favour of the Trustee is pending the issuance of strata title by the public authorities.

Valuation processes applied by the Manager for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of current market conditions.

Highest and best use

Pavilion REIT's investment properties are currently a retail mall and an office building. Both the properties on its own is the highest and best use, as the retail mall is on prime land in the city centre. The office building has been refurbished in recent years, thus it is not cost effective to convert it to a retail mall at the moment. The office building also complements the retail mall by bringing human traffic to the retail mall, especially during lunch hours.

6. Trade and other receivables

	2014 RM'000	2013 RM'000
Trade		
Trade receivables	7,083	9,945
Less: Impairment losses	(2,066)	(1,847)
	5,017	8,098
Non-trade		
Other receivables	2,428	2,081
Deposits	421	531
Prepayments	462	273
	3,311	2,885
	8,328	10,983

NOTES TO THE
FINANCIAL STATEMENTS
continued

7. Cash and cash equivalents

	2014 RM'000	2013 RM'000
Cash and bank balances	2,539	3,536
Deposits placed with licensed banks	203,001	204,033
	205,540	207,569

Included in the deposits placed with licensed banks is an amount of RM18,661,000 (2013: RM18,085,000) which is maintained in a Debt Service Reserve Account with a licensed bank to cover a minimum of six months interest for a banking facility granted to Pavilion REIT (Note 8).

8. Borrowings

	2014 RM'000	2013 RM'000
Non-current		
Secured term loan	709,701	709,701
Less: Unamortised transaction costs	(2,176)	(3,218)
	707,525	706,483

Pavilion REIT entered into a facility agreement and its supplementary facility agreement dated 3 November 2011 and 23 November 2011 respectively ("Facility Agreements") through its wholly owned subsidiary, Pavilion REIT Venture Capital Sdn. Bhd. ("Borrower") for syndicated credit facilities ("Facilities") of up to RM815.9 million with licensed banks ("Lenders") comprising revolving term loan facilities and bank guarantee as follows:

- i) RTL1 - a revolving term loan facility of up to RM705.9 million to part finance the acquisition of investment properties and future acquisitions by Pavilion REIT. The loan bears fixed interest rate at 4.2% per annum for the first 3 years from December 2012 and thereafter at a fixed rate of 4.35% per annum for remaining tenure maturing on 7 December 2016;
- ii) RTL2 - a revolving term loan facility of up to RM100.0 million to finance general working capital of Pavilion REIT (including acquisition of assets) bearing a floating interest rate at the Lenders' cost of funds plus a margin of 1.0% to 1.1% per annum; and
- iii) BG/RTL3 - a bank guarantee of up to RM10.0 million for the issuance of performance bonds, bank guarantees, indemnities or undertakings and a revolving term loan facility for the conversion of any amounts paid out under the performance bonds, bank guarantees, indemnities or undertakings issued under bank guarantee bearing a floating interest rate at the Lender's cost of funds plus a margin of 1.0% to 1.1% per annum.

RTL1 and RTL2 will each have a maturity of five years from first drawdown of RTL1 and BG/RTL3 will be repayable on demand and subject to annual renewal at Lender's consent.

The Manager also has the option to establish a Commercial Paper/Medium Term Notes programme within four years from first drawdown of RTL1. Upon the establishment of the Commercial Paper/Medium Term Notes programme, the revolving term loan facilities (save for the BG/RTL3 facility) will have a maturity of up to seven years from first drawdown of RTL1.

The borrowings are secured over investment properties as disclosed in Note 5 with an amount of RM18,661,000 (2013: RM18,085,000) maintained in a Debt Service Reserve Account with a licensed bank as disclosed in Note 7.

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FINANCIAL STATEMENTS
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9. Payables and accruals

	Note	2014 RM'000	2013 RM'000
Non-current			
Trade			
Tenants' deposits	a	70,308	65,345
Current			
Trade			
Trade payables		11,242	13,476
Tenants' deposits	a	19,179	20,119
		30,421	33,595
Non-trade			
Other payables and accrued expenses	b	30,661	27,414
		30,661	27,414
		61,082	61,009
		131,390	126,354

(a) Tenants' deposits are in respect of refundable deposits received from tenants for tenancy or marketing agreements. Tenancy agreements tenure are for period between one to three years. The amount is unsecured and interest free.

(b) Included in other payables and accrued expenses are the following amounts due to:

	2014 RM'000	2013 RM'000
The Manager	8,118	7,315
Trustee	34	67
	8,152	7,382

Amounts due to the Manager and Trustee are unsecured, interest-free and payable monthly in arrears.

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10. Total unitholders' funds

10.1 Unitholders' capital

	2014 Number of units '000	2013 Number of units '000
Approved fund size:		
At 31 December	3,100,000	3,100,000
Issued and fully paid up:		
At 1 January	3,009,684	3,004,115
Manager's management fees paid in units	4,135	5,569
At 31 December	3,013,819	3,009,684
	2014 RM'000	2013 RM'000
At 1 January	2,881,933	2,873,992
Manager's management fees paid in units	5,338	7,941
At 31 December	2,887,271	2,881,933

10.2 Unitholdings of substantial unitholders, Directors and their related parties

The Manager was issued units in Pavilion REIT as part settlement of Manager's management fees, details of which are as follows:

	Number of units '000	Amount RM'000
2014		
Issued at RM1.2659 per unit for entitlement for the 6 months ended 31 December 2013	2,123	2,688
Issued at RM1.3171 per unit for entitlement for the 6 months ended 30 June 2014	2,012	2,650
Total Manager's fees paid in units	4,135	5,338
2013		
Issued at RM1.4534 per unit for entitlement for the 6 months ended 31 December 2012	3,708	5,389
Issued at RM1.3710 per unit for entitlement for the 6 months ended 30 June 2013	1,861	2,552
Total Manager's fees paid in units	5,569	7,941

NOTES TO THE
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10. Total unitholders' funds (continued)

10.2 Unitholdings of substantial unitholders, Directors and their related parties (continued)

Pavilion REIT's substantial unitholders and the Manager's Directors' direct unitholdings in Pavilion REIT are as follows:

	2014		2013	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Pavilion REIT's substantial unitholders' direct unitholdings in Pavilion REIT:				
Qatar Holding LLC	1,082,900	1,581,034	1,082,900	1,386,112
Tan Sri Lim Siew Choon	845,425	1,234,321	845,425	1,082,144
Puan Sri Tan Kewi Yong	281,875	411,538	281,875	360,800
The Manager's Directors' direct unitholdings in Pavilion REIT:				
Tan Sri Lim Siew Choon	845,425	1,234,321	845,425	1,082,144
Puan Sri Tan Kewi Yong	281,875	411,538	281,875	360,800
Dato' Lee Tuck Fook	100	146	100	128
Navid Chamdia	100	146	100	128
Ooi Ah Heong	100	146	100	128
Dato' Mohzani Bin Abdul Wahab	100	146	100	128
Dato' Maznah Binti Abdul Jalil	100	146	100	128
Syed Mohd Fareed Bin Shaikh Alhabshi	100	146	100	128

Notes:

The market value of the units was computed based on the closing market price as at 31 December 2014 of RM1.46 (2013: RM1.28).

11. Manager's management fees

	2014 RM'000	2013 RM'000
Base fee	13,950	13,066
Performance fee	8,482	7,894
	22,432	20,960

During the financial year, the Manager received a base fee of 0.3% (2013: 0.3%) per annum of the Total Asset Value of Pavilion REIT and a performance fee of 3.0% (2013: 3.0%) per annum of Net Property Income. Manager's management fees payable in units amounts to RM5,608,000 (2013: RM5,240,000) which represents 25% (2013: 25%) of the total manager's management fees payable.

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12. Borrowing costs

	2014 RM'000	2013 RM'000
Interest expense	30,246	30,147
Amortisation of transaction costs	1,242	1,241
	31,488	31,388

13. Tax expense

	2014 RM'000	2013 RM'000
Reconciliation of tax expense		
Income before taxation	510,475	327,250
Income tax using Malaysian tax rate of 25%	127,619	81,813
Non-deductible expenses	4,177	4,157
Non-taxable income	(69,528)	(28,278)
Effect of income exempted from tax	(62,268)	(57,692)
	–	–

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

As Pavilion REIT proposed to distribute 100% of its distributable income to its unitholders for financial year ended 31 December 2014, no provision for taxation has been made for the current year.

14. Earnings per unit – basic and diluted

The calculation of earnings per unit is based on income after taxation attributable to unitholders for the year of RM510,475,000 (2013: RM327,250,000) divided by the weighted average number of units in circulation during the year of 3,012,408,329 (2013: 3,008,119,960).

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15. Distribution to unitholders

Distribution to unitholders is from the following sources:

	2014 RM'000	2013 RM'000
Rental income	339,900	313,124
Other income	62,192	62,385
Interest income	6,084	5,896
Fair value gain on investment properties	278,112	113,112
	686,288	494,517
Less: Total expenses	(175,813)	(167,267)
	510,475	327,250
Distribution adjustments	(270,547)	(105,935)
	239,928	221,315
Distributable income		
Distribution to unitholders	227,313	109,785
	2014	2013
Interim distribution per unit (sen)	3.84	3.65
Final distribution per unit (sen)	4.12*	3.71
Net distribution per unit** (sen)	7.96	7.36

* The final distributable income for the 6 months ended 31 December 2014 is proposed to be 4.12 sen per unit or RM124,169,000 payable on 27 February 2015.

** Withholding tax will be deducted for distributions made to the following categories of unitholders:

	2014	2013
	Withholding tax rate	
Resident corporate	N/A^	N/A^
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	25%	25%
Non-resident institutional	10%	10%

^ to tax at prevailing rate

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16. Portfolio turnover ratio

	2014	2013
Portfolio Turnover Ratio ("PTR") (times)	–	–

The calculation of PTR is based on the average of total acquisitions and disposals of investments in Pavilion REIT for the year to the average net asset value during the year.

PTR is nil for Pavilion REIT as there were no new acquisitions or disposals of investments in Pavilion REIT since the listing date of 7 December 2011 to 31 December 2014 except for the initial acquisition of the investment properties during initial public offering that was completed on the listing day.

Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of Pavilion REIT's PTR against other real estate investment trusts.

17. Management expense ratio

	2014	2013
Management expense ratio ("MER") (%)	0.66	0.67

The calculation of the MER is based on the total fees of Pavilion REIT incurred during the year, including manager's management fees, trustee's fees, valuation fee and other trust expenses, to the net asset value as at year end.

Comparison of the MER of Pavilion REIT with other real estate investment trusts which uses different basis of calculation may not be an accurate comparison.

18. Operating segments

Pavilion REIT has two reportable segments, Retail and Office. For each of the segment, the Manager of Pavilion REIT's Chief Executive Officer reviews internal management reports regularly.

Performance is measured based on segment net property income as management believes that such information is the most relevant in evaluating the results of the segments.

The total of segment assets/liability is measured based on all assets/liabilities of a segment, as included in internal management reports that are reviewed by the Manager of Pavilion REIT's Chief Executive Officer.

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18. Operating segments (continued)

	Retail RM'000	Office RM'000	Total RM'000
For the year ended 31 December 2014			
Segment profit	276,829	5,910	282,739
<i>Included in the measure of segment profit are:</i>			
Gross revenue	391,293	10,799	402,092
Property expenses	114,464	4,889	119,353
At 31 December 2014			
Segment assets and liabilities			
Segment assets	4,497,707	133,563	4,631,270
Segment liabilities	(808,565)	(30,184)	(838,749)
For the year ended 31 December 2014			
<i>Included in the measure of segment assets and liabilities are:</i>			
Additions to non-current assets	21,888	–	21,888
Fair value gain to non-current assets	278,112	–	278,112
For the year ended 31 December 2013			
Segment profit	254,982	8,143	263,125
<i>Included in the measure of segment profit are:</i>			
Gross revenue	363,320	12,189	375,509
Property expenses	(108,338)	(4,046)	(112,384)
At 31 December 2013			
Segment assets and liabilities			
Segment assets	4,203,603	133,665	4,337,268
Segment liabilities	(802,582)	(30,174)	(832,756)
For the year ended 31 December 2013			
<i>Included in the measure of segment assets and liabilities are:</i>			
Additions to non-current assets	8,153	–	8,153
Fair value gain to non-current assets	112,112	1,000	113,112

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FINANCIAL STATEMENTS
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18. Operating segments (continued)

Reconciliation of reportable segment profit

	2014 RM'000	2013 RM'000
Total profit for reportable segments	282,739	263,125
Fair value gain on investment properties	278,112	113,112
Interest income	5,508	5,362
Other non-allocated income	576	534
Trust expenses	(24,972)	(23,495)
Borrowing costs	(31,488)	(31,388)
Income before taxation	510,475	327,250
Taxation	—	—
Income after taxation	510,475	327,250

Reconciliation of reportable segment assets and liabilities

	Segment assets RM'000	Segment liabilities RM'000
2014		
Total reportable segments	4,631,270	(838,749)
Other non-allocated assets/(liabilities)	18,661	(166)
Total assets/(liabilities)	4,649,931	(838,915)
2013		
Total reportable segments	4,337,268	(832,756)
Other non-allocated assets/(liabilities)	18,085	(81)
Total assets/(liabilities)	4,355,353	(832,837)

Geographical information

No geographical segment information has been prepared as all the investment properties of Pavilion REIT are located in Malaysia.

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19. Financial instruments

19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as loans and receivables and financial liabilities measured at amortised cost.

	Carrying amounts 2014 RM'000	Loans and receivables 2014 RM'000	Carrying amounts 2013 RM'000	Loans and receivables 2013 RM'000
Financial assets				
Receivables and deposits	7,866	7,866	10,710	10,710
Cash and cash equivalents	205,540	205,540	207,569	207,569
	213,406	213,406	218,279	218,279
	Carrying amounts 2014 RM'000	Financial liabilities measured at amortised cost 2014 RM'000	Carrying amounts 2013 RM'000	Financial liabilities measured at amortised cost 2013 RM'000
Financial liabilities				
Payables and accruals	131,390	131,390	126,354	126,354
Borrowings	707,525	707,525	706,483	706,483
	838,915	838,915	832,837	832,837

19.2 Net gains and losses arising from financial instruments

	2014 RM'000	2013 RM'000
Loans and receivables	5,865	4,568
Borrowings	(31,488)	(31,388)
	(25,623)	(26,820)

19.3 Financial risks management

Pavilion REIT has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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FINANCIAL STATEMENTS
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19. Financial instruments (continued)

19.4 Credit risk

Credit risk is the risk of a financial loss to Pavilion REIT if the tenants or counterparty to a financial instrument fails to meet its contractual obligations. Pavilion REIT's exposure to credit risk arises principally from trade and other receivables and cash and cash equivalents. Pavilion REIT performs ongoing credit evaluation of its tenants and generally does not require collateral other than tenants' deposits.

At the end of the financial year, the maximum exposure to credit risk arising from financial assets are represented by the carrying amount of financial assets in the statement of financial position.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk and credit quality

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Pavilion REIT manages credit risk using credit verification process to ensure credit worthiness and good credit standing before tenancy agreements are entered into with tenants or credit granted to counter parties together with constant monitoring of any outstanding balances to ensure minimum credit risk exposure.

Impairment losses

Pavilion REIT maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the financial year was:

	Gross RM'000	Impairment loss RM'000	Net RM'000
31 December 2014			
Not past due	2,304	-	2,304
Past due 0 - 30 days	885	(438)	447
Past due 31 - 90 days	768	(125)	643
Past due more than 90 days	3,126	(1,503)	1,623
	7,083	(2,066)	5,017
31 December 2013			
Not past due	4,030	-	4,030
Past due 0 - 30 days	2,043	(524)	1,519
Past due 31 - 90 days	773	(171)	602
Past due more than 90 days	3,099	(1,152)	1,947
	9,945	(1,847)	8,098

NOTES TO THE
FINANCIAL STATEMENTS
continued

19. Financial instruments (continued)

19.4 Credit risk (continued)

The movements in the allowance for impairment losses of receivables during the financial year were:

	2014 RM'000	2013 RM'000
At 1 January	1,847	525
Impairment loss recognised	219	1,322
At 31 December	2,066	1,847

The allowance account in respect of trade receivables is used to record impairment losses. Unless Pavilion REIT is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

Pavilion REIT's short term deposits are placed at fixed rate investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed with licensed financial institutions.

Exposure to credit risk and credit quality

As at the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the financial year, there was no indication that cash and cash equivalents were not recoverable.

19.5 Liquidity risk

Liquidity risk is the risk that Pavilion REIT will not be able to meet its financial obligations as they fall due. Pavilion REIT's exposure to liquidity risk arises principally from its various payables and borrowings.

The Manager maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance Pavilion REIT's operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Real Estate Investment Trust concerning limits on total borrowings financing.

Maturity analysis

The table below summarises the maturity profile of Pavilion REIT's financial liabilities as at the end of the financial year based on undiscounted contractual payments.

NOTES TO THE
FINANCIAL STATEMENTS
continued

19. Financial instruments (continued)

19.5 Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate%	Contractual cash flow RM'000	Less than 1 year RM'000	1 - 2 year RM'000	2 - 5 years RM'000
2014						
Financial liabilities						
Borrowings	707,525	4.2 - 4.95	768,329	29,836	738,493	–
Payable and accruals	131,390	–	131,390	61,083	56,048	14,259
	838,915		899,719	90,919	794,541	14,259
2013						
Financial liabilities						
Borrowings	706,483	4.2 - 4.8	798,224	29,832	29,904	738,488
Payable and accruals	126,354	–	126,354	61,009	13,532	51,813
	832,837		924,578	90,841	43,436	790,301

19.6 Market risk

Market risk is the risk that changes in market prices such as interest rates will affect Pavilion REIT's financial position or cash flows.

19.6.1 Interest rate risk

Pavilion REIT's exposure to changes in interest rates relates principally to interest-earning financial assets and interest-bearing financial liabilities.

Risk management objectives, policies and processes for managing the risk

Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The interest rate risks are uncertainties resulting from the effects of fluctuations in the prevailing level of the market interest rates on its financial position and cash flows. Interest rate risk exposure to Pavilion REIT is in respect of short-term deposits and borrowings.

NOTES TO THE
FINANCIAL STATEMENTS
continued

19. Financial instruments (continued)

19.6 Market risk (continued)

19.6.1 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of Pavilion REIT's significant interest-bearing financial instruments, based on carrying amounts at the end of the financial year was:

	2014 RM'000	2013 RM'000
Fixed rate instrument		
Financial asset - Deposits placed with licensed banks	203,001	204,033
Financial liabilities - Borrowings	(703,724)	(702,682)
	(500,723)	(498,649)
Floating rate instruments		
Financial liabilities - Borrowings	(3,801)	(3,801)

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

Pavilion REIT does not account for any fixed rate financial instruments at fair value. Therefore, a change in interest rates at the end of the financial year would not affect profit or loss or equity.

(b) *Cash flow sensitivity analysis for variable rate instruments*

Cash flow risk arising from variable rate instruments is not material to Pavilion REIT. Hence, sensitivity analysis is not presented.

19.7 Fair value information

The carrying amounts of cash and cash equivalents, receivables and deposits, payables and accruals approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments not carried at fair value, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
Financial liabilities					
Tenants' deposits	–	–	(82,434)	(82,434)	(89,487)
Borrowings	–	–	(700,883)	(700,883)	(707,525)
	–	–	(783,317)	(783,317)	(797,012)

NOTES TO THE
FINANCIAL STATEMENTS
continued

19. Financial instruments (continued)

19.7 Fair value information (continued)

2013	Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
Financial liabilities					
Tenants' deposits	–	–	(77,144)	(77,144)	(85,464)
Borrowings	–	–	(701,624)	(701,624)	(706,483)
	–	–	(778,768)	(778,768)	(791,947)

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Tenants' deposits, borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of Pavilion REIT at the reporting date.

The discount rates used above have incorporated credit risk of Pavilion REIT and liquidity risk of the instruments. The inputs for these risks are unobservable because there are no identical or similar instruments to benchmark to.

20. Capital management

Pavilion REIT's objectives when managing capital is to provide unitholders with regular and stable distributions and achieve long-term growth in NAV per unit, while maintaining an appropriate capital structure.

Pavilion REIT's capital is represented by its unitholders' fund in the statement of financial position. The capital requirements imposed on Pavilion REIT is to ensure it maintains a healthy gearing ratio of maximum 50% and interest coverage ratio of minimum 2.0 which is an effective indicator of its financial strengths in addition to complying with the financial covenants prescribed by financial institutions as stated in the Facility Agreements. The Directors of the Manager will monitor and are determined to maintain an optimal gearing ratio that will provide an ideal debt equity ratio that also complies with regulatory requirements.

As at 31 December 2014, Pavilion REIT recorded a gearing ratio of 15.22% (2013: 16.22%) and interest coverage ratio of 16.23 (2013: 15.28). The calculation of the gearing ratio and interest coverage ratio is based on the definition stated in the Facility Agreements. Pavilion REIT has not breached the financial covenants.

NOTES TO THE
FINANCIAL STATEMENTS
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20. Capital management (continued)

Distribution Policy

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of Pavilion REIT's distributable income. It is the intention of the Manager to distribute at least 90.0% of Pavilion REIT's distributable income on a half-yearly basis (or such other interval as determined by the Manager at its absolute discretion).

21. Operating leases

Leases as lessor

Pavilion REIT leases out its investment properties (Note 5) under operating leases. The future minimum lease receivable under non-cancellable leases are as follows:

	2014 RM'000	2013 RM'000
Less than one year	299,268	270,672
Between one and five years	274,881	419,080
	574,149	689,752

22. Capital commitments

Capital expenditure in respect of the following has not been provided for in the financial statements:

	2014 RM'000	2013 RM'000
Capital expenditure commitments		
<i>Authorised but not contracted for:</i>		
- Within one year	34,120	26,636

23. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to Pavilion REIT if Pavilion REIT has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Pavilion REIT and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of Pavilion REIT either directly or indirectly. The key management personnel include all the Directors of Pavilion REIT Management Sdn. Bhd. and AmTrustee Berhad, and certain members of senior management of Pavilion REIT Management Sdn. Bhd. and AmTrustee Berhad.

NOTES TO THE
FINANCIAL STATEMENTS
continued

23. Significant related party transactions (continued)

Significant related party transactions, other than those disclosed elsewhere in the financial statements, are as follows:

Companies related to the Manager	Nature of transactions	Transaction value 2014 RM'000	Transaction value 2013 RM'000	Balance outstanding 2014 RM'000	Balance outstanding 2013 RM'000
Pavilion REIT Management Sdn. Bhd.	Rental income and its related charges	403	394	–	–
Malton Berhad Group *	Rental income and its related charges	2,288	2,185	8	6
Crabtree & Evelyn (Malaysia) Sdn. Bhd. #	Rental income and its related charges	1,338	1,667	8	28
	Purchase of product	674	667	118	50
Lumayan Indah Sdn. Bhd. ∞	Rental income and its related charges	792	1,429	2	54
Impian Ekspresi Sdn. Bhd. ◇	Rental income and its related charges	505	–	63	–
Kuala Lumpur Pavilion Sdn. Bhd. ^	Property management fees and charges payable	19,284	18,756	1,282	4,889

The above transactions have been entered into in the normal course of business and have been established based on negotiated terms and conditions.

The above parties are deemed related as follows:

- * Malton Berhad Group are deemed parties related to the Manager by virtue of the directorship and interest of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong, his spouse, in Malton Berhad
- # Crabtree & Evelyn (Malaysia) Sdn. Bhd. is deemed parties related to the Manager by virtue of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong's deemed interest in Crabtree & Evelyn (Malaysia) Sdn. Bhd.
- ∞ Omer Abdulaziz H A Al-Marwani, Mohd Nasser A M Al-Humaidi and Navid Chamdia as directors of the Manager also holds directorship in Lumayan Indah Sdn. Bhd.
- ◇ Impian Ekspresi Sdn. Bhd. is deemed party related to the manager by virtue of Tan Sri Lim Siew Choon's deemed interest in Impian Ekspresi Sdn. Bhd.
- ^ Tan Sri Lim Siew Choon, Puan Sri Tan Kewi Yong and Dato' Lee Tuck Fook are directors of Kuala Lumpur Pavilion Sdn. Bhd.. Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong hold the entire issued and paid up share capital of Kuala Lumpur Pavilion Sdn. Bhd.

NOTES TO THE
FINANCIAL STATEMENTS
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24. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated income of Pavilion REIT as at 31 December, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	2014 RM'000	2013 RM'000
Total accumulated income of Pavilion REIT		
- realised	96,951	91,901
- unrealised	826,794	548,682
Total accumulated income	923,745	640,583

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

ANALYSIS OF UNITHOLDINGS

Distribution of Unitholdings as at 31 December 2014

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Unitholdings
Less than 100	33	0.66	638	0.00
100 - 1,000	737	14.76	583,819	0.02
1,001 - 10,000	2,892	57.93	15,006,900	0.50
10,001 - 100,000	1,095	21.94	38,055,600	1.26
100,001 to less than 5% of issued units	231	4.63	575,947,876	19.11
5% and above of issued units	4	0.08	2,384,224,703	79.11
Total	4,992	100.00	3,013,819,536	100.00

Thirty largest unitholders as per record of depositors as at 31 December 2014

No	Name of Unitholders	No. of Units	%
1.	HSBC Nominees (Asing) Sdn Bhd CS Zurich for Qatar Holding LLC	1,082,900,000	35.93
2.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account-CIMB Investment Bank Berhad for Lim Siew Choon (UCDSB-SSA)	845,325,000	28.05
3.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account-CIMB Investment Bank Berhad for Tan Kewi Yong (UCDSB-SSA)	281,775,000	9.35
4.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	174,224,703	5.78
5.	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	90,667,400	3.01
6.	HSBC Nominees (Asing) Sdn Bhd BNYM SA/NV for Newton Asian Income Fund	90,000,000	2.99
7.	Kumpulan Wang Persaraan (Diperbadankan)	39,640,600	1.32
8.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for AIA Bhd	36,244,100	1.20
9.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt an for Eastspring Investments Berhad	22,502,500	0.75
10.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	14,652,400	0.49
11.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LSF)	13,340,000	0.44
12.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	12,200,000	0.40
13.	HSBC Nominees (Asing) Sdn Bhd BNYM SA/NV for Newton Emerging Income Fund	11,700,000	0.39

ANALYSIS
OF UNITHOLDINGS
continued

Thirty largest unitholders as per record of depositors as at 31 December 2014

No	Name of Unitholders	No. of Units	%
14.	Citigroup Nominees (Tempatan) Sdn Bhd Allianz Life Insurance Malaysia Berhad (P)	11,200,000	0.37
15.	Pertubuhan Keselamatan Sosial	11,154,400	0.37
16.	Mohammed Hussain A A Al-Abdulla	10,000,000	0.33
17.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	9,631,300	0.32
18.	HSBC Nominees (Asing) Sdn Bhd Six SIS for Liechtensteinische Landesbank Aktiengesellschaft	9,110,300	0.30
19.	CIMB Commerce Trustee Berhad Public Focus Select Fund	8,063,700	0.27
20.	Pavilion REIT Management Sdn Bhd	7,468,236	0.25
21.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Zurich Insurance Malaysia Berhad (Life Par)	6,709,100	0.22
22.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	6,566,900	0.22
23.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.S.A.)	6,505,345	0.22
24.	Amanahraya Trustees Berhad Amanah Saham Malaysia	6,000,000	0.20
25.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Amasia Pacific REITS	5,917,950	0.20
26.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad for CIMB-Principal Equity Fund	5,677,000	0.19
27.	Amanahraya Trustees Berhad As 1Malaysia	5,178,200	0.17
28.	HSBC Nominees (Asing) Sdn Bhd SMTBusa for Asia REIT Research Mother Fund	4,626,200	0.15
29.	Cartaban Nominees (Asing) Sdn Bhd Exempt an for State Street Bank & Trust Company (West CLT OD67)	4,196,700	0.14
30.	HSBC Nominees (Asing) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (CIMB-P 6939-404)	4,081,600	0.14

ANALYSIS
OF UNITHOLDINGS
continued

Major Unitholders (5% and above) as at 31 December 2014

No	Name of Unitholders	Direct Interest No. of Units	%	Deemed Interest No. of Units	%
1.	Qatar Holding LLC	1,082,900,000	35.93	–	–
2.	Tan Sri Lim Siew Choon	845,425,000	28.05	–	–
3.	Puan Sri Tan Kewi Yong	281,875,000	9.35	–	–
4.	Employees Provident Fund Board	181,160,803	6.01	–	–

Unitholdings of Directors and Chief Executive Officer as at 31 December 2014

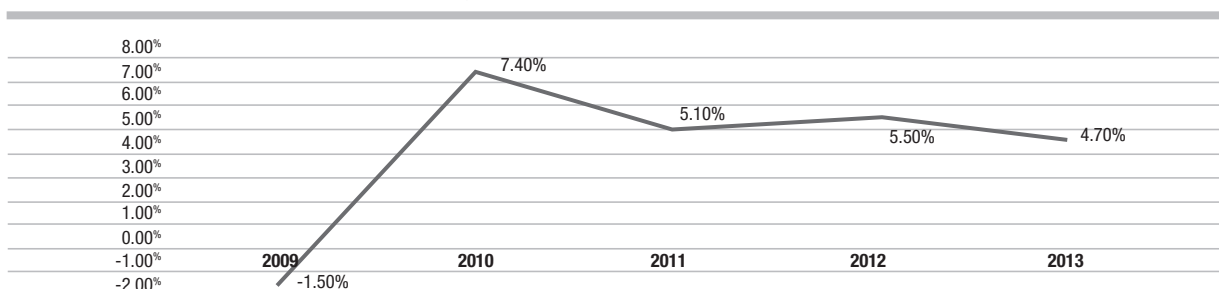
No	Name of Unitholder	Direct Interest No. of Units	%	Deemed Interest No. of Units	%
1.	Tan Sri Lim Siew Choon	845,425,000	28.05	–	–
2.	Puan Sri Tan Kewi Yong	281,875,000	9.35	–	–
3.	Dato' Lee Tuck Fook	100,000	*	–	–
4.	Navid Chamdia	100,000	*	–	–
5.	Ooi Ah Heong	100,000	*	–	–
6.	Dato' Mohzani bin Abdul Wahab	100,000	*	–	–
7.	Dato' Maznah binti Abdul Jalil	100,000	*	–	–
8.	Philip Ho Yew Hong	95,000	*	–	–

*: Negligible

MARKET OVERVIEW

1.0 GENERAL ECONOMIC REVIEW 2014

After suffering a negative growth of 1.5% in 2009 as a result of the global financial crisis, the Malaysian economy rebounded strongly with a growth of 7.4% the following year and followed that up with positive growths of 5.1% in 2011 and 5.6% in 2012 before decelerating to 4.7% in 2013.



Source: Bank Negara Report

The Government estimates that the economy would grow by between 5.5% and 6.0% in 2014 which would put it amongst the highest in the Asean region. Growth was projected to be maintained at between 5.0% and 6.0% in 2015.

Softer Asean-5 real GDP growth in 2014 (%)

	2010	2011	2012	2013	2014	2015
Indonesia	6.2	6.5	6.2	5.8	5.2	5.5
Malaysia	7.4	5.2	5.6	4.7	5.4	5.2
Philippines	7.6	3.6	6.8	7.2	6.5	7.1
Singapore	14.8	5.2	1.3	4.1	3.3	4.4
Thailand	7.8	0.1	6.5	2.9	1.2	4.0
Asean-5	9.3	4.7	5.1	4.9	4.3	5.1

Source: RHBRI

Nevertheless, there have been significant shifts in the economic landscape since the government unveiled its budget for 2015. Whilst growth projections made during the preparation of Budget 2015 were based on crude oil prices hovering around US\$100, the global oil price has since fallen dramatically to below US\$50. The Ringgit has also declined significantly against the greenback, falling to a five year low. These developments have a major impact on the Malaysian economy as oil exports contribute substantially to the government's coffers. It is inevitable that the government will have to make adjustments to the budget at some point as it is unlikely to achieve its budgeted growth on the back of lower oil revenues.

The Malaysian stock market recovered from a low of 1,350 points in September 2011 and crossed the 1,800 mark and was inching towards 1,900 until the final stretch of 2014 which saw the index drop below 1,800 against a backdrop of lower investor confidence and an outflow of foreign capital. Bursa Malaysia ended the year as the worst performing bourse in the Asean region in 2014. In other areas of the economy, inflation has shot up to 3.4% for the first half of 2014 as compared to 1.4% for the previous year. High levels of household debt which recorded a high of 86.8% in 2013, remains an area of concern for the economy.

MARKET
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continued

2.0 RETAIL PROPERTY MARKET IN KLANG VALLEY 2014

Based on Property Market Report Second Quarter 2014 published by National Property Information Centre (NAPIC), Klang Valley (which includes Kuala Lumpur, Selangor and Putrajaya) had 228 shopping centres with total retail supply of about 57.8 million square feet. The average occupancy rate of these shopping centres was 82.3%.

The total retail supply in Kuala Lumpur, Selangor and Putrajaya is summarised in the table below:

Retail Supply in Klang Valley, 2014

No.	Location	No. of Malls #	Total Nett Floor Area (square feet)	Average Rental Rate (RM per square feet per month)*	Average Occupancy Rate (%)
1	Kuala Lumpur	102	26,947,114	12.09	83.2
2	Selangor	121	30,090,224	10.12	81.7
3	Putrajaya	5	737,366	4.31	77.3
	TOTAL	228	57,774,704	9.40	82.3

- includes hypermarket malls and arcades

* - exclude rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley, etc.

Source : 2nd Quarter 2014 Property Market Report, NAPIC/ Henry Butcher Retail

In 2014, numerous shopping malls were opened. They include Nu Sentral, Jaya Shopping Centre, Market Hall @ Pudu, Encorp Strand Mall, Gateway @ KLIA2, D'Pulze, Main Place, IKON @ Taman Connaught, Quill City Mall, IOI City Mall, CentreStage and Gamuda Walk. Many of them opened on the second half of 2014. The largest was IOI City Mall with 1.3 million square feet of nett floor area.

The average rental rate for Klang Valley was RM9.40 per square feet per month. This average does not include rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley etc.

In terms of average rental rate and average occupancy rate, there were no significant improvements for Klang Valley shopping centres during the year of 2014.

Parkson Holdings Bhd sold its KL Festival City Mall in Setapak to AsiaMalls Sdn Bhd for RM349 million in 2014. After completing renovation of the Centre Court on the third floor at Mid Valley Megamall in 2013, it renovated and re-opened South Court on the same floor with a new mezzanine floor to house more retail and F&B outlets.

During the year, AEON Big (formerly known as Carrefour) shopping centre in Subang Jaya built an extension at an open area next to its existing building.

The occupancy rate of highly popular Sungei Wang Plaza suffered during the year from intense competition and construction of mass rapid transit station.

Its neighbour, BB Plaza was preparing to close down the shopping centre for redevelopment into a mixed-use development with a 3-storey mall and a 60-storey condominium.

MARKET
OVERVIEW
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KLANG VALLEY SHOPPING CENTRE PERFORMANCES IN 2014

(1) SHOPPING CENTRE MARKET

In Klang Valley, mega-sized shopping centres (800,000 square feet nett floor area and above) attracts crowds on weekend as compared to small shopping centres (200,000 square feet nett floor area and below). For examples, Suria KLCC, Mid Valley Megamall, Pavilion KL, Berjaya Times Square, One Utama, Sunway Pyramid, AEON Bukit Tinggi are large and popular shopping centres in Klang Valley.

Managers of strata-titled shopping centres continue to find it hard to fill up retail lots after months of opening. In order to attract retailers to fill up the retail lots, many landlords gave long rent-free period as incentive to the retailers. In spite of this, occupancy rates of these shopping centres remained low.

The large rental disparity between successful and poorly occupied shopping centres remained in 2014.

Shopping centres in Klang Valley continues to attract international retailers to take up retail space in popular shopping centres.

New fashion retailers opened first outlets in Malaysia during the year include Blackbarrett (United Kingdom), Desigual (Spain), MCM (Germany), Tory Burch (United States), Halston (United States), Pisdia (Germany), etc.

New foods & beverages outlets which opened their first outlets in Malaysia during the year include Nana's Green Tea (Japan), Johnny Rockets (United States), Red Lobster (United States), Fatburger (United States), Quiznos (United States), Jamaica Blue (Australia), etc.

Other overseas retailers opened their first store in this country include Spotlight (Australia), Hamley's (United Kingdom), innisfree (South Korea), Kare (Germany), Index Furniture Mall (Thailand) and several others.

Large-format specialty retailers such as H&M, Uniqlo, Zara, Mango and Muji continued their expansion and upgrading plans in shopping centres in Klang Valley.

(2) KLANG VALLEY RETAIL MARKET

Retail industry of Malaysia is expected to register 6.0% growth rate in 2014.

BR1M (Bantuan Rakyat 1 Malaysia) 2014 started its distribution to qualified Malaysians after Chinese New Year in early February. However, this did not help to boost retail sales after the festival.

The FIFA World Cup in June boosted sales of electrical and electronics products, sportswear, sporting goods and food delivery services. On the other hand, many fashion and specialty retailers suffered poor sales during this period.

Bank Negara Malaysia raised the overnight policy rate (OPR) by 25 basis points to 3.25% on 10 July 2014. This affected retail sales of big-ticket items due to higher cost of borrowing.

Since the third quarter of 2014, sales of retail shops in shopping centres had been mixed.

Few factors affected retail sales during the last 6 months:

- In September, consumers were waiting for government budget release in October for more information on GST and incentives for Malaysians. During that month, they were holding back on their spending.
- On 2 October 2014, the petrol price increased unexpectedly. This led to consumers concern on their future prospects and rising cost of living.
- Although it lasted for less than 2 weeks, the October worldwide stock market crash did affect consumer sentiment level. Again from end of November, the worldwide stock market went down again drastically in response to the continuous decline in oil prices and the weak economic indicators in European countries. This contributed to drop in consumer confidence level.

MARKET
OVERVIEW
continued

- There are still many doubts on GST; consumers are not sure if they should buy now or later. Until now, consumers and retailers have limited knowledge on this and how it will affect them from April 2015.
- The new implementation of the managed float system for fuel prices from 1 December 2014 confused Malaysians further. Although petrol prices have dropped, consumers' confidence level remained low.

Nevertheless as in previous years, retail sales had started to pick up towards the last few weeks of the year. Klang Valley consumers were willing to spend more in consideration of the school holidays, Christmas, New Year celebration and nationwide retail sales promotions supported by the government.

(3) TOURIST ARRIVAL

2014 had been promoted as Visit Malaysia Year by Tourism Malaysia. The target tourist arrival was 28.0 million with RM76 billion expected in tourist receipt.

Despite the air crises and incidents in Sabah hurting the tourist arrival in the country during the first half of the year, retailers in Kuala Lumpur had experienced only slight reduction in tourism spending.

Although the country experienced double-digit decline in Chinese tourist arrival after the air tragedies, it received higher arrivals from other countries in Asia, Middle East and Europe.

From January to July 2014, the tourist arrival was 16.1 million and tourist revenue was RM35 billion. These statistics represented 9.7% rise and 13.2% increase respectively as compared to the same period a year ago.

RENTAL RATES OF SELECTED SHOPPING CENTRES IN KLANG VALLEY

Shopping centres located in the city centre of Kuala Lumpur continued to achieve the highest rental rates in Klang Valley.

During the year, shopping centres in Kuala Lumpur enjoyed slightly higher growth in average rental rates as compared to their counterparts in Selangor.

The rental rates of selected shopping centres in Klang Valley are detailed out in the table below :

Rental Rates of Selected Shopping Centres in Klang Valley, 2014

Name	Rental Rate (RM per square feet per month)					
	Lower Ground	Ground Floor	First Floor	Second Floor	Third Floor	Fourth Floor
Suria KLCC	36.00 – 50.00	35.00 – 90.00	54.00 – 63.00	35.00 – 63.00	40.00 – 43.00	20.00 – 25.00
Low Yat Plaza	18.00 – 25.00	15.00 – 49.00	22.00 – 23.00	11.00 – 16.00	13.00 – 20.00	9.00 – 18.00
Cheras Leisure Mall	16.00 – 29.00	14.00 – 23.00	10.00 – 22.00	8.00 – 20.00	NA	NA
Mid Valley Megamall	23.00 – 34.00	35.00 – 45.00	23.00 – 30.00	6.00 – 23.00	12.00 – 17.00	NA
Sunway Pyramid	14.00 – 28.00	22.00 – 32.00	14.00 – 30.00	12.00 – 26.00	7.00 – 17.00	NA
The Mines	NA	6.00 – 15.00	5.00 – 12.00	4.50 – 9.00	5.00 – 8.00	2.50 – 5.00
SACC Mall	6.00 – 20.00	4.00 – 23.00	4.00 – 20.00	2.50 – 6.00	2.50 – 8.00	NA

Source : Property Market Report, NAPIC / Henry Butcher Retail

NA – not applicable

MARKET
OVERVIEW
continued**KLANG VALLEY RETAIL SUPPLY IN 2015**

At least 13 shopping centres are expected to open in 2015 with a total nett floor area of 6.5 million square feet. They are located in all parts of Klang Valley.

The list of new shopping centres in Klang Valley which are entering into the shopping centre market in 2015 is as listed below:

New Shopping Centres in Klang Valley for the Year 2015

No.	Name	Location	Nett Floor Area (square feet)
1	Evolve Concept Mall	Ara Damansara	400,000
2	Atria Shopping Gallery	Damansara Jaya	660,000
3	The Place @ One City	USJ Subang Jaya	350,000
4	Star Avenue Mall	Sungei Buloh	350,000
5	Mitsui Outlet Park	Sepang	270,000
6	Empire City Mall	Damansara	1,800,000
7	M Square	Puchong	186,000
8	Sunway Putra Mall	KL City Centre	580,000
9	Bangsar Trade Centre	Pantai	100,000
10	Sunway Velocity	Cheras	1,000,000
11	Sunway Pyramid Phase 3	Bandar Sunway	65,000
12	Da:Men	USJ Subang Jaya	400,000
13	KL Gateway	Bangsar South	350,000
	TOTAL		6,511,000

Source : Henry Butcher Retail

OUTLOOK OF KLANG VALLEY SHOPPING CENTRE MARKET IN 2015

Klang Valley accounts for the largest retail market in Malaysia. The retail industry in Malaysia is expected to grow at the rate of 6.0% for 2015. Inflation is expected to rise by about 4.0%.

(1) KLANG VALLEY CONSUMERS**(a) Goods & Services Tax**

The greatest challenge in 2015 for the retail industry in Malaysia is consumers' spending. Consumers' spending is expected to be affected from second quarter of 2015 due to implementation of Goods & Services Tax (GST). As a result, it will affect the performance of the shopping centre market in Klang Valley.

The implementation of GST from April 2015 will affect consumers' shopping behaviour and patterns in the first quarter of 2015.

For the first quarter of 2015, consumers are more willing to spend due to Chinese New Year celebration and employees received bonuses.

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With consideration of GST to commence from April 2015, the rise in retail spending will be even more obvious for high-value consumer goods and big-ticket items. For those who plan to buy luxury fashion items, jewelleries, car, computer, camera, handphone, home appliances, home electrical and electronics as well as furniture and furnishing in 2015, they will start buying from end of 2014 in anticipation of higher prices of these items after April 2015.

For the 6-month period after April 2015, retail sales is likely to slow down as consumers will have made all the major purchases in advance and they choose the wait-and-see attitude on the prices of goods and services.

GST will also affect the travel industry as local tour and travel agencies are expecting businesses to drop by 20-30% due to higher cost of travelling overseas. This will benefit the local tourism industry as consumers will travel and shop locally more often than usual.

Malaysian consumers will get use to the GST by the last quarter of 2015. Retail spending should return to normal again by this period.

(b) Government Incentives

For 2015, Bantuan Rakyat 1 Malaysia (BR1M) will increase the monetary distribution and it will benefit more lower and middle-income Malaysians.

The BR1M rate for households with income under RM3,000 a month has increased from RM650 to RM950. At the same time, the BR1M rate for households with income between RM3,000 and RM4,000 a month has increased from RM450 to RM750.

BR1M 4.0 will be distributed in 3 installments – January, May and September.

In addition, individuals with personal income below RM2,000 per month will receive RM350 at the end of January.

These cash hand-outs will benefit 6 million households and 2 million unmarried individuals in the country.

In 2015, higher retail sales will be expected during the month of January, May and September.

(c) Weaker Ringgit

Stronger foreign currencies will lead to higher cost of traveling to overseas countries for Malaysians.

Interestingly, this will lead to higher domestic travelling and encourage more shopping within the country.

(2) FOREIGN TOURIST ARRIVAL

In early 2014, CNN picked Kuala Lumpur as the fourth best shopping city in the world after New York, Tokyo and London. This publicity will attract more foreign tourists to shop in Kuala Lumpur for 2015.

In addition, shopping centres in Kuala Lumpur should enjoy higher foreign tourist arrivals due to weak Ringgit.

(a) Cheaper Cost of Travelling to Malaysia

Malaysia currency against US dollar has been dropping since November 2014. This has resulted in cheaper travelling cost to Malaysia. Malaysia is now cheaper to visit and to shop.

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With cheaper Ringgit, tourists from Singapore and Brunei will visit our country more often and / or spend more during each of their visits.

A lower cost of travelling to Malaysia will also attract more tourists from North Asia, America, Europe and Australia to shop in our country.

(b) MyFest 2015

After Visit Malaysia Year 2014, the country will celebrate another major event with Malaysia Year of Festivals 2015 (MyFest 2015).

Themed 'Endless Celebrations', MyFest 2015 has a yearlong calendar packaged with festivities of every genre, including cultural festivals, shopping extravaganzas, international acclaimed events, eco-tourist events, arts, music showcases and food promotions. Kuala Lumpur will have the most number of organised events in conjunction with this festival.

MyFest 2015 is set to make Malaysia the top-of-the-mind tourist destination, encouraging tourists to stay longer in order to enjoy the festival offerings nationwide.

MyFest 2015 aims to attract 29.4 million foreign visitors with RM89 billion tourist receipts.

LIST OF SHOPPING COMPLEXES IN KUALA LUMPUR, 2014

No	Name of Shopping Centre	Location	Nett Retail Area (square feet)
1	1 Mont'Kiara	Mont' Kiara, Kuala Lumpur	150,000
2	1 Shamelin	Cheras	322,000
3	AEON AU2 Setiawangsa	Taman Setiawangsa	220,000
4	Alpha Angle	Wangsa Maju	350,000
5	Amp Walk	Ampang	76,000
6	Ampang Park	Jalan Ampang	224,000
7	Avenue K	Jalan Ampang	360,000
8	Bangsar Shopping Centre	Bangsar	350,000
9	Bangsar Village 1 & 2	Bangsar	220,000
10	Berjaya Times Square	Bukit Bintang	3,200,000
11	Brem Mall	Kepong	300,000
12	Bukit Bintang Plaza	Bukit Bintang	263,900
13	Campbell Shopping Complex	Jalan Dang Wangi	140,200
14	CapSquare	CBD Area	180,000
15	Central Market	KL CBD	57,500
16	Desa Complex	Kepong	171,500
17	Endah Parade	Sri Petaling	1,020,000
18	Fahrenheit 88	Bukit Bintang	279,000
19	Festival City Mall	Setapak	500,000
20	Great Eastern Mall	Ampang	300,000
21	Hartamas Shopping Centre	Sri Hartamas	260,000

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continued

No	Name of Shopping Centre	Location	Nett Retail Area (square feet)
22	IKON @ Taman Connaught	Cheras	110,000
23	Jusco Maluri	Cheras	162,200
24	Jusco Metro Prima	Kepong	230,000
25	Kenanga Wholesale City	Jalan Gelugor	500,000
26	Kepong Village Mall	Kepong	250,000
27	Kompleks Mutiara	Jalan Ipoh	280,000
28	Kompleks Pernas Sogo	Jalan TAR	700,000
29	Kota Raya	CBD Area	147,000
30	Leisure Mall	Cheras	293,500
31	Life Centre	Jalan Sultan Ismail	35,970
32	Lot 10	Bukit Bintang	300,000
33	Lucky Plaza	Old Klang Road	300,000
34	Maju Junction	Golden Triangle	280,000
35	Market Hall	Pudu	200,000
36	Menara City One	CBD Area	81,000
37	Mid Valley Megamall	Lembah Pantai	1,700,000
38	Nu Sentral	KL Sentral	650,000
39	OUG Plaza	Old Klang Road	235,000
40	Pavilion KL	Bukit Bintang	1,350,000
41	Pearl Point	Old Klang Road	180,000
42	Pertama Complex	Jalan TAR	220,000
43	Plaza Ampang City	Ampang	123,000
44	Plaza Berjaya	Bukit Bintang	107,000
45	Plaza Imbi	Imbi	60,000
46	Plaza Low Yat	Bukit Bintang	750,000
47	Plaza Prima	Old Klang Road	105,000
48	Plaza RAH	Kg Baru/KL	19,138
49	Plaza TTDI	Taman Tun Dr. Ismail	60,000
50	Publika	Solaris Dutamas	320,000
51	Pudu Plaza	Pudu	201,500
52	Quill City Mall	Jalan Sultan Ismail	1,000,000
53	Semua House	Jalan TAR	126,000
54	Shaw Parade	Pudu	150,000
55	Sinar Kota	CBD Area	100,800
56	Sooka Sentral	KL Sentral	50,000
57	Starhill Gallery	Bukit Bintang	370,000
58	Sun Complex	Bukit Bintang	107,204
59	Sungei Wang Plaza	Bukit Bintang	750,000
60	Sunway Putra Mall	Jalan Putra	570,000

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continued

No	Name of Shopping Centre	Location	Nett Retail Area (square feet)
61	Suria KLCC	Golden Triangle	1,500,000
62	The Gardens	Lembah Pantai	800,000
63	The Scott Garden	Old Klang Road	495,000
64	The Sphere	Bangsar South	50,000
65	The Weld	Golden Triangle	159,000
66	Viva Homes	Cheras	660,000
67	Wangsa Walk Mall	Wangsa Maju	273,069
68	Wilayah Complex	KL CBD	144,700
69	Wisma Cosway	Jalan Sultan Ismail	132,839

3.0 PURPOSE BUILT OFFICE IN KLANG VALLEY

An Overview

Overall, the Kuala Lumpur PBO (Purposed-Built Office) market in terms of rental index is still on an upward trend since 2009, in spite of a slower growth rate anticipated for 2014 (approximately 1.8%) as compared to the previous year (5.7% between 2012 and 2013).

The normalization of annual rental increment during this period is expected as a mean to absorb the greater increase in PBO supply of 8.29% in year 2012; as compared to the average growth in PBO supply of 3.8% per annum between 2006 and 2013 in Kuala Lumpur.

As such, the rental index of Kuala Lumpur's PBOs registered an increase of 1.8% between 2013 and 2014, with the rental index of PBOs in the Golden Triangle increasing by 2.1% during the same study period.

Average monthly rental rates for investment grade PBOs within Kuala Lumpur increased from RM5.68 per square feet in 2013 to RM5.77 per square feet in 2014, with rental rates of similar PBOs within the Golden Triangle vicinity registering a slight increase from a monthly rental of RM6.17 per square feet to RM6.18 per square feet on average.

Supply and Occupancy Rates

The existing supply of PBOs in Kuala Lumpur stood at approximately 84.3 million square feet in 1H2014, with PBOs within the Golden Triangle and KL CBD (Central Business District) area representing 40.9 million square feet or almost half of the total cumulative PBO spaces in KL.

The occupancy rate of PBOs in KL remained fairly stable at 80.1% in 1H2014, a slight increase from 78.0% in 1H2013. During the same period, the occupancy rates for PBOs in the Golden Triangle and KL CBD increased from 75.6% and 86.1% in 2013 to 80.2% and 88.0% in 2014, respectively.

In terms of future supply, approximately 12.4 million square feet of PBO spaces will be made ready in KL within the next two years, thus increasing the Kuala Lumpur's PBO supply to 96.7 million square feet by 2016.

Current major developments in progress are KL Eco City (by SP Setia), Tun Razak Exchange (by 1MDB), Bandar Malaysia (also by 1MDB), Warisan Merdeka (by PNB). Felcra Bhd, an agency under Rural and Regional Development Ministry had planned to venture into its first mixed commercial development located along Jalan Semarak, Kuala Lumpur. The project, slated to be completed in 3 years over 2 phases, will comprise a 30-storey office tower called Menara Felcra, residential towers and a shopping complex.

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OVERVIEW
continued

REFERENCES

a) KL PBOs' Rental Indices

Figure 1: Composite PBO-RI W.P. Kuala Lumpur

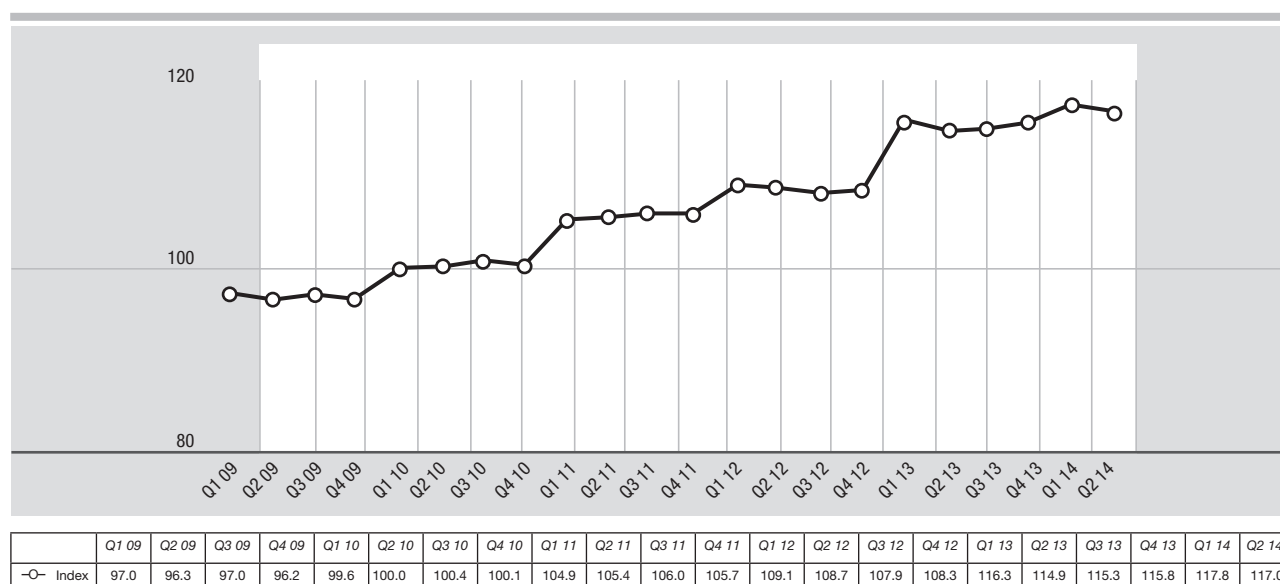
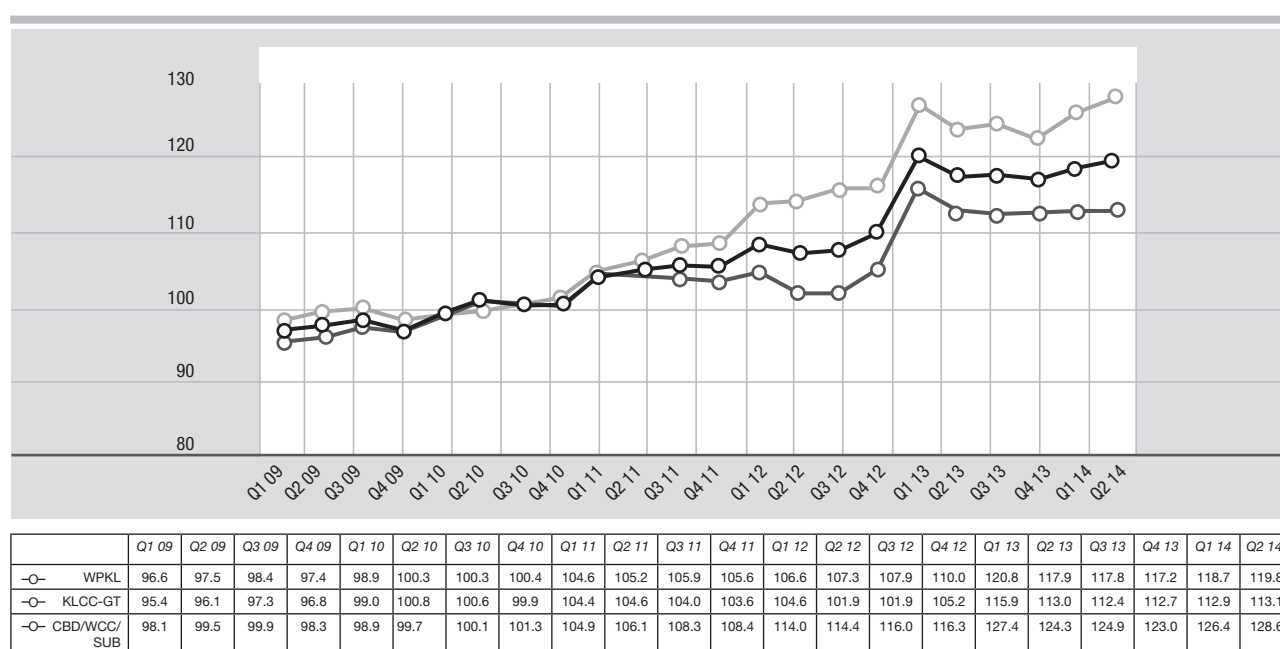


Figure 2: PBO-RI W.P.KL Investment Grade Buildings By Region



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continued**W.P. Kuala Lumpur Composite Index and Region Sub-Indices**

		WPKL		KLCC-GT		CBD		WCC		SUBURBAN	
		Index	*Change %								
Annually 2010=100											
2009		96.5		97.5		98.4		95.9		94.0	
2010		100.0	3.7	100.0	2.6	100.0	1.6	100.0	4.3	100.0	6.4
2011		105.5	5.5	104.5	4.5	101.4	1.4	107.3	7.3	109.1	9.1
2012		108.6	3.0	105.4	1.3	102.0	0.6	116.6	8.7	111.0	1.7
2013		114.8	5.7	114.0	7.7	100.0	-2.0	128.7	10.4	116.3	4.8
2009	Q1	97.0		97.0		98.3		96.9		96.2	
	Q2	96.3	-0.7	97.1	0.1	97.7	-0.6	97.2	0.3	93.4	-2.9
	Q3	97.0	0.6	98.3	1.2	98.9	1.2	96.9	-0.3	93.6	0.2
	Q4	96.2	-0.8	97.5	-0.8	98.6	-0.3	94.4	-2.6	93.8	0.2
2010	Q1	99.6	3.5	99.9	2.5	100.2	1.6	99.8	5.7	98.4	4.9
	Q2	100.0	0.4	100.3	0.4	100.4	0.2	100.1	0.3	99.3	0.9
	Q3	100.4	0.4	100.6	0.3	100.4	0.0	100.6	0.5	100.1	0.8
	Q4	100.1	-0.3	99.6	-1.1	99.4	-1.0	99.4	-1.2	102.2	2.1
2011	Q1	104.9	4.8	104.0	4.5	102.1	2.7	105.8	6.4	106.1	5.8
	Q2	105.4	0.4	104.7	0.7	101.6	-0.5	106.8	0.9	108.7	0.6
	Q3	106.0	0.5	104.8	0.1	101.2	-0.4	107.8	0.9	110.6	1.7
	Q4	105.7	-0.3	104.4	-0.4	100.9	-0.3	108.6	0.7	109.3	-1.2
2012	Q1	109.1	3.3	106.7	2.2	103.6	2.7	115.0	5.9	112.2	2.7
	Q2	108.7	-0.4	106.2	-1.4	103.8	0.2	116.3	1.1	110.9	-1.2
	Q3	107.9	-0.7	105.0	-0.2	99.7	-3.9	117.6	1.1	110.3	-0.5
	Q4	108.3	0.4	106.6	1.5	99.4	-0.3	118.1	0.4	109.8	-0.5
2013	Q1	116.3	7.3	116.1	8.9	102.8	3.4	128.5	8.8	117.4	6.9
	Q2	114.9	-1.2	114.0	-1.8	100.4	-2.3	127.8	-0.5	116.9	-0.3
	Q3	115.3	0.4	115.3	1.1	100.3	-0.1	128.8	0.7	116.5	-0.4
	Q4	115.8	0.4	114.6	-0.6	99.2	-1.1	132.9	3.2	116.5	0.0
2014	Q1	117.8	1.7	116.1	1.3	98.8	-0.4	136.6	2.8	119.8	2.8
	Q2*	117.0	-0.7	116.4	0.3	95.6	-3.2	135.2	-1.0	120.3	0.4

*(% Change Over Previous Quarter)

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continued

b) Rental Rates of Investment Grade KL PBOs

Average Rental for Investment Grade Buildings in W.P. Kuala Lumpur

		WPKL		KLCC-GT		CBD-WCC-SUBURBAN	
		Average Rental (RM p.s.f)	*Change (%)				
Annually 2010=100							
2009		4.69		5.26		4.13	
2010		4.82	2.7	5.46	3.8	4.18	1.2
2011		5.06	5.4	5.69	4.1	4.47	7.0
2012		5.23	3.1	5.66	-0.5	4.81	7.6
2013		5.27	9.3	6.21	9.8	5.23	8.7
2009	Q1	4.65		5.21		4.10	
	Q2	4.70	1.0	5.24	0.6	4.15	1.4
	Q3	4.74	0.9	5.31	1.3	4.17	0.4
	Q4	4.69	-1.0	5.28	-0.6	4.10	-1.5
2010	Q1	4.77	1.6	5.40	2.4	4.13	0.5
	Q2	4.83	1.4	5.50	1.8	4.16	0.9
	Q3	4.83	0.0	5.49	-0.2	4.18	0.3
	Q4	4.84	0.1	5.45	-0.7	4.23	1.2
2011	Q1	5.04	4.1	5.70	4.5	4.38	3.6
	Q2	5.07	0.6	5.71	0.1	4.43	1.1
	Q3	5.10	0.6	5.68	-0.5	4.52	2.1
	Q4	5.09	-0.2	5.65	-0.5	4.53	0.1
2012	Q1	5.23	2.9	5.71	1.0	4.76	5.1
	Q2	5.17	-1.2	5.56	-2.6	4.78	0.4
	Q3	5.20	0.6	5.56	-0.1	4.84	1.3
	Q4	5.30	1.9	5.74	3.3	4.65	0.2
2013	Q1	5.82	9.9	6.32	10.1	5.32	9.6
	Q2	5.68	-2.4	6.17	-2.4	5.19	-2.4
	Q3	5.68	-0.1	6.14	-0.6	5.22	0.5
	Q4	5.65	-0.5	6.15	0.2	5.14	-1.5
2014	Q1	5.72	1.2	6.16	0.2	5.28	2.7
	Q2*	5.77	0.9	6.18	0.3	5.37	1.7

*(% Change Over Previous Quarter)

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OVERVIEW
continuedc) **PBO Supply, Historical, Kuala Lumpur**

Year	Square metre	CAGR
2006	5,928,254	–
2007	6,039,111	1.87%
2008	6,214,639	2.91%
2009	6,484,856	4.35%
2010	6,810,670	5.02%
2011	6,962,474	2.23%
2012	7,539,833	8.29%
2013	7,699,638	2.12%
1H2014	7,826,712	1.65%

d) **Existing PBO Supply and Occupancy Rates, Kuala Lumpur**

Supply and Occupancy of Purpose-Built Office in Kuala Lumpur

Review Period	Location	Number Of Buildings	Total Space (square meter)	Total Space Occupied (square meter)	Occupancy Rate (%)
Existing Stock					
H1 2013	KLCC/Golden Triangle	90	2,410,527	1,821,528	75.6
	Central Business District	95	1,317,528	1,134,931	86.1
	Within City Centre	132	2,348,673	1,782,961	75.9
	Suburban	79	1,505,580	1,176,306	78.1
	KUALA LUMPUR	396	7,582,308	5,915,726	78.0
H2 2013	KLCC/Golden Triangle	90	2,467,326	1,913,759	77.6
	Central Business District	96	1,331,999	1,161,058	87.2
	Within City Centre	131	2,344,242	1,825,145	77.9
	Suburban	81	1,556,071	1,179,494	75.8
	KUALA LUMPUR	398	7,699,638	6,079,454	79.0
H1 2014	KLCC/Golden Triangle	90	2,466,734	1,978,087	80.2
	Central Business District	96	1,332,897	1,172,885	88.0
	Within City Centre	134	2,469,623	1,934,509	78.3
	Suburban	81	1,557,458	1,182,960	76.0
	KUALA LUMPUR	401	7,826,712	6,268,441	80.1

e) **Recent PBO Projects, with estimated date of completion**

Year of Completion	Number of Units	Total Lettable Area (square feet)
End 2014/2015	11	6,664,174
2016	2	1,467,053
2017-2018	3	Above 2,000,000

MARKET
OVERVIEW
continued

f) Rental Rates and General Information of selected PBOs, Klang Valley

Location	Rental Rate (RM per square feet)	Grade
KL City Centre	5.00-12.00	A-B, Normal Office Building
Sultan Ismail / Raja Chulan	3.75-9.00	A-B, Normal Office Building
Mutiara Damansara / Damansara Perdana	4.20-5.80	A-B
Petaling Jaya / KL Sentral	6.00-8.00	A-B
Damansara	2.10-6.00	A-B, Normal Office Building
Bangsar	3.00-6.80	A-B, Normal Office Building

Sources: NAPIC, HB Research

4.0 THE MALAYSIA REITS (M-REITS) MARKET OVERVIEW 2014

The M-REIT market grew from a market capitalization of RM31.8 billion to RM35.8 billion in 2014, registering a 12.6% annual growth in spite of the weaker market sentiment felt throughout the regional bourses towards the end of 4Q 2014.

The major M-REIT such as PAVILION, IGB, KLCC and AXIS REITS recorded better earnings for the year despite the difficult market conditions and mid-term revenue rise because of strong leases, quality management and expansion programmes while others saw mixed results. Yields for M-REIT have hovered between 5.0% to over 6.0%, which remains a fair spread above the overnight policy rate of 3.25%, and 10 year Malaysian Government Securities yield of just over 4.0%.

The scenario going into 2015 remains uncertain while volatility is anticipated, as interest rate in US is expected to rise, thus affecting bond yields. This is compounded by slowdown in many major economies, currency and oil price fluctuations. Nevertheless, M-REITs will remain as one of the safer and more stable investment products, underpinned by generally well-managed real estate assets.

GLOSSARY

Board	:	Board of Directors of the Manager
Bursa Securities	:	Bursa Malaysia Securities Berhad
Company	:	Pavilion REIT Management Sdn Bhd
CEO	:	Chief Executive Officer
CSR	:	Corporate social responsibility
Deed	:	The Deed dated 13 October 2011 entered into between the Trustee and the Manager constituting Pavilion REIT
DPU	:	Distribution per Unit
EPU	:	Earnings per Unit
Fund	:	Pavilion Real Estate Investment Trust
FBM KLCI	:	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FP	:	Financial period from 7 December 2011 to 31 December 2011
FY	:	Financial year from 1 January to 31 December
GDP	:	Gross domestic product
GFA	:	Gross floor area
GST	:	Goods and services tax
KLP	:	Kuala Lumpur Pavilion Sdn Bhd
Manager	:	Pavilion REIT Management Sdn Bhd
M-REIT	:	Malaysian Real Estate Investment Trust
MER	:	Management expense ratio - ratio of trust expenses incurred in operating Pavilion REIT to its NAV
MGS	:	Malaysian Government Securities
NAV	:	Net asset value
NLA	:	Net lettable area
NPI	:	Net property income
Pavilion REIT	:	Pavilion Real Estate Investment Trust
Prospectus	:	Pavilion REIT's prospectus dated 14 November 2011
PPKM	:	Persatuan Pengurusan Kompleks Malaysia / Malaysia Shopping Malls Association
REIT	:	Real Estate Investment Trust
Trustee	:	AmTrustee Berhad
TAV	:	Total asset value
Unit	:	An undivided interest in Pavilion REIT as provided for in the Deed
WALE	:	Weighted average lease expiry

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Pavilion Real Estate Investment Trust ("Pavilion REIT") will be held at the Saujana Ballroom, The Saujana Hotel, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Thursday, 26 March 2015 at 10.00 a.m. to transact the following businesses:-

ORDINARY BUSINESS

1. To lay the Audited Financial Statements of Pavilion REIT for the year ended 31 December 2014 together with the Trustee's Report to the Unitholders issued by AmTrustee Berhad, as trustee of Pavilion REIT and the Statement by the Manager issued by Pavilion REIT Management Sdn Bhd, as the manager of Pavilion REIT and the Auditors' Report thereon. **(Please refer Explanatory Note I)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modification, the following Resolution:

2. **PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS PURSUANT TO CLAUSE 14.03 OF THE SECURITIES COMMISSION MALAYSIA'S GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS (REITS GUIDELINES) (PROPOSED AUTHORITY)** **Ordinary Resolution**

"THAT pursuant to the REITs Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities, where such approval is required, authority be and is hereby given to Pavilion REIT Management Sdn Bhd ("the Manager") to allot and issue new units in Pavilion REIT ("New Units") from time to time to such persons and for such purposes as the Manager may in its absolute discretion deem fit and in the best interest of Pavilion REIT, provided that the number of New Units to be allotted and issued pursuant to this resolution does not exceed 620,000,000 Units, representing 20% of the existing fund size of Pavilion REIT;

AND THAT the Proposed Authority shall be effective and continue to be in force from the date of receipt of all relevant authorities' approval or the date the Unitholders pass this resolution, whichever may be the later, until:

- (a) the conclusion of the next annual general meeting ("AGM") of the Unitholders, at which time it shall lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or
- (c) the Proposed Authority is revoked or varied by the Unitholders in a Unitholders' meeting;

whichever occurs first ("Validity Period");

AND THAT the New Units to be issued pursuant to the Proposed Authority shall, upon allotment and issuance, rank pari passu in all respects with the existing Units except that the New Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issuance of such New Units;

NOTICE OF
ANNUAL GENERAL MEETING
continued

AND THAT authority be and is hereby given to the Manager and the Trustee, acting for and on behalf of Pavilion REIT, to give effect to the aforesaid Proposed Authority with full powers to assent to any condition, variation, modification and/or amendment in any manner as the Manager and the Trustee may deem fit and in the best interest of Pavilion REIT and/or as may be imposed by the relevant authorities, and to deal with all matters relating thereto;

AND FURTHER THAT authority be and is hereby given to the Manager and the Trustee, acting for and on behalf of Pavilion REIT, to take all such steps and do all acts, deeds and things in any manner (including the execution of such documents as may be required) as they may deem necessary or expedient to implement, finalise, complete and give full effect to the Proposed Authority.”

BY ORDER OF THE BOARD

Pavilion REIT Management Sdn Bhd (939490-H)
(as the Manager of Pavilion Real Estate Investment Trust)

Lim Mei Yoong (LS 02201)
Company Secretary

Kuala Lumpur
27 February 2015

Notes :

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
3. Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
5. The instrument appointing proxy shall be deposited at the Registered Office of the Manager at 6-2, Level 6, East Wing, Menara ING, No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur not later than 24 March 2015 at 10.00 a.m. being 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
6. Only unitholders registered in the Record of Depositors as at 19 March 2015 shall be entitled to attend and speak at the meeting or appoint proxy(ies) to attend on his behalf.

NOTICE OF
ANNUAL GENERAL MEETING
continued

Explanatory Notes on:

(I) Ordinary Business

This Agenda is meant for discussion only as under the provision of the REITs Guidelines, audited financial statements do not require formal approval of the unitholders. Hence, this matter will not be put forward for voting.

(II) Special Business

The Proposed Ordinary Resolution, if passed, would enable the Manager to allot and issue up to 20% of the existing fund size of Pavilion REIT during the Validity Period.

The Proposed Authority will allow the Manager the flexibility to allot and issue New Units to raise funds to finance future investments, acquisitions and/or capital expenditure to enhance the value of Pavilion REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed Authority, delays and further costs involved in convening separate general meetings to approve such issue of New Units to raise funds can be avoided.

The Manager may, subject to relevant laws and regulations, use the net proceeds from the issuance of New Units under the Proposed Authority as its absolute discretion for other purposes, as permitted for under the REITs Guidelines.

Any allotment and issuance of New Units pursuant to the Proposed Authority will be subject to the relevant approvals of Securities Commission Malaysia and Bursa Malaysia Securities Berhad.

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PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the Deed dated 13 October 2011)

PROXY FORM

No. of Units Held	CDS Account No.

I/We _____ (name of unitholder as per NRIC, in capital letters)

NRIC No./Passport No./Company No. _____ Tel./Mobile No. _____

of _____
(full address) being a unitholder of **PAVILION REAL ESTATE INVESTMENT TRUST** ("Pavilion REIT") and entitled to vote hereby appoint:-

1st PROXY 'A'

Full name :		Proportion of unitholdings represented	
		No. of Units	%
Address :	NRIC No./Passport No. /Company No.:		

and/or failing *him/her

2nd PROXY 'B'

Full name :		Proportion of unitholdings represented	
		No. of Units	%
Address :	NRIC No./Passport No. /Company No.:		

or failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Third Annual General Meeting of Pavilion REIT to be held at the Saujana Ballroom, The Saujana Hotel, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Thursday, 26 March 2015 at 10.00 a.m. and any adjournment thereof.

* Strike out whichever not applicable

Please indicate with an "X" in the space below how you wish your votes to be cast. If you do not do so, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

Ordinary Resolution – Special Business	For	Against
Proposed Authority to Allot and Issue New Units		

Dated this _____ day _____ 2015

Signature of Unitholder/Common Seal

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AFFIX
STAMP

The Manager of Pavilion Real Estate Investment Trust
PAVILION REIT MANAGEMENT SDN BHD
(939490-H)
6-2, Level 6, East Wing, Menara ING
No. 84, Jalan Raja Chulan
50200 Kuala Lumpur

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Pavilion REIT Management Sdn. Bhd. (Company Number : 939490-H)

Level 10, Pavilion Kuala Lumpur, 168, Jalan Bukit Bintang, 55100 Kuala Lumpur

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