

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2016 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2016 (Unaudited) RM'000	As at 31 December 2015 (Audited) RM'000
ASSETS		
Plant and equipment	1,422	1,360
Investment properties	5,146,228	4,483,000
Other non-current assets	-	64,800
Total non-current assets	<u>5,147,650</u>	<u>4,549,160</u>
Inventories	1,271	1,237
Trade and other receivables	41,768	16,350
Cash and cash equivalents	255,908	184,006
Total current assets	<u>298,947</u>	<u>201,593</u>
TOTAL ASSETS	5,446,597	4,750,753
LIABILITIES		
Borrowings	1,415,993	754,333
Payables and accruals	64,949	29,143
Total non-current liabilities	<u>1,480,942</u>	<u>783,476</u>
Payables and accruals	176,535	115,670
Total current liabilities	<u>176,535</u>	<u>115,670</u>
TOTAL LIABILITIES	1,657,477	899,146
NET ASSET VALUE	<u>3,789,120</u>	<u>3,851,607</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,900,708	2,893,046
Accumulated Income	888,412	958,561
TOTAL UNITHOLDERS' FUND	<u>3,789,120</u>	<u>3,851,607</u>
Number of units in circulation ('000 units)	3,022,525	3,017,842
Net asset value per unit (RM)		
- Before income distribution	1.2536	1.2763
- After income distribution	1.2536	1.2763

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2015 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 September		Year to Date 30 September	
	2016 (Unaudited) RM'000	2015 (Unaudited) RM'000	2016 (Unaudited) RM'000	2015 (Unaudited) RM'000
Rental Income	99,528	88,407	290,159	264,774
Other Income	18,016	14,073	52,079	45,699
GROSS REVENUE	117,544	102,480	342,238	310,473
Utilities	(15,017)	(11,534)	(41,518)	(35,750)
Maintenance	(8,724)	(8,148)	(27,827)	(26,018)
Property taxes	(3,150)	(2,731)	(8,876)	(8,174)
Other operating expenses	(9,941)	(7,335)	(26,235)	(22,960)
PROPERTY OPERATING EXPENSES	(36,832)	(29,748)	(104,456)	(92,902)
NET PROPERTY INCOME	80,712	72,732	237,782	217,571
Interest income	2,409	1,767	6,376	4,793
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	83,121	74,499	244,158	222,364
Manager's management fee	(6,458)	(5,677)	(18,881)	(16,944)
Trustee's fee	(117)	(101)	(341)	(299)
Other trust expenses	(128)	(30)	(750)	(1,063)
Borrowings cost	(17,029)	(8,214)	(43,772)	(23,797)
TOTAL TRUST EXPENDITURE	(23,732)	(14,022)	(63,744)	(42,103)
INCOME BEFORE TAXATION	59,389	60,477	180,414	180,261
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	59,389	60,477	180,414	180,261
Income after taxation comprises the followings:-				
Realised	59,389	60,477	180,414	180,261
Unrealised	-	-	-	-
	<u>59,389</u>	<u>60,477</u>	<u>180,414</u>	<u>180,261</u>
Earnings per unit – basic (sen) #	1.97	2.00	5.97	5.98
Earnings per unit – diluted (sen) #	1.97	2.00	5.97	5.98

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 2015 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 September		Year to Date 30 September	
	2016	2015	2016	2015
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Total comprehensive income for the period	59,389	60,477	180,414	180,261
Distribution adjustments ¹	2,694	1,889	7,408	5,623
Distributable income	62,083	62,366	187,822	185,884

¹ Included in the distribution adjustments are the followings:-

	Current Quarter 30 September		Year to Date 30 September	
	2016	2015	2016	2015
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Amortisation of borrowing transaction costs	911	313	2,202	929
Depreciation	169	156	486	458
Manager's management fee payable in units	1,614	1,420	4,720	4,236
	<u>2,694</u>	<u>1,889</u>	<u>7,408</u>	<u>5,623</u>

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CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
As at 1 January 2015	2,887,271	923,745	3,811,016
Total comprehensive income for the period	-	180,261	180,261
Unitholders' transactions			
- Issue of new units ²			
- Manager's management fee paid in units	5,775	-	5,775
- Distribution to unitholders	-	(247,521)	(247,521)
Increase in net assets resulting from unitholders' transactions	5,775	(247,521)	(241,746)
As at 30 September 2015 (unaudited)	<u>2,893,046</u>	<u>856,485</u>	<u>3,749,531</u>
As at 1 January 2016	2,893,046	958,561	3,851,607
Total comprehensive income for the period	-	180,414	180,414
Unitholders' transactions			
- Issue of new units ²			
- Manager's management fee paid in units	7,662	-	7,662
- Distribution to unitholders	-	(250,563)	(250,563)
Increase in net assets resulting from unitholders' transactions	7,662	(250,563)	(242,901)
As at 30 September 2016 (unaudited)	<u>2,900,708</u>	<u>888,412</u>	<u>3,789,120</u>

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

² Issue of new units consists of the followings:-

	30 September 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
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.4739 per unit for entitlement for the 6 months period ended 30 June 2015	1,911	2,817
Total Manager's fee paid	<u>4,023</u>	<u>5,775</u>

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	30 September 2016	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.4970 per unit for entitlement for the 6 months period ended 31 December 2015	1,963	2,939
Issuance of new units pursuant to 25% Manager's fee paid in units :-		
- at RM1.7503 per unit for entitlement to management fee for the 6 months period ended 30 June 2016	1,774	3,106
- at RM1.7102 and RM1.5446 per unit for entitlement to acquisition and disposal fees	946	1,617
Total Manager's fee paid	4,683	7,662

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 30 September 2016 RM'000	Preceding Year to Date 30 September 2015 RM'000
Cash Flows From Operating Activities		
Income before taxation	180,414	180,261
<i>Adjustments for :-</i>		
Borrowing cost	43,772	23,797
Interest income	(6,376)	(4,793)
Depreciation	486	458
Loss on disposal of plant and equipment	18	-
Plant and equipment written off	3	7
Impairment loss on trade receivables	-	697
Fair value gain of investment properties	-	-
Operating income before changes in working capital	218,317	200,427
Inventories	(34)	88
Trade and other receivables	(25,418)	(6,292)
Trade and other payables	22,570	9,874
Tenants deposits	20,908	3,596
Net cash from operating activities	236,343	207,693
Cash Flow From Investing Activities		
Acquisition of investment properties	(529,051)	-
Deposit for acquisition of investment properties	-	(48,800)
Interest received	6,376	4,793
Payment for enhancement of investment properties	(8,522)	(10,309)
Pledged deposit	(17,987)	(458)
Proceed from disposal of plant and equipment	1	-
Purchase of plant and equipment	(570)	(67)
Net cash used in investing activities	(549,753)	(54,841)
Cash Flow from Financing Activities		
Distribution to unitholders	(250,563)	(247,521)
Interest paid	(41,570)	(22,868)
Payment of financing expenses	(7,129)	(8)
Proceeds from borrowings	766,587	45,600
Repayment of borrowings	(100,000)	-
Net cash from/(used in) financing activities	367,325	(224,797)
Net increase/(decrease) in cash and cash equivalents	53,915	(71,945)
Cash and cash equivalents as at the beginning of the year	164,730	186,879
Cash and cash equivalents as at the end of the period	218,645	114,934
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	20,372	4,219
Deposits placed with licensed banks	235,536	129,834
	255,908	134,053
Pledged deposit	(37,263)	(19,119)
	218,645	114,934

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**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 2016 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 2015 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 2015, 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 2015.

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 2015, except as disclosed below.

The accounting policy of investment properties as adopted by Pavilion REIT requires investments properties to be stated at fair value. In estimating the fair value of the investment properties, the Manager will rely on professionally qualified valuers at annual reporting dates. However, for interim financial reporting, the fair values of the investment properties are not updated. Asset improvement initiatives undertaken by the management, the economic environment and other factors may change the fair values of the investment properties. When the fair values are updated as at 31 December 2016, 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 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
1,963,157	RM1.4970	4 February 2016	Based on the 5-day volume weighted average price of the units up to but excluding 14 January 2016 (as management fee)
1,774,434	RM1.7503	16 August 2016	Based on the 5-day volume weighted average price of the units up to but excluding 28 July 2016 (as management fee)
945,441	RM1.7102 & RM1.5446	16 August 2016	Based on the 5-day volume weighted average price of the units up to but excluding their respective completion date (as acquisitions and disposal fees)

A9 Segmental Reporting

Segmental results for the period ended 30 September 2016 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	332,852	9,386	342,238
Net Property Income	231,291	6,491	237,782
Interest Income			6,376
Net Investment Income			244,158
Trust Expenses			(19,972)
Borrowings Cost			(43,772)
Income Before Taxation			180,414
Taxation			-
Income After Taxation			180,414
Segment assets	5,284,713	134,626	5,419,339
Other non-allocated assets			27,258
			5,446,597
Segment liabilities	1,626,092	31,214	1,657,306
Other non-allocated liabilities			171
			1,657,477

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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 2016	3,017,842,237
Units issued as payment of Manager's management fee	4,683,032
Total units issued	<u>3,022,525,269</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	8,732
Contracted but not provided for	2,935

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

B1 Review of Performance

	Current Quarter			Year to Date		
	30 September		Change	30 September		Change
	2016 (Unaudited) RM'000	2015 (Unaudited) RM'000		2016 (Unaudited) RM'000	2015 (Unaudited) RM'000	
Gross Revenue						
Retail	114,302	99,623	14.7%	332,852	302,226	10.1%
Office	3,242	2,857	13.5%	9,386	8,247	13.8%
Total Gross Revenue	<u>117,544</u>	<u>102,480</u>	<u>14.7%</u>	<u>342,238</u>	<u>310,473</u>	<u>10.2%</u>
Property Operating Expenses						
Retail	35,973	28,712	-25.3%	101,561	89,935	-12.9%
Office	859	1,036	17.1%	2,895	2,967	2.4%
Total Property Operating Expenses	<u>36,832</u>	<u>29,748</u>	<u>-23.8%</u>	<u>104,456</u>	<u>92,902</u>	<u>-12.4%</u>
Net Property Income						
Retail	78,329	70,911	10.5%	231,291	212,291	8.9%
Office	2,383	1,821	30.9%	6,491	5,280	22.9%
Total Net Property Income	<u>80,712</u>	<u>72,732</u>	<u>11.0%</u>	<u>237,782</u>	<u>217,571</u>	<u>9.3%</u>
Interest Income	2,409	1,767	36.3%	6,376	4,793	33.0%
Net Investment Income	<u>83,121</u>	<u>74,499</u>	<u>11.6%</u>	<u>244,158</u>	<u>222,364</u>	<u>9.8%</u>
Manager's Management Fee	6,458	5,677	-13.8%	18,881	16,944	-11.4%
Other Trust Expenses	245	131	-87.0%	1,091	1,362	19.9%
Borrowings Cost	17,029	8,214	-107.3%	43,772	23,797	-83.9%
Total Trust Expenses	<u>23,732</u>	<u>14,022</u>	<u>-69.2%</u>	<u>63,744</u>	<u>42,103</u>	<u>-51.4%</u>
Income Before Taxation	<u>59,389</u>	<u>60,477</u>	<u>-1.8%</u>	<u>180,414</u>	<u>180,261</u>	<u>0.1%</u>
Taxation	-	-	-	-	-	-
Income After Taxation	<u>59,389</u>	<u>60,477</u>	<u>-1.8%</u>	<u>180,414</u>	<u>180,261</u>	<u>0.1%</u>
Distribution Adjustments	2,694	1,889	42.6%	7,408	5,623	31.7%
Distributable Income	<u>62,083</u>	<u>62,366</u>	<u>-0.5%</u>	<u>187,822</u>	<u>185,884</u>	<u>1.0%</u>

Quarterly Results

Pavilion REIT recognised total gross revenue of RM117.5 million in Q3 2016, higher by RM15.0 million or 15% compared to Q3 2015 of RM102.5 million. The increase was mainly contributed by rental income from the two new properties, Damen Mall and Intermark Mall that were acquired at the end of March 2016.

Total property operating expenses was higher by RM7.1 million or 24% compared to Q3 2015 mainly due to the operating expenses incurred for the two new properties.

These have resulted in higher total net property income by RM8.0 million or 11% in Q3 2016 compared to Q3 2015.

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Manager's management fee incurred for Q3 2016 was higher by RM0.8 million compared to same quarter last year. This was in line with the increased in total asset value and net property income. Borrowing cost incurred during the quarter has increased by RM8.8 million compared to Q3 2015 due to the drawdown of additional borrowings for acquisition of investment properties and working capital purposes.

Distributable income for the quarter under review was RM62.1 million or 2.06 sen per unit, consisting of income after tax of RM59.4 million and non-cash adjustments for depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM0.9 million and 25% of Manager's management fee payable in units amounting to RM1.6 million.

Year-to-date Results

Total revenue for year-to-date 30 September 2016 was RM342.2 million. It was higher by RM31.8 million or 10% compared to preceding year-to-date 30 September 2015's performance. The achievement was mainly contributed by rental income from the two newly acquired properties.

Total property operating expenses incurred was higher by RM11.6 million or 12% compared to year to date 30 September 2015. This was due to the operating cost incurred for the new malls acquired.

For Pavilion KL Mall, a number of tenants are being re-located to enhance tenant mix. This relocation exercise is expected to continue for another two quarters. The new properties, Damen Mall and Intermark Mall are also undergoing a revamp to some of its existing tenant mix.

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 higher by RM20.0 million due to drawdown of additional borrowings for acquisition of investment properties and working capital purposes.

These resulted in income before taxation being slightly higher by RM0.2 million compared to preceding year-to-date 30 September 2015.

Distributable income for the nine months ended 30 September 2016 was RM187.8 million or 6.22 sen per unit, consisting of income before taxation of RM180.4 million and non-cash adjustments for depreciation of RM0.5 million, amortisation of borrowings transaction cost of RM2.2 million and 25% of manager's management fee payable in units amounting to RM4.7 million.

Pavilion REIT has expended approximately RM9.1 million of its capital commitment during the year, mainly for the continuous toilet upgrading works and enhancement to its common corridor as well as the creation of a new drop off entrance at Jalan Bukit Bintang and upgrading of entrance at Jalan Raja Chulan.

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

Even though retail prospects continues to be challenging due to low consumer sentiment, marketing will continue engaging customers with value-creations, activities and promotions to build differentiation and attractions to attract and retain shoppers' loyalty to the retail malls. Operating cost will continue to be scrutinised to enhance productivity.

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B4 Investment Objectives

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

B5 Strategies and Policies

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

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

B6 Income Distribution

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

Resident Unitholder

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

Non-Resident Unitholder

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

As per the distribution policy stated in the Trust Deed, the Manager intends to distribute at least 90% of Pavilion REIT distributable income on a half yearly basis. For the financial year ending 31 December 2016, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.16 sen per unit or RM125.6 million earned for 1st half of 2016 was distributed on 6 September 2016. Distribution for the quarter ended 30 September 2016 would be payable together with the distribution for the quarter ending 31 December 2016.

B7 Portfolio Composition

There was no change to the number of properties held by Pavilion REIT since the last reporting quarter, ie its portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, Damen Mall and Intermark Mall.

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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 2016, no provision for taxation has been made for the current quarter.

B9 Status of Corporate Proposal

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

B10 Borrowings and Debt Securities

	As at 30 September 2016 RM'000
Long term borrowings	
Secured Revolving Term Loan	1,121,888
Unrated Medium Term Notes	300,000
Less: Unamortised Borrowings Transaction Cost	(5,895)
	1,415,993

B11 Off Balance Sheet Financial Instruments

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

B12 Material Litigation

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

B13 Soft Commission Received

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

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B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 30 September 2016	Immediate preceding quarter ended 30 June 2016
Number of units in issue (units)	3,022,525,269	3,019,805,394
Net Asset Value (“NAV”) (RM’000)	3,789,120	3,850,633
NAV per unit (RM)	1.2536	1.2751
Total comprehensive income (RM’000)	59,389	59,554
Weighted average number of units in issue – year to date (units)	3,020,018,412	3,019,438,650
Earnings per Unit after Manager’s management fee (Sen)	1.97	1.97
Proposes / Declared Distribution per Unit (“DPU”) (Sen)	2.06	2.06
Market Price (RM)	1.77	1.73
Distribution Yield (%) ³	4.69	4.84

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

B15 Manager’s Management Fee

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

Type RM’000	Current Quarter 30 September 2016	Year to Date 30 September 2016	Basis
Base Fee	4,036	11,747	0.3% per annum on total asset value
Performance Fee	2,422	7,134	3.0% per annum on net property income
Acquisition Fee	-	6,468	1.0% of transaction value in relation to acquisition of any real estate and real estate related assets
Total	6,458	25,349	

25% of the total Manager’s 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.

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B17 Significant related party transactions

Significant related party transactions, other than Manager's management fee for the quarter ended 30 September 2016 is as follows:-

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value Year to Date: 30 Sep		Balance Outstanding As at	
		2016 RM'000	2015 RM'000	30 Sep 2016 RM'000	31 Dec 2015 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	350	352	-	-
Malton Berhad group #	Rental income and its related charges	2,297	1,984	9	6
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	866	827	3	3
	Purchase of product	64	470	-	32
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	3	577	3	3
Kuala Lumpur Pavilion Sdn Bhd ∞	Property management fees and charges payable	-	4,078	-	869
Impian Ekspresi Sdn Bhd ◇	Rental income and its related charges	461	570	128	178
Urusharta Cemerlang (KL) Sdn Bhd α	Rental income and its related charges	580	-	4	-

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.

^ Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia as directors in the Manager also holds directorship in Lumayan Indah 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.

◇ 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.

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- α Tan Sri Lim Siew Choon is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's deemed interest in Urusharta Cemerlang (KL) Sdn Bhd. Tan Sri Lim Siew Choon, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia as directors in the Manager also holds directorship in Urusharta Cemerlang (KL) 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 plans approval. The architect has on 24 August 2016 informed that the approval has been obtained from DBKL via development order dated 21 September 2015.

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 September 2016 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
27 October 2016