

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|   | As at<br>31 December 2011<br>(Unaudited)<br><b>RM'000</b> | As at<br>31 December 2010 <sup>1</sup><br><b>RM'000</b> |
|---|---|---|
| <b>ASSETS</b>                               |   |   |
| Plant and equipment                         | 3,567 <sup>2</sup>  | -   |
| Investment properties                       | 3,561,000   | -   |
| Total non-current assets                    | <u>3,564,567</u>  | <u>-</u>  |
| Inventories                                 | 851   | -   |
| Other receivables                           | 3,075   | -   |
| Cash and bank balances                      | 112,595   | -   |
| Total current assets                        | <u>116,521</u>  | <u>-</u>  |
| <b>TOTAL ASSETS</b>                         | <b>3,681,088</b>  | <b>-</b>  |
| <b>LIABILITIES</b>                          |   |   |
| Borrowings                                  | 704,397   | -   |
| Other payables                              | 68,053  | -   |
| Total Non-current liabilities               | <u>772,450</u>  | <u>-</u>  |
| Other payables                              | 27,520  | -   |
| Distribution payable to unitholders         | 13,140  | -   |
| Total current liabilities                   | <u>40,660</u>   | <u>-</u>  |
| <b>TOTAL LIABILITIES</b>                    | <b>813,110</b>  | <b>-</b>  |
| <b>NET ASSET VALUE</b>                      | <u><b>2,867,978</b></u>                                   | <u><b>-</b></u>   |
| <b>FINANCED BY</b>                          |   |   |
| <b>UNITHOLDERS' FUND</b>                    |   |   |
| Unitholders' capital                        | 2,868,742   | -   |
| Deficit                                     | (764)   | -   |
| <b>TOTAL UNITHOLDERS' FUND</b>              | <u><b>2,867,978</b></u>                                   | <u><b>-</b></u>   |
| Number of units in circulation ('000 units) | 3,000,000   | -   |
| Net asset value per unit (RM)               |   |   |
| - before income distribution                | 0.96  | -   |
| - after income distribution                 | 0.96  | -   |

The unaudited condensed statement of financial position should be read in conjunction with the pro forma financial information in the Prospectus of Pavilion Real Estate Investment Trust ("Pavilion REIT") dated 14 November 2011 ("the Prospectus") and the accompanying explanatory notes attached to the interim financial statements.

<sup>1</sup> No comparative figures are available as this is the first unaudited interim financial statements of Pavilion REIT prepared by Pavilion REIT Management Sdn Bhd ("the Manager") since Pavilion REIT was established on 13 October 2011 and registered with the Securities Commission of Malaysia on 18 October 2011. The acquisition of the properties by Pavilion REIT was completed on its listing date of 7 December 2011. The financial results reported refers to the period from 7 December 2011 to 31 December 2011.

<sup>2</sup> The purchase consideration for the Related Assets, as stated in the Prospectus, has been finalised.

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|  | Current Period<br>31 December              |                               | Period to Date<br>31 December              |                               |
|--|--|-------------------------------|--|-------------------------------|
|  | 2011 <sup>1</sup><br>(Unaudited)<br>RM'000 | 2010<br>(Unaudited)<br>RM'000 | 2011 <sup>1</sup><br>(Unaudited)<br>RM'000 | 2010<br>(Unaudited)<br>RM'000 |
| Rental Income                                    | 19,021                                     | -                             | 19,021                                     | -                             |
| Other Income                                     | 3,518                                      | -                             | 3,518                                      | -                             |
| <b>GROSS REVENUE</b>                             | <b>22,539</b>                              | <b>-</b>                      | <b>22,539</b>                              | <b>-</b>                      |
| Utilities  | (2,806)                                    | -                             | (2,806)                                    | -                             |
| Maintenance                                      | (1,148)                                    | -                             | (1,148)                                    | -                             |
| Quit rent and assessment                         | (578)                                      | -                             | (578)                                      | -                             |
| Other operating expenses                         | (1,748)                                    | -                             | (1,748)                                    | -                             |
| Property operating expenses                      | (6,280)                                    | -                             | (6,280)                                    | -                             |
| <b>NET PROPERTY INCOME</b>                       | <b>16,259</b>                              | <b>-</b>                      | <b>16,259</b>                              | <b>-</b>                      |
| Interest income                                  | 234  | -                             | 234  | -                             |
| Change in fair value of investment properties    | -  | -                             | -  | -                             |
| <b>NET INVESTMENT INCOME</b>                     | <b>16,493</b>                              | <b>-</b>                      | <b>16,493</b>                              | <b>-</b>                      |
| Manager's management fee                         | (1,238)                                    | -                             | (1,238)                                    | -                             |
| Trustee's fee                                    | (27)                                       | -                             | (27)                                       | -                             |
| Other trust expenses                             | (530)                                      | -                             | (530)                                      | -                             |
| Borrowings cost                                  | (2,322)                                    | -                             | (2,322)                                    | -                             |
| Total trust expenditure                          | (4,117)                                    | -                             | (4,117)                                    | -                             |
| <b>INCOME BEFORE TAXATION</b>                    | <b>12,376</b>                              | <b>-</b>                      | <b>12,376</b>                              | <b>-</b>                      |
| Taxation   | -  | -                             | -  | -                             |
| <b>INCOME AFTER TAXATION</b>                     | <b>12,376</b>                              | <b>-</b>                      | <b>12,376</b>                              | <b>-</b>                      |
| Other comprehensive income, net of tax           | -  | -                             | -  | -                             |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> | <b>12,376</b>                              | <b>-</b>                      | <b>12,376</b>                              | <b>-</b>                      |
| Income after taxation comprises the following :- |  |                               |  |                               |
| Realised   | 12,376                                     | -                             | 12,376                                     | -                             |
| Unrealised                                       | -  | -                             | -  | -                             |
|  | <u>12,376</u>                              | <u>-</u>                      | <u>12,376</u>                              | <u>-</u>                      |
| Earnings per unit - basic (sen) #                | 0.41                                       | -                             | 0.41                                       | -                             |
| Earnings per unit – diluted (sen) #              | 0.41                                       | -                             | 0.41                                       | -                             |

The unaudited condensed statement of financial position should be read in conjunction with the pro forma financial information in the Prospectus and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011 (UNAUDITED)**

<sup>1</sup> No comparative figures are available as this is the first unaudited interim financial statements of Pavilion REIT prepared by the Manager since Pavilion REIT was established on 13 October 2011 and registered with the Securities Commission of Malaysia on 18 October 2011. The acquisition of the properties by Pavilion REIT was completed on its listing date of 7 December 2011. The financial results reported refers to the period from 7 December 2011 to 31 December 2011.

# Earnings per unit is derived based on income after taxation divided by the number of units in circulation as at the end of the period

|  | Current Period<br>31 December              |                               | Period to Date<br>31 December              |                               |
|--|--|-------------------------------|--|-------------------------------|
|  | 2011 <sup>1</sup><br>(Unaudited)<br>RM'000 | 2010<br>(Unaudited)<br>RM'000 | 2011 <sup>1</sup><br>(Unaudited)<br>RM'000 | 2010<br>(Unaudited)<br>RM'000 |
| <b>Total comprehensive income for the period</b> | <b>12,376</b>                              | -                             | <b>12,376</b>                              | -                             |
| Distribution adjustments <sup>3</sup>            | 764  | -                             | 764  | -                             |
| <b>Distributable income</b>                      | <b>13,140</b>                              | -                             | <b>13,140</b>                              | -                             |

<sup>3</sup> Included in the distribution adjustments are the followings :-

|   | Current Period<br>31 December              |                               | Period to Date<br>31 December              |                               |
|---|--|-------------------------------|--|-------------------------------|
|   | 2011 <sup>1</sup><br>(Unaudited)<br>RM'000 | 2010<br>(Unaudited)<br>RM'000 | 2011 <sup>1</sup><br>(Unaudited)<br>RM'000 | 2010<br>(Unaudited)<br>RM'000 |
| Amortisation of borrowings transaction cost | 104  | -                             | 104  | -                             |
| Depreciation                                | 41   | -                             | 41   | -                             |
| Manager's management fee payable in Units   | 619  | -                             | 619  | -                             |
|   | 764  | -                             | 764  | -                             |

**PAVILION REAL ESTATE INVESTMENT TRUST  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE**

|   | Unitholders'<br>Capital | Income /<br>(Deficit) | Total Fund       |
|---|-------------------------|-----------------------|------------------|
|   | <b>RM'000</b>           | <b>RM'000</b>         | <b>RM'000</b>    |
| As at 13 October 2011   | -                       | -                     | -                |
| Total comprehensive income for the period                       | -                       | 12,376                | 12,376           |
| <b>Unitholders' transactions</b>                                |                         |                       |                  |
| - Issue of new units <sup>4</sup>                               | 2,655,100               | -                     | 2,655,100        |
| - Effect of fair value adjustment of investment properties      | 247,200                 | -                     | 247,200          |
| - Listing expenses  | (33,558)                | -                     | (33,558)         |
| - Distribution payable to unitholders                           | -                       | (13,140)              | (13,140)         |
| Increase in net assets resulting from unitholders' transactions | 2,868,742               | (13,140)              | 2,855,602        |
|   | <u>2,868,742</u>        | <u>(764)</u>          | <u>2,867,978</u> |

The unaudited condensed statement of financial position should be read in conjunction with the pro forma financial information in the Prospectus and the accompanying explanatory notes attached to the interim financial statements.

<sup>4</sup> Issue of new units consists of the followings :-

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

**PAVILION REAL ESTATE INVESTMENT TRUST  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|  | Current Year to Date<br>31 December 2011<br><b>RM'000</b> | Preceding Year to Date<br>31 December 2010 <sup>1</sup><br><b>RM'000</b> |
|--|---|--|
| <b>Cash Flow From Operating Activities</b>                           |   |  |
| Income before taxation   | 12,376  | -  |
| <i>Adjustments for :-</i>  |   |  |
| Borrowing cost   | 2,322   | -  |
| Interest income  | (234)   | -  |
| Depreciation   | 41  | -  |
| <b>Operating income before changes in working capital</b>            | <b>14,505</b>   | <b>-</b>   |
| Changes in working capital   |   |  |
| Inventories  | (851)   | -  |
| Trade and other receivables  | (3,075)   | -  |
| Trade and other payables   | 27,520  | -  |
| Tenants deposits   | 68,053  | -  |
| <b>Net cash from operating activities</b>                            | <b>106,152</b>  | <b>-</b>   |
| <b>Cash Flow From Investing Activities</b>                           |   |  |
| Purchase of investment properties                                    | (1,369,000)   | -  |
| Purchase of plant and equipments                                     | (3,608)   | -  |
| Pledged deposit  | (17,029)  | -  |
| Interest received  | 234   | -  |
| <b>Net cash used in investing activities</b>                         | <b>(1,389,403)</b>  | <b>-</b>   |
| <b>Cash Flow from Financing Activities</b>                           |   |  |
| Proceeds from issuance of new units                                  | 710,300   | -  |
| Payment of financing expenses  | (5,408)   | -  |
| Payment of issuance expenses   | (33,558)  | -  |
| Proceeds from borrowings   | 715,501   | -  |
| Repayment of borrowings  | (5,800)   | -  |
| Interest paid  | (2,218)   | -  |
| <b>Net cash from financing activities</b>                            | <b>1,378,817</b>  | <b>-</b>   |
| Net increase in cash and cash equivalents                            | 95,566  | -  |
| Cash and cash equivalents as at date of establishment                | -   | -  |
| Cash and cash equivalents as at the end of the period                | <u>95,566</u>   | <u>-</u>   |
| Cash and cash equivalents as at the end of the period<br>comprise :- |   |  |
| Cash and bank balances   | 186   | -  |
| Deposits placed with licensed banks                                  | 112,409   | -  |
|  | <u>112,595</u>  | <u>-</u>   |
| Pledged deposit  | (17,029)  | -  |
|  | <u>95,566</u>   | <u>-</u>   |

The unaudited condensed statement of financial position should be read in conjunction with the pro forma financial information in the Prospectus and the accompanying explanatory notes attached to the interim financial statements.

<sup>1</sup> No comparative figures are available as this is the first unaudited interim financial statements of Pavilion REIT prepared by the Manager since Pavilion REIT was established on 13 October 2011 and registered with the Securities Commission of Malaysia on 18 October 2011. The acquisition of the properties by Pavilion REIT was completed on its listing date of 7 December 2011. The financial results reported refers to the period from 7 December 2011 to 31 December 2011.

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**Part A – Disclosure Requirement Pursuant to Financial Reporting Standards (FRS) 134**

**A1 Basis of Preparation**

The unaudited interim financial statements for the period ended 31 December 2011 have been prepared based on historical basis except for investment properties which are stated at fair value.

The unaudited interim financial statements have been prepared in compliance with FRS 134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), 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”). The unaudited interim financial statements from its establishment of 13 October 2011 to 31 December 2011 is to be read in conjunction with the pro forma financial information in the Prospectus and the accompanying explanatory notes attached to the interim financial statements.

**A2 Audit Report of Preceding Financial Year**

As Pavilion REIT was established on 13 October 2011, there was no audit report on preceding financial year.

**A3 Seasonality or Cyclicity of Operations**

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

**A4 Exceptional or Unusual Item**

There were no exceptional or unusual items to be disclosed except for those disclosed in Note B1.

**A5 Changes in Estimates**

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

**A6 Debt and Equity Securities**

Except for the creation of 3 billion units in relation to initial public offering, there were no issuance, cancellation, repurchase, sale and payment of debt and equity securities for the current period.

**A7 Income Distribution Policy**

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, for the period from listing day of 7 December 2011 to 31 December 2012, Pavilion REIT will distribute 100% of its distributable income.

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A8 Segmental Reporting

Segmental results for the financial period ended 31 December 2011 is as follows:-

| Business Segment       | Retail<br>RM'000 | Office<br>RM'000 | Total<br>RM'000 |
|------------------------|------------------|------------------|-----------------|
| Gross Revenue          | 22,048           | 491              | 22,539          |
| Net Property Income    | 15,991           | 268              | 16,259          |
| Interest Income        |                  |                  | 234             |
| Net Investment Income  |                  |                  | 16,493          |
| Trust Expenses         |                  |                  | (1,795)         |
| Borrowings Cost        |                  |                  | (2,322)         |
| Income Before Taxation |                  |                  | 12,376          |
| Taxation               |                  |                  | -               |
| Income After Taxation  |                  |                  | 12,376          |

A9 Valuation of Investment Properties

The investment properties are valued 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 comprehensive income 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.

A10 Material Events Subsequent to Period End

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

A11 Changes in the Composition of Pavilion REIT

There were no changes to the composition of Pavilion REIT during the current period, with current fund size totalling 3,000,000,000 units.

A12 Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets to be disclosed as at the end of the period.

A13 Capital Commitments

|                                 |        |
|---------------------------------|--------|
|                                 | RM'000 |
| Approved but not contracted for | 3,100  |

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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**

Pavilion REIT, established on 13 October 2011 and registered with the Securities Commission of Malaysia on 18 October 2011 was listed on Bursa Malaysia Securities Berhad on 7 December 2011. With the listing, the acquisition of the properties was completed on its listing date of 7 December 2011.

Pavilion REIT recognised gross revenue of RM22.5 million and net property income of RM16.3 million for the financial period ended 31 December 2011. Manager's management fee and borrowing cost incurred during the period were RM1.2 million and RM2.3 million respectively resulting in income before taxation of RM12.4 million.

Distributable income for the period under review amounts to RM13.1 million or 0.44 sen per unit, consisting of realised income of RM12.4 million and non-cash adjustments of depreciation, amortisation of borrowings transaction cost of RM0.1 million and surplus cash arising from 50% of manager's management fee payable in units of RM0.6 million.

**B2 Material Changes in Quarterly Results**

Not applicable as this is Pavilion REIT's first financial period results since listing.

**B3 Prospects**

Considering the governments' initiative to further promote tourism in Malaysia as well as the location of its investment properties, the Manager's strong management team and brand image, the retail sector is expected to contribute positively to the economy, although the office sector is soft.

The Manager has also announced via a Press Release on 19 January 2011 of an asset enhancement initiative at Pavilion Kuala Lumpur mall that will see the transformation and introduction of an area of approximately 68,000 square feet into a new high street fashion precinct comprising multiple specialty tenants, the "Fashion Avenue" at an estimated renovation cost of approximately RM13.5 million.

Barring any unforeseen circumstances, the Manager expects Pavilion REIT to meet the 2012 projected distribution per unit of 5.73 sen as disclosed in the Prospectus.

**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 intends 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



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c) pursuing an efficient capital management strategy.

B6 Variance between Profit Forecast and Actual Results

a) Condensed Statement of Comprehensive Income

|   | Current Period to Date as at 31 December 2011                   |  |  |
|---|---|--|--|
|   | Actual <sup>5</sup><br>(unaudited)<br>7 Dec to 31 Dec<br>RM'000 | Forecast <sup>6</sup><br>7 Dec to 31 Dec<br>RM'000 | Forecast <sup>7</sup><br>1 Dec to 31 Dec<br>RM'000 |
| Rental Income   | 19,021  | 18,597   | 23,060   |
| Other Income  | 3,518   | 2,185  | 2,710  |
| <b>GROSS REVENUE</b>                                    | <b>22,539</b>   | <b>20,782</b>                                      | <b>25,770</b>                                      |
| Utilities   | (2,806)   | (2,631)  | (3,262)  |
| Maintenance   | (1,148)   | (1,577)  | (1,956)  |
| Quit rent and assessment                                | (578)   | (605)  | (750)  |
| Other operating expenses                                | (1,748)   | (1,475)  | (1,829)  |
| Property operating expenses                             | (6,280)   | (6,288)  | (7,797)  |
| <b>NET PROPERTY INCOME</b>                              | <b>16,259</b>   | <b>14,494</b>                                      | <b>17,973</b>                                      |
| Interest income   | 234   | 103  | 128  |
| <b>NET INVESTMENT INCOME</b>                            | <b>16,493</b>   | <b>14,597</b>                                      | <b>18,101</b>                                      |
| Manager's management fee                                | (1,238)   | (1,164)  | (1,443)  |
| Trustee's fee   | (27)  | (27)   | (33)   |
| Other trust expenses                                    | (530)   | (135)  | (167)  |
| Borrowings cost   | (2,322)   | (2,331)  | (2,891)  |
| Total trust expenditure                                 | (4,117)   | (3,657)  | (4,534)  |
| <b>INCOME BEFORE TAXATION</b>                           | <b>12,376</b>   | <b>10,940</b>                                      | <b>13,567</b>                                      |
| Taxation  | -   | -  | -  |
| <b>INCOME AFTER TAXATION</b>                            | <b>12,376</b>   | <b>10,940</b>                                      | <b>13,567</b>                                      |
| Other comprehensive income, net of tax                  | -   | -  | -  |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR</b> | <b>12,376</b>   | <b>10,940</b>                                      | <b>13,567</b>                                      |
| Income after taxation comprise the followings :-        |   |  |  |
| Realised  | 12,376  | 10,940   | 13,567   |
| Unrealised  | -   | -  | -  |
|   | 12,376  | 10,940   | 13,567   |
| Earnings per unit – basic (sen) #                       | 0.41  | 0.36   | 0.45   |
| Earnings per unit – diluted (sen) #                     | 0.41  | 0.36   | 0.45   |

<sup>5</sup> Pavilion REIT was established on 13 October 2011 and on listing date of 7 December 2011, the acquisition of the investment properties were completed. The actual results refer to 25 days only from 7 December 2011 to 31 December 2011.

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<sup>6</sup> Forecast refers to extraction from the 2011 profit forecast disclosed in the Prospectus, prorated from the listing date of 7 December 2011 to 31 December 2011.

<sup>7</sup> Forecast refers to the profit forecast disclosed in the Prospectus, which is for the period from 1 December 2011 to 31 December 2011.

# Earnings per unit is derived based on income after taxation divided by the number of units in circulation as at the end of the period

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

| Properties                        | Current Period to Date as at 31 December 2011                   |  |  |
|-----------------------------------|---|--|--|
|                                   | Actual <sup>5</sup><br>(unaudited)<br>7 Dec to 31 Dec<br>RM'000 | Forecast <sup>6</sup><br>7 Dec to 31 Dec<br>RM'000 | Forecast <sup>7</sup><br>1 Dec to 31 Dec<br>RM'000 |
| <b>Gross Revenue</b>              |   |  |  |
| Pavilion Kuala Lumpur retail mall | 22,048  | 20,132   | 24,964   |
| Pavilion Tower                    | 491   | 650  | 806  |
|                                   | 22,539  | 20,782   | 25,770   |
| <b>Net Property Income</b>        |   |  |  |
| Pavilion Kuala Lumpur retail mall | 15,991  | 14,163   | 17,562   |
| Pavilion Tower                    | 268   | 331  | 411  |
|                                   | 16,259  | 14,494   | 17,973   |
|                                   |   |  |  |

c) Comparison of Distributable Income

| Properties                                | Current Period to Date as at 31 December 2011                   |  |  |
|---|---|--|--|
|   | Actual <sup>5</sup><br>(unaudited)<br>7 Dec to 31 Dec<br>RM'000 | Forecast <sup>6</sup><br>7 Dec to 31 Dec<br>RM'000 | Forecast <sup>7</sup><br>1 Dec to 31 Dec<br>RM'000 |
| Total comprehensive income for the period | 12,376  | 10,940   | 13,567   |
| Distribution adjustments                  | 764   | 352  | 437  |
| Distributable income                      | 13,140  | 11,292   | 14,004   |
|   |   |  |  |

<sup>5</sup> Pavilion REIT was established on 13 October 2011 and on listing date of 7 December 2011, the acquisition of the investment properties were completed. The actual results refer to 25 days only from 7 December 2011 to 31 December 2011.

<sup>6</sup> Forecast refers to extraction from the 2011 profit forecast disclosed in the Prospectus, prorated from the listing date of 7 December 2011 to 31 December 2011.

<sup>7</sup> Forecast refers to the profit forecast disclosed in the Prospectus, which is for the period from 1 December 2011 to 31 December 2011.

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Gross revenue for financial period ended 31 December 2011 was RM22.5 million, an increase of RM1.8 million from the forecast for the same period of 25 days. The lower than forecasted occupancy rate at Pavilion Tower resulted in unfavourable variance. After taking into account the property operating expenses of RM6.3 million, the net property income for the period amounted to RM16.3 million, which is higher than the prorated forecast of RM14.5 million.

Unfavourable variances in other trust expenses of RM395,000 was due to recognition of required trust expenses such as audit, valuation and tax fees being recognised and incurred during the period, as opposed to accruing them monthly.

Compared to the forecast for the same period of 25 days, the realised income after taxation for the period ended 31 December 2011 was higher by RM1.4 million, with an increase of RM1.8 million or a total achievement of RM13.1 million in distributable income.

**B7 Income Distribution**

The Board of Directors of the Manager has recommended and the Trustee has approved the final income distribution of 0.44 sen per unit amounting to RM13.1 million for the financial period ended 31 December 2011. 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%

**B8 Portfolio Composition**

During the period under review, Pavilion REIT completed two acquisitions, ie the Pavilion Kuala Lumpur retail mall and Pavilion Tower

**B9 Utilisation of Proceeds Raised from Issuance of New Units**

Total proceeds that were raised from Pavilion REIT initial public offering (“IPO”) of 790,000,000 units was RM710.3 million (based on final retail price of RM0.88 per unit and institutional price of RM0.90 per unit). The status of utilization of proceeds raised from IPO as of 31 December 2011 is as follows :-

| Purpose                                    | Proposed Utilisation | Actual Utilisation | Intended Timeframe for Utilisation | Deviation |     | Explanation |
|--|----------------------|--------------------|------------------------------------|-----------|-----|-------------|
|  | RM'000               | RM'000             |                                    | RM'000    | %   |             |
| Part payment for acquisition of properties | 648,000              | 648,000            | Immediate                          | -         | 0%  | -           |
| Issuing expenses                           | 42,000               | 33,558             | Immediate                          | 8,442     | 20% | Note 1      |
| Working capital                            | 5,200                | 683                | Within 12 months                   | 4,517     | 87% |             |
|  | 695,200              | 682,241            |                                    | 12,959    |     |             |

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Note 1

The actual listing expenses incurred to date of RM33.6 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. Any balance of unutilised proceeds of RM8.4 million shall be used by Pavilion REIT for working capital.

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 financial period ended 31 December 2011 and 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 31 December 2011<br>RM'000 |
|---|----------------------------------|
| Long term borrowings                          |                                  |
| Secured Revolving Term Loan                   | 709,701                          |
| Less: Unamortised Borrowings Transaction Cost | (5,304)                          |
|   | 704,397                          |

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

|  | Period ended<br>31 December 2011<br>RM'000 | Preceding Quarter ended<br>31 December 2010 <sup>1</sup><br>RM'000 |
|--|--|--|
| Number of units in issue (units)                   | 3,000,000,000                              | -  |
| Net Asset Value ("NAV")                            | 2,867,978                                  | -  |
| NAV per unit (RM)                                  | 0.96                                       | -  |
| Total comprehensive income                         | 12,376                                     | -  |
| Weightage average number of units in issue (units) | 3,000,000,000                              | -  |
| EPU after Manager's management fee (sen)           | 0.41                                       | -  |
| DPU (sen)  | 0.44                                       | -  |
| Market Price (RM)                                  | 1.09                                       | -  |
| Distribution Yield (%) <sup>8</sup>                | 5.89                                       | -  |

<sup>1</sup> No comparative figures are available as this is the first unaudited interim financial statements of Pavilion REIT prepared by the Manager since Pavilion REIT was established on 13 October 2011 and registered with the Securities Commission of Malaysia on 18 October 2011. The acquisition of the properties by Pavilion REIT was completed on its listing date of 7 December 2011. The financial results reported refers to the period from 7 December 2011 to 31 December 2011.

<sup>8</sup> Distribution yield for 2011 of DPU divided by the Market Price (as at the end of the period) has been annualised.

B17 Manager's Management Fee

Pursuant to the Trust Deed dated 13 October 2011 ("Trust Deed"), the Manager is entitled to receive the following fees from Pavilion REIT :-

- 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).
- a performance fee ("Performance Fee") of up to 5.0% per annum of Net Property Income.
- 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%   |

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

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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 :-

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

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 immediate announcements to Bursa Securities disclosing the number of new units 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 Malaysian Code on Take-Overs and Mergers 2010.

**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.

**B19 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 31 December 2011, the Manager had followed up on this matter and understand that it is still pending the relevant authority's review and approval.

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B20 Responsibility Statement

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with FRS 134 : 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 Pavilion REIT as at 31 December 2011 and of its financial performance and cash flows for the period ended on that date and duly authorised for release on 8 February 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  
8 February 2012