

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2015 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2015 (Unaudited) RM'000	As at 31 December 2014 (Audited) RM'000
ASSETS		
Plant and equipment	1,598	1,835
Investment properties	4,437,047	4,433,000
Total non-current assets	<u>4,438,645</u>	<u>4,434,835</u>
Inventories	1,173	1,228
Trade and other receivables	11,099	8,328
Cash and cash equivalents	202,015	205,540
Total current assets	<u>214,287</u>	<u>215,096</u>
TOTAL ASSETS	4,652,932	4,649,931
LIABILITIES		
Borrowings	708,133	707,525
Payables and accruals	73,819	70,308
Total non-current liabilities	<u>781,952</u>	<u>777,833</u>
Payables and accruals	61,391	61,082
Total current liabilities	<u>61,391</u>	<u>61,082</u>
TOTAL LIABILITIES	843,343	838,915
NET ASSET VALUE	<u>3,809,589</u>	<u>3,811,016</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,890,229	2,887,271
Accumulated Income	919,360	923,745
TOTAL UNITHOLDERS' FUND	<u>3,809,589</u>	<u>3,811,016</u>
Number of units in circulation ('000 units)	3,015,931	3,013,819
Net asset value per unit (RM)		
- Before income distribution	1.2632	1.2645
- After income distribution	1.2632	1.2645

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 30 June		Year to Date 30 June	
	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000
Rental Income	88,428	83,901	176,367	167,016
Other Income	14,440	14,781	31,626	32,874
GROSS REVENUE	102,868	98,682	207,993	199,890
Utilities	(11,447)	(12,648)	(24,216)	(24,527)
Maintenance	(9,412)	(7,879)	(17,870)	(15,424)
Quit rent and assessment	(2,736)	(2,988)	(5,443)	(7,971)
Other operating expenses	(7,374)	(7,238)	(15,625)	(15,220)
PROPERTY OPERATING EXPENSES	(30,969)	(30,753)	(63,154)	(63,142)
NET PROPERTY INCOME	71,899	67,929	144,839	136,748
Interest income	1,467	1,459	3,026	2,941
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	73,366	69,388	147,865	139,689
Manager's management fee	(5,685)	(5,351)	(11,267)	(10,601)
Trustee's fee	(99)	(99)	(198)	(198)
Other trust expenses	(450)	(470)	(1,033)	(1,046)
Borrowings cost	(7,837)	(7,833)	(15,583)	(15,578)
TOTAL TRUST EXPENDITURE	(14,071)	(13,753)	(28,081)	(27,423)
INCOME BEFORE TAXATION	59,295	55,635	119,784	112,266
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	59,295	55,635	119,784	112,266
Income after taxation comprises the followings:-				
Realised	59,295	55,635	119,784	112,266
Unrealised	-	-	-	-
	<u>59,295</u>	<u>55,635</u>	<u>119,784</u>	<u>112,266</u>
Earnings per unit – basic (sen) #	1.97	1.85	3.97	3.73
Earnings per unit – diluted (sen) #	1.97	1.85	3.97	3.73

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

Earnings per unit is derived based on income after taxation divided by the weighted average number of units in issue.

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	Current Quarter 30 June		Year to Date 30 June	
	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000
Total comprehensive income for the period	59,295	55,635	119,784	112,266
Distribution adjustments ¹	1,883	1,828	3,734	3,626
Distributable income	61,178	57,463	123,518	115,892

¹ Included in the distribution adjustments are the followings:-

	Current Quarter 30 June		Year to Date 30 June	
	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000
Amortisation of borrowing transaction costs	310	310	616	616
Depreciation	152	181	302	360
Manager's management fee payable in units	1,421	1,337	2,816	2,650
	1,883	1,828	3,734	3,626

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CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
As at 1 January 2014	2,881,933	640,583	3,522,516
Total comprehensive income for the period	-	112,266	112,266
Unitholders' transactions			
- Issue of new units ²	-		
- Manager's management fee paid in units	2,688	-	2,688
- Distribution to unitholders	-	(111,660)	(111,660)
Increase in net assets resulting from unitholders' transactions	2,688	(111,660)	(108,972)
As at 30 June 2014 (unaudited)	2,884,621	641,189	3,525,810
As at 1 January 2015	2,887,271	923,745	3,811,016
Total comprehensive income for the period	-	119,784	119,784
Unitholders' transactions			
- Issue of new units ²	-		
- Manager's management fee paid in units	2,958	-	2,958
- Distribution to unitholders	-	(124,169)	(124,169)
Increase in net assets resulting from unitholders' transactions	2,958	(124,169)	(121,211)
As at 30 June 2015 (unaudited)	2,890,229	919,360	3,809,589

The unaudited condensed statement of changes in net asset value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

² Issue of new units consists of the followings:-

	30 June 2014	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.2659 per unit for entitlement for the 6 months period ended 31 December 2013	2,123	2,688
Total Manager's fee paid	<u>2,123</u>	<u>2,688</u>

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	30 June 2015	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.4007 per unit for entitlement for the 6 months period ended 31 December 2014	2,112	2,958
Total Manager's fee paid	<u>2,112</u>	<u>2,958</u>

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 30 June 2015 RM'000	Preceding Year to Date 30 June 2014 RM'000
Cash Flows From Operating Activities		
Income before taxation	119,784	112,266
<i>Adjustments for :-</i>		
Borrowing cost	15,583	15,578
Interest income	(3,026)	(2,941)
Depreciation	302	360
Gain on disposal of plant and equipment		9
Plant and equipment written off	2	18
Impairment loss on trade receivables	468	637
Fair value gain of investment properties	-	-
Operating income before changes in working capital	133,113	125,927
Inventories	55	9
Trade and other receivables	(3,239)	449
Trade and other payables	3,253	9,674
Tenants deposits	3,525	2,053
Net cash from operating activities	136,707	138,112
Cash Flow From Investing Activities		
Interest received	3,026	2,941
Payment for enhancement of investment properties	(4,047)	(11,866)
Pledged deposit	(302)	(278)
Proceed from disposal of plant and equipment	-	2
Purchase of plant and equipment	(67)	-
Net cash from investing activities	(1,390)	(9,201)
Cash Flow from Financing Activities		
Distribution to unitholders	(124,169)	(111,660)
Interest paid	(14,967)	(14,962)
Payment of financing expenses	(8)	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Net cash used in financing activities	(139,144)	(126,622)
Net decrease in cash and cash equivalents	(3,827)	2,289
Cash and cash equivalents as at the beginning of the year	186,879	189,484
Cash and cash equivalents as at the end of the period	183,052	191,773
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	6,899	2,701
Deposits placed with licensed banks	195,116	207,435
	202,015	210,136
Pledged deposit	(18,963)	(18,363)
	183,052	191,773

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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Part A – Disclosure Requirement Pursuant to Malaysian Financial Reporting Standard (MFRS) 134 and International Accounting Standard (IAS) 34

A1 Basis of Preparation

The condensed interim financial statements as at and for the six months ended 30 June 2015 comprise Pavilion REIT and its subsidiaries. The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Listing Requirements of Bursa Securities, provision of the trust deed dated 13 October 2011 (“the Trust Deed”) and the Securities Commission’s Guidelines on Real Estate Investment Trusts (“the REITs Guidelines”). They do not include all of the information required for a full set of annual financial statements, and should be read in conjunction with the Audited Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

A2 Audit Report of Preceding Financial Year

There was no qualification to the Pavilion REIT’s audit report for the preceding financial year ended 31 December 2014, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

A3 Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in its consolidated annual financial statements as at and for the year ended 31 December 2014.

A4 Estimates

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

In preparing these condensed interim financial statements, the significant judgements made by the Manager in applying the accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2014, except as disclosed below.

The accounting policy of investment properties as adopted by Pavilion REIT requires investments properties to be stated at fair value. In estimating the fair value of the investment properties, the managers will rely on professionally qualified valuers at annual reporting dates. However, for interim financial reporting, the fair values of the investment properties are not updated. Asset improvement initiatives undertaken by the management, the economic environment and other factors may change the fair values of the investment properties. When the fair values are updated as at 31 December 2015, the fair values could be materially different from the current carrying value.

A5 Seasonality or Cyclicity of Operations

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

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A6 Exceptional or Unusual Item

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

A7 Changes in Estimates

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

A8 Debt and Equity Securities

There were no issuance, cancellation, repurchase, sale and payment of debt and equity securities for the current quarter and year to date except for payment of 25% Manager's management fee paid in Pavilion REIT units, with details as disclosed below.

Units issued	Price per Unit	Listed on Main Market of Bursa Securities on	Remark
2,111,612	RM1.4007	6 February 2015	Based on the 5-day volume weighted average price of the units up to but excluding 15 January 2015

A9 Segmental Reporting

Segmental results for the period ended 30 June 2015 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	202,603	5,390	207,993
Net Property Income	141,380	3,459	144,839
Interest Income			3,026
Net Investment Income			147,865
Trust Expenses			(12,498)
Borrowings Cost			(15,583)
Income Before Taxation			119,784
Taxation			-
Income After Taxation			119,784
Segment assets	4,499,930	134,039	4,633,969
Other non-allocated assets			18,963
			4,652,932
Segment liabilities	812,203	30,892	843,095
Other non-allocated liabilities			248
			843,343

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A10 Valuation of Investment Properties

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

A11 Material Events Subsequent to Period End

There were no material events subsequent to the end of the reporting quarter that require disclosure or adjustments to the unaudited interim financial statement.

A12 Changes in the Composition of Pavilion REIT

The movement to the composition of Pavilion REIT during the period is as follows:-

	Units
Balance as at 1 January 2015	3,013,819,536
Units issued as payment of Manager's management fee	2,111,612
Total units issued	<u>3,015,931,148</u>

A13 Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets to be disclosed during the quarter under review.

A14 Capital Commitments

	RM'000
Authorised but not contracted for	32,159
Contracted but not provided for	3,347

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

B1 Review of Performance

	Current Quarter 30 Jun			Year to Date 30 Jun		
	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000	Change %	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000	Change %
Gross Revenue						
Retail	100,147	95,987	4.3%	202,603	194,262	4.3%
Office	2,721	2,695	1.0%	5,390	5,628	-4.2%
Total Gross Revenue	<u>102,868</u>	<u>98,682</u>	<u>4.2%</u>	<u>207,993</u>	<u>199,890</u>	<u>4.1%</u>
Property Operating Expenses						
Retail	29,988	29,685	-1.0%	61,223	60,943	-0.5%
Office	981	1,068	8.1%	1,931	2,199	12.2%
Total Property Operating Expenses	<u>30,969</u>	<u>30,753</u>	<u>-0.7%</u>	<u>63,154</u>	<u>63,142</u>	<u>0.0%</u>
Net Property Income						
Retail	70,159	66,302	5.8%	141,380	133,319	6.0%
Office	1,740	1,627	6.9%	3,459	3,429	0.9%
Total Net Property Income	<u>71,899</u>	<u>67,929</u>	<u>5.8%</u>	<u>144,839</u>	<u>136,748</u>	<u>5.9%</u>
Interest Income	1,467	1,459	0.5%	3,026	2,941	2.9%
Net Investment Income	<u>73,366</u>	<u>69,388</u>	<u>5.7%</u>	<u>147,865</u>	<u>139,689</u>	<u>5.9%</u>
Manager's Management Fee	5,685	5,351	-6.2%	11,267	10,601	-6.3%
Other Trust Expenses	549	569	3.5%	1,231	1,244	1.0%
Borrowings Cost	7,837	7,833	-0.1%	15,583	15,578	0.0%
Total Trust Expenses	<u>14,071</u>	<u>13,753</u>	<u>-2.3%</u>	<u>28,081</u>	<u>27,423</u>	<u>-2.4%</u>
Income Before Taxation	<u>59,295</u>	<u>55,635</u>	<u>6.6%</u>	<u>119,784</u>	<u>112,266</u>	<u>6.7%</u>
Taxation	-	-	-	-	-	-
Income After Taxation	<u>59,295</u>	<u>55,635</u>	<u>6.6%</u>	<u>119,784</u>	<u>112,266</u>	<u>6.7%</u>
Distribution Adjustments	1,883	1,828	3.0%	3,734	3,626	3.0%
Distributable Income	<u>61,178</u>	<u>57,463</u>	<u>6.5%</u>	<u>123,518</u>	<u>115,892</u>	<u>6.6%</u>

Quarterly Results

Pavilion REIT recognised total gross revenue of RM102.9 million in Q2 2015, higher by RM4.2 million or 4% compared to Q2 2014 of RM98.7 million. The increase was mainly contributed by rental from 2014 asset enhancement areas such as Beauty Precinct, extension of 'Couture Pavilion' at Level 2 and Dining Loft at Level 7.

Total property operating expenses was slightly higher by RM0.2 million or 1% compared to Q2 2014 mainly due to the floor upgrading exercise at Level 1 around Gourmet Emporium area. This was mitigated by saving from electricity charges from Imbalance Cost Pass-Through (ICPT) rebate given by the government of Malaysia.

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These have resulted in higher total net property income by RM4.0 million or 6% in Q2 2015 compared to Q2 2014.

Manager's management fee incurred for Q2 2015 was higher by RM0.3 million compared to Q2 2014. This was in line with the increased in total asset value and net property income. Borrowing cost incurred during the quarter of RM7.8 million is consistent with Q2 2014.

Income before taxation for the current quarter under review was higher by RM3.7 million or 7% compared to Q2 2014 mainly due to higher net property income.

Distributable income for the quarter under review was RM61.2 million or 2.03 sen per unit, consisting of income after tax of RM59.3 million and non-cash adjustments for depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM0.3 million and 25% of Manager's management fee payable in units amounting to RM1.4 million.

Year-to-date Results

Total revenue for year-to-date 30 June 2015 was RM208.0 million. It was higher by RM8.1 million or 4% compared to preceding year-to-date 30 June 2014's performance. The achievement was mainly contributed by rental from 2014 asset enhancement areas such as Beauty Precinct, extension of 'Couture Pavilion' at Level 2 and Dining Loft at Level 7 as well as the increase in service charge that was revised in May 2014.

Total property operating expenses incurred was consistent with year-to-date 30 June 2014. Higher maintenance cost was mainly due to the floor upgrading exercise at Level 1 around Gourmet Emporium area whereas lower assessment charges was due to the overprovision of year to date 30 June 2014's assessment which was reversed in Q3 2014.

Higher Manager's management fee was in line with the higher achievement of net property income and increased in total asset value. Borrowing cost was consistent with preceding year-to-date 30 June 2014 cost incurred.

These have resulted in higher income before taxation for year-to-date 30 June 2015 by RM7.5 million or 7% compared to preceding year-to-date 30 June 2014.

Distributable income for the six months ended 30 June 2015 was RM123.5 million or 4.09 sen per unit, consisting of income before taxation of RM119.8 million and non-cash adjustments for depreciation of RM0.3 million, amortisation of borrowings transaction cost of RM0.6 million and 25% of manager's management fee payable in units amounting to RM2.8 million.

Pavilion REIT has expended approximately RM4.0 million of its capital commitment during the year, mainly for creation of a new drop off entrance at Jalan Bukit Bintang as well as continuous toilets upgrading works and enhancement to its common corridor.

B2 Material Changes in Quarterly Results

The income before taxation for the current quarter under review was lower than the last immediate quarter by RM1.2 million or 2% mainly due to the decrease in percentage rent and advertising income.

Property operating expense was lower mainly due to the higher electricity charge in the last immediate quarter for 2014's adjustment done by Tenaga Nasional Berhad and higher marketing expenses incurred for festive decoration and promotion events in Q1 2015.

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B3 Prospects

As expected, weak consumer sentiment continues post GST implementation. Indirectly, the world and country events also causes concerns that lead to the weakening of Ringgit Malaysia. Therefore, more marketing efforts would be held to attract local and foreign shoppers to encourage retail spending. With the soft office market condition, continuous efforts will be put in to increase occupancy to at least 98% by the end of this year.

B4 Investment Objectives

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

B5 Strategies and Policies

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

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

B6 Income Distribution

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

Resident Unitholder

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

Non-Resident Unitholder

- | | |
|--|------------------------|
| a) Non-resident company: | Withholding tax at 25% |
| b) Non-resident institutional investor: | Withholding tax at 10% |
| c) Non-resident, other than company and institutional investors: | Withholding tax at 10% |

As per the distribution policy stated in the Trust Deed, the Manager intends to distribute at least 90% of Pavilion REIT distributable income on a half yearly basis. For the financial year ending 31 December 2015, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.12 sen per unit or RM124.2 million earned for 2nd half of 2014 was distributed on 27 February 2015. The proposed interim income distribution for the six months ended 30 June 2015 is 4.09 sen per unit or RM123.3 million. The proposed interim income distribution will be payable on 8 September 2015.

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B7 Portfolio Composition

There was no change to the number of properties held by Pavilion REIT since the last reporting quarter, ie its properties are Pavilion Kuala Lumpur retail mall and Pavilion Tower.

B8 Taxation

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

As Pavilion REIT proposes to declare 100% of its distributable income to its unitholders for the financial year ending 31 December 2015, no provision for taxation has been made for the current quarter.

B9 Status of Corporate Proposal

Corporate proposals announced but not completed as at the latest practicable date from the issuance of this report are as follows :-

- a) On 24 June 2015, the Securities Commission Malaysia had approved and authorised the establishment of a proposed medium term notes (“MTNs”) programme of RM8.0 billion in nominal value (“MTN Programme”) to be undertaken by Pavilion REIT Bond Capital Berhad (“Issuer”), a company wholly owned by AmTrustee Berhad, as the trustee for Pavilion REIT. The MTN Programme shall have a tenure of twenty years from the date of the first issue of MTNs under the MTN Programme. An issuance of MTNs under the MTN Programme may either be rated or unrated, as the Issuer may decide.
- b) On 1 July 2015, the Board of Directors of the Manager announced that AmTrustee Berhad, as trustee of Pavilion REIT (“Trustee”), had entered into a sale and purchase agreement with Urusharta Cemerlang Sdn Bhd for sale of an area measuring 1,050 square metres, which is inclusive of 72 car parking bays (“Affected Car Park Area”) for a purchase consideration of RM4,896,000. On the same day, Urusharta Cemerlang (KL) Sdn Bhd (“UCKL”) issued a letter of undertaking to the Trustee that UCKL shall lease 66 car park bays located within the Affected Car Park Area to Pavilion REIT for a period of nine years at the proposed monthly rental of RM16,500 or RM250 per car park bay per month

B10 Borrowings and Debt Securities

	As at 30 June 2015 RM’000
Long term borrowings	
Secured Revolving Term Loan	709,701
Less: Unamortised Borrowings Transaction Cost	(1,568)
	708,133

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B11 Off Balance Sheet Financial Instruments

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

B12 Material Litigation

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

B13 Soft Commission Received

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

B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 30 June 2015	Immediate preceding quarter ended 31 March 2015
Number of units in issue (units)	3,015,931,148	3,015,931,148
Net Asset Value ("NAV") (RM'000)	3,809,589	3,750,294
NAV per unit (RM)	1.2632	1.2435
Total comprehensive income (RM'000)	59,295	60,489
Weighted average number of units in issue – year to date (units)	3,015,511,159	3,015,086,503
Earnings per Unit after Manager's management fee (Sen)	1.97	2.01
Proposes / Declared Distribution per Unit ("DPU") (Sen)	2.03	2.06
Market Price (RM)	1.49	1.53
Distribution Yield (%) ³	5.54	5.46

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

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B15 Manager's Management Fee

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

Type RM'000	Current Quarter 30 June 2015	Year to Date 30 June 2015	Basis
Base Fee	3,528	6,922	0.3% per annum on total asset value
Performance Fee	2,157	4,345	3% per annum on net property income
Total	5,685	11,267	

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

B16 Trustee's Fees

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

B17 Significant related party transactions

Significant related party transactions, other than Manager's management fee for the quarter ended 30 June 2015 is as follows:-

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value Year to Date: 30 June		Balance Outstanding As at	
		2015 RM'000	2014 RM'000	30 June 2015 RM'000	31 Dec 2014 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	239	199	-	-
Malton Berhad group #	Rental income and its related charges	1,217	1,130	5	8
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	570	670	(16)	8
	Purchase of product	446	537	3	118
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	384	414	3	2
Kuala Lumpur Pavilion Sdn Bhd ∞	Property management fees and charges payable	4,078	9,248	869	1,282
Impian Ekspresi Sdn Bhd ◇	Rental income and its related charges	380	-	63	63

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- # 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 effective interest in Crabtree & Evelyn (Malaysia) Sdn Bhd.
- ^ Omer Abdulaziz H A Al-Marwani, Mohd Nasser A M Al-Humaidi and Navid Chamdia as directors in the Manager also holds directorship in Lumayan Indah Sdn Bhd, a company that is currently leasing an office space at Pavilion Tower.
- ∞ 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.
- ◇ 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.

B18 Update on the Actions Taken to Rectify the Reconfiguration of the Net Lettable Area and Status of the Application

An application dated 6 June 2011 has been submitted by Urusharta Cemerlang Sdn Bhd, the sponsor of Pavilion REIT to the relevant authority to seek the requisite approval for the new lettable area created along passageways / walkways within Pavilion Kuala Lumpur mall which does not form part of the delineated lettable areas in the approved building plans.

Further to the request of the relevant authority, the updated joint application incorporating Pavilion Kuala Lumpur's new lettable areas and Royale Pavilion Hotel development, which belongs to the sponsor's subsidiary and is to be located above part of the retail mall, has been submitted to the relevant authority on 24 July 2014. DBKL has on 9 December 2014 granted its consent for submission of building plan approval.

B19 Responsibility Statement

In the opinion of the Directors of the Manager, this quarterly financial report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Pavilion REIT as at 30 June 2015 and of its financial performance and cash flows for the period ended on that date and duly authorised for release by the Board of the Manager.

BY ORDER OF THE BOARD

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

Lim Mei Yoong
Company Secretary (Licensed Secretary Number: LS 02201)

Kuala Lumpur
30 July 2015