

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2012 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2012	As at 31 December 2011
	RM'000	RM'000
ASSETS		
Plant and equipment	3,244	3,567
Investment properties	3,575,364	3,561,000
Total non-current assets	<u>3,578,608</u>	<u>3,564,567</u>
Inventories	1,002	851
Trade and other receivables	9,052	3,075
Cash and cash equivalents	140,980	112,595
Total current assets	<u>151,034</u>	<u>116,521</u>
TOTAL ASSETS	3,729,642	3,681,088
LIABILITIES		
Borrowings	705,328	704,397
Payables and accruals	74,440	68,053
Total non-current liabilities	<u>779,768</u>	<u>772,450</u>
Payables and accruals	33,217	27,520
Distribution payable to unitholders	51,769	13,140
Total current liabilities	<u>84,986</u>	<u>40,660</u>
TOTAL LIABILITIES	864,754	813,110
NET ASSET VALUE	<u>2,864,888</u>	<u>2,867,978</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,873,992	2,868,742
Deficit	(9,104)	(764)
TOTAL UNITHOLDERS' FUND	<u>2,864,888</u>	<u>2,867,978</u>
Number of units in circulation ('000 units)	3,004,115	3,000,000
Net asset value per unit (RM)		
- before income distribution	0.97	0.96
- after income distribution	0.95	0.96

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2012 (UNAUDITED)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 30 September		Year to Date 30 September	
	2012 (Unaudited) RM'000	2011 ¹ RM'000	2012 (Unaudited) RM'000	2011 ¹ RM'000
Rental Income	72,202	-	212,570	-
Other Income	14,307	-	42,103	-
GROSS REVENUE	86,509	-	254,673	-
Utilities	(9,984)	-	(30,012)	-
Maintenance	(6,356)	-	(17,906)	-
Quit rent and assessment	(2,192)	-	(6,563)	-
Other operating expenses	(6,934)	-	(18,525)	-
Property operating expenses	(25,466)	-	(73,006)	-
NET PROPERTY INCOME	61,043	-	181,667	-
Interest income	1,468	-	3,882	-
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	62,511	-	185,549	-
Manager's management fee	(4,582)	-	(13,826)	-
Trustee's fee	(101)	-	(310)	-
Other trust expenses	(628)	-	(1,972)	-
Borrowings cost	(8,462)	-	(25,134)	-
Total trust expenditure	(13,773)	-	(41,242)	-
INCOME BEFORE TAXATION	48,738	-	144,307	-
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	48,738	-	144,307	-
Income after taxation comprises the following :-				
Realised	48,738	-	144,307	-
Unrealised	-	-	-	-
	<u>48,738</u>	<u>-</u>	<u>144,307</u>	<u>-</u>
Earnings per unit - basic (sen) #	1.62	-	4.81	-
Earnings per unit – diluted (sen) #	1.62	-	4.81	-

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Report for the period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

¹ No comparative figures are available as Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011.

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 September		Year to Date 30 September	
	2012 (Unaudited)	2011 ¹	2012 (Unaudited)	2011 ¹
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the period	48,738	-	144,307	-
Distribution adjustments ²	2,771	-	8,340	-
Distributable income	51,509	-	152,647	-

² Included in the distribution adjustments are the followings:-

	Current Quarter 30 September		Year to Date 30 September	
	2012 (Unaudited)	2011 ¹	2012 (Unaudited)	2011 ¹
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	312	-	931	-
Depreciation	168	-	496	-
Manager's management fee payable in units	2,291	-	6,913	-
	2,771	-	8,340	-

¹ No comparative figures are available as Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011.

**PAVILION REAL ESTATE INVESTMENT TRUST
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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 2012	2,868,742	(764)	2,867,978
Total comprehensive income for the period	-	144,307	144,307
Unitholders' transactions			
- Creation of units ³			
- Manager's management fee paid in units	5,241	-	5,241
- Listing expenses	9	-	9
- Distribution payable to unitholders ⁴	-	(152,647)	(152,647)
Increase in net assets resulting from unitholders' transactions	5,250	(152,647)	(147,397)
As at 30 September (unaudited)	2,873,992	(9,104)	2,864,888

The unaudited condensed statement of changes in net asset value should be read in conjunction with the Audited Financial Report for the period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

No comparative figures are available as Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011.

³ Issue of new units consists of the followings:-

	30 September 2012	
	Units 000	Amount RM'000
Issuance of new units pursuant to 50% Manager's management fee paid in units :-		
- at RM1.0919 per unit for entitlement for the period ended 31 December 2011	567	619
- at RM1.3028 per unit for entitlement for the period ended 30 June 2012	3,548	4,622
Total Manager's fee paid	<u>4,115</u>	<u>5,241</u>

	31 December 2011	
	Units 000	Amount RM'000
Consideration units issued to vendors	2,210,000	1,944,800
Issuance of new units pursuant to initial public offering	<u>790,000</u>	<u>710,300</u>
	<u>3,000,000</u>	<u>2,655,100</u>

⁴ Distribution for the quarter ended 30 September 2012 would be payable together with the distribution for the quarter ending 31 December 2012.

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 30 September 2012 RM'000	Preceding Year to Date 30 September 2011 ¹ RM'000
Cash Flows From Operating Activities		
Income before taxation	144,307	-
<i>Adjustments for :-</i>		
Borrowing cost	25,134	-
Interest income	(3,882)	-
Depreciation	496	-
Loss/(Gain) on disposal of plant and equipments	(9)	-
Plant and equipments written off	2	-
Impairment loss on trade receivables	521	-
Operating income before changes in working capital	166,569	-
Inventories	(151)	-
Trade and other receivables	(6,498)	-
Trade and other payables	10,947	-
Tenants deposits	6,387	-
Net cash from operating activities	177,254	-
Cash Flow From Investing Activities		
Interest received	3,882	-
Payment for enhancement of investment properties	(14,364)	-
Pledged deposit	(390)	-
Proceed from disposal of plant and equipments	77	-
Purchase of investment properties	-	-
Purchase of plant and equipments	(243)	-
Net cash used in investing activities	(11,038)	-
Cash Flow from Financing Activities		
Distribution to unitholders	(114,018)	-
Interest paid	(24,203)	-
Payment of financing expenses	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Net cash used in financing activities	(138,221)	-
Net increase in cash and cash equivalents	27,995	-
Cash and cash equivalents as at the beginning of the period	95,566	-
Cash and cash equivalents as at the end of the period	123,561	-
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	2,138	-
Deposits placed with licensed banks	138,842	-
	140,980	-
Pledged deposit	(17,419)	-
	123,561	-

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

¹ No comparative figures are available as Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011.

**PAVILION REAL ESTATE INVESTMENT TRUST
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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 nine months ended 30 September 2012 comprise Pavilion REIT and its subsidiary. 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 full annual financial statements, and should be read in conjunction with the Audited Financial Report for the period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

These are the condensed interim financial statement for part of the period covered by Pavilion REIT’s first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. Nevertheless, the transition to MFRSs has no impact on the reported financial position, financial performance and cash flows of Pavilion REIT.

A2 Audit Report of Preceding Financial Year

There was no qualification to the Pavilion REIT’s audit report for the preceding financial period ended 31 December 2011, which was prepared in accordance with Financial Reporting Standards in Malaysia.

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 period ended 31 December 2011.

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 period ended 31 December 2011, 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 2012, the fair values could be materially different from the current carrying value.

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A5 Seasonality or Cyclical of Operations

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

A6 Exceptional or Unusual Item

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

A7 Changes in Estimates

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

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 50% 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
566,852	RM1.0919	8 March 2012	Based on the 5-day volume weighted average price of the units up to but excluding 8 February
3,547,813	RM1.3028	27 August 2012	Based on the 5-day volume weighted average price of the units up to but excluding 6 August

A9 Income Distribution

Further to the distribution of 0.44 sen per unit or RM13.2 million on 29 February 2012 for period ended 31 December 2011, Pavilion REIT distributed 3.36 sen per unit or RM100.8 million on 7 September 2012 for income earned for six months ended 30 June 2012.

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.

As disclosed in the prospectus, Pavilion REIT will distribute 100% of its distributable income for the year 2012.

A10 Segmental Reporting

Segmental results for the nine months ended 30 September 2012 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	247,111	7,562	254,673
Net Property Income	176,856	4,811	181,667
Interest Income			3,882
Net Investment Income			185,549
Trust Expenses			(16,108)
Borrowings Cost			(25,134)

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Business Segment	Retail RM'000	Office RM'000	Total RM'000
Income Before Taxation			144,307
Taxation			-
Income After Taxation			144,307
Segment assets	3,583,491	128,732	3,712,223
Other non-allocated assets			17,419
			3,729,642
Segment liabilities	833,091	31,397	864,488
Other non-allocated liabilities			266
			864,754

A11 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 statement of 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.

A12 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.

A13 Changes in the Composition of Pavilion REIT

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

	Units
Balance as at 1 January 2012	3,000,000,000
Units issued as payment of Manager's management fee	4,114,665
Total units issued	<u>3,004,114,665</u>

A14 Contingent Liabilities or Contingent Assets

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

A15 Capital Commitments

	RM'000
Approved but not contracted for	2,071
Contracted but not provided for	-

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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

Review of Quarterly / Year to Date results

Pavilion REIT recognised gross revenue of RM86.5 million and net property income of RM61.0 million for the third quarter ended 30 September 2012. Manager's management fee and borrowing cost incurred during the quarter were RM4.6 million and RM8.5 million respectively resulting in income before taxation of RM48.7 million.

Distributable income for the quarter under review is RM51.5 million or 1.72 sen per unit, consisting of realised income of RM48.7 million and non-cash adjustments of depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM0.3 million and surplus cash arising from 50% of manager's management fee payable in units of RM2.3 million.

For the nine months period ended 30 September 2012, Pavilion REIT recorded an income before taxation of RM144.3 million as a result of achieving gross revenue and net property income of RM254.7 million and RM181.7 million respectively. The manager's management fee incurred to date is RM13.8 million with borrowing cost at RM25.1 million.

The distributable income for the nine months period ended 30 September 2012 is RM152.6 million or 5.08 sen per unit, after non-cash adjustment for depreciation of RM0.5 million, amortisation of borrowings transaction cost of RM0.9 million and 50% of manager's management fee payable in units amounting to RM6.9 million.

B2 Material Changes in Quarterly Results

There is no material change in the income before taxation for the current quarter under review as compared to the last immediate quarter.

B3 Prospects

The asset enhancement initiative announced on 19 January 2011 has been completed with most tenants commencing trading from end of this quarter. Therefore, rental income for the next quarter would be higher than current quarter.

The Manager is confident to meet the 2012 forecasted results as disclosed in the prospectus upon completion of its asset enhancement initiative coupled with its office tower being fully tenanted as from this quarter.

B4 Investment Objectives

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

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B5 Strategies and Policies

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

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

B6 Variance between Profit Forecast and Actual Results

a) Condensed Statement of Comprehensive Income

	Current Quarter ended 30 September 2012	
	Actual (unaudited) RM'000	Forecast RM'000
Rental Income	72,202	70,222
Other Income	14,307	7,857
GROSS REVENUE	86,509	78,079
Utilities	(9,984)	(9,867)
Maintenance	(6,356)	(6,006)
Quit rent and assessment	(2,192)	(2,273)
Other operating expenses	(6,934)	(5,481)
Property operating expenses	(25,466)	(23,627)
NET PROPERTY INCOME	61,043	54,452
Interest income	1,468	383
NET INVESTMENT INCOME	62,511	54,835
Manager's management fee	(4,582)	(4,363)
Trustee's fee	(101)	(100)
Other trust expenses	(628)	(500)
Borrowings cost	(8,462)	(8,705)
Total trust expenditure	(13,773)	(13,668)
INCOME BEFORE TAXATION	48,738	41,167
Taxation	-	-
INCOME AFTER TAXATION	48,738	41,167
Other comprehensive income, net of tax	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR	48,738	41,167
Income after taxation comprise the followings :-		
Realised	48,738	41,167
Unrealised	-	-

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	Current Quarter ended 30 September 2012	
	Actual (unaudited) RM'000	Forecast RM'000
	48,738	41,167
Earnings per unit – basic (sen) #	1.62	1.37
Earnings per unit – diluted (sen) #	1.62	1.37

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

b) Breakdown of Properties by Gross Revenue and Net Property Income

Properties	Current Quarter ended 30 September 2012	
	Actual (unaudited) RM'000	Forecast RM'000
Gross Revenue		
Pavilion Kuala Lumpur retail mall	83,459	75,165
Pavilion Tower	3,050	2,914
	86,509	78,079
Net Property Income		
Pavilion Kuala Lumpur retail mall	58,966	52,559
Pavilion Tower	2,077	1,893
	61,043	54,452

c) Comparison of Distributable Income

Properties	Current Quarter ended 30 September 2012	
	Actual (unaudited) RM'000	Forecast RM'000
Total comprehensive income for the quarter	48,738	41,167
Distribution adjustments	2,771	1,322
Distributable income	51,509	42,489

Gross revenue for third quarter ended 30 September 2012 was RM86.5 million, higher by RM8.4 million compared to the forecast. The higher revenue was mainly contributed by Pavilion Kuala Lumpur retail mall's advertising income, income from turnover rent as well as the rental from Fashion Avenue which commenced this quarter.

The net property income (NPI) achieved for the quarter was RM61.0 million, higher than forecast by RM6.6 million mainly due to higher gross revenue. Higher other operating expenses incurred were mainly due to engagement of auxiliary polices for Pavilion Kuala Lumpur as well as higher operating cost incurred for advertising income generated.

Higher manager's management fee was in line with higher NPI. The borrowings cost was lower mainly due to lower loan amount being acquired.

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B7 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%

Pavilion REIT will be distributing 100% of its distributable income for the financial year ending 31 December 2012. The next distribution will be made after the announcement of the financial results for the year ended 31 December 2012.

B8 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.

B9 Utilisation of Proceeds Raised from Issuance of New Units

Updated utilization of proceeds raised from IPO is as follows :-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation RM'000	Deviation		Explanation RM'000
				RM'000	%	
Part payment for acquisition of properties	648,000	648,000	Immediate	-	0%	-
Issuing expenses	42,000	33,549	Immediate	8,451	20%	Note 1
Working capital	5,200	8,861	Within 12 months	(3,661)	(70%)	Note 2
	695,200	690,410		4,790		

Note 1

The actual listing expenses incurred to date of RM33.5 million was lower compared to proceeds raised from IPO of RM42.0 million mainly due to lower professional and advisory fees as well as other offering related expenses and contingencies. The balance of unutilised proceeds of RM8.5 million shall be used by Pavilion REIT for working capital.

Note 2

The working capital raised and excess fund from issuing expenses is being used to finance the asset enhancement initiative announced early this year.

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B10 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 will declare 100% of its distributable income to its unitholders for the financial year ending 31 December 2012, no provision for taxation has been made for the current quarter.

B11 Status of Corporate Proposal

There were no corporate proposals announced but not completed as at the latest practicable date from the issuance of this report.

B12 Borrowings and Debt Securities

	As at 30 September 2012 RM'000
Long term borrowings	
Secured Revolving Term Loan	709,701
Less: Unamortised Borrowings Transaction Cost	(4,373)
	705,328

B13 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.

B14 Material Litigation

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

B15 Soft Commission Received

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

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B16 Summary of DPU, EPU, NAV and Market Price

	As at 30 September 2012 RM'000	As at 31 December 2011 RM'000
Number of units in issue (units)	3,004,114,665	3,000,000,000
Net Asset Value ("NAV")	2,864,888	2,867,978
NAV per unit (RM)	0.95	0.96
Total comprehensive income (current quarter / preceding year final period)	48,738	12,376
Weighted average number of units in issue – year to date (units)	3,000,881,430	3,000,000,000
EPU after Manager's management fee (sen)	1.62	0.41
DPU (sen)	1.72	0.44
Market Price (RM)	1.40	1.09
Distribution Yield (%) ⁶	4.89	5.89

⁶ Distribution yield of DPU divided by the Market Price (as at the end of the quarter / period) has been annualised.

B17 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 September 2012	Year to Date 30 September 2012	Basis
Base Fee	2,751	8,376	0.3% per annum on total asset value
Performance Fee	1,831	5,450	3% per annum on net property income
Total	4,582	13,826	

50% of the total Manager's management fee would be payable in units.

B18 Trustee's Fees

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

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B19 Significant related party transactions

Significant related party transactions, other than Manager's management fee for the quarter ended 30 September 2012 is as follows :-

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value Year to Date : 30 Sept		Balance Outstanding As at	
		2012 RM'000	2011 ¹ RM'000	30 Sept 2012 RM'000	31 Dec 2011 RM'000
Urusharta Cemerlang Sdn Bhd	Acquisition cost of investment properties	-	-	-	-
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	295	-	-	26
Malton Berhad group #	Rental income and its related charges	1,669	-	6	-
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	190	-	35	-
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	642	-	82	-
Kuala Lumpur Pavilion Sdn Bhd ∞	Property management fees and charges payable	11,351	-	2,418	888

Malton Berhad group are deemed parties related to the Manager by virtue of the directorship and interest of Datuk Lim Siew Choon and Datin Tan Kewi Yong, his spouse, in Malton Berhad.

* Crabtree & Evelyn (Malaysia) Sdn Bhd is deemed parties related to the Manager by virtue of Datuk Lim Siew Choon'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 a retail space at Pavilion Kuala Lumpur.

∞ Datuk Lim Siew Choon, Datin Tan Kewi Yong and Dato' Lee Tuck Fook are directors of Kuala Lumpur Pavilion Sdn Bhd. Datuk Lim Siew Choon and Datin Tan Kewi Yong holds the entire issued and paid up share capital of Kuala Lumpur Pavilion Sdn Bhd.

¹No comparative figures are available as Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011.

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2012 (UNAUDITED)**

B20 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.

As at 30 September 2012, the Manager had followed up on this matter which is still pending the relevant authority's approval.

B21 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 September 2012 and of its financial performance and cash flows for the period ended on that date and duly authorised for release on 5 November 2012 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
5 November 2012