

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2012 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2012	As at 31 December 2011
	RM'000	RM'000
ASSETS		
Plant and equipment	3,030	3,567
Investment properties	4,012,000	3,561,000
Total non-current assets	<u>4,015,030</u>	<u>3,564,567</u>
Inventories	1,104	851
Trade and other receivables	8,355	3,075
Cash and cash equivalents	196,866	112,595
Total current assets	<u>206,325</u>	<u>116,521</u>
TOTAL ASSETS	4,221,355	3,681,088
LIABILITIES		
Borrowings	705,442	704,397
Payables and accruals	23,395	68,053
Total non-current liabilities	<u>728,837</u>	<u>772,450</u>
Payables and accruals	89,964	27,520
Distribution payable to unitholders	105,444	13,140
Total current liabilities	<u>195,408</u>	<u>40,660</u>
TOTAL LIABILITIES	924,245	813,110
NET ASSET VALUE	<u>3,297,110</u>	<u>2,867,978</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,873,992	2,868,742
Income / (Deficit)	423,118	(764)
TOTAL UNITHOLDERS' FUND	<u>3,297,110</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	1.1326	0.9604
- after income distribution	1.0975	0.9560

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.

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 31 December		Year to Date 31 December	
	2012 (Unaudited) RM'000	2011 ¹ RM'000	2012 (Unaudited) RM'000	2011 ¹ RM'000
Rental Income	76,623	19,021	289,193	19,021
Other Income	15,228	3,518	57,331	3,518
GROSS REVENUE	91,851	22,539	346,524	22,539
Utilities	(10,123)	(2,806)	(40,135)	(2,806)
Maintenance	(10,148)	(1,148)	(28,054)	(1,148)
Quit rent and assessment	(2,179)	(578)	(8,742)	(578)
Other operating expenses	(5,779)	(1,748)	(24,304)	(1,748)
Property operating expenses	(28,229)	(6,280)	(101,235)	(6,280)
NET PROPERTY INCOME	63,622	16,259	245,289	16,259
Interest income	1,365	234	5,247	234
Change in fair value of investment properties	435,570	-	435,570	-
NET INVESTMENT INCOME	500,557	16,493	686,106	16,493
Manager's management fee	(6,196)	(1,238)	(20,022)	(1,238)
Trustee's fee	(100)	(27)	(410)	(27)
Other trust expenses	(164)	(371)	(2,136)	(530)
Borrowings cost	(8,199)	(2,481)	(33,333)	(2,322)
Total trust expenditure	(14,659)	(4,117)	(55,901)	(4,117)
INCOME BEFORE TAXATION	485,898	12,376	630,205	12,376
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	485,898	12,376	630,205	12,376
Income after taxation comprises the following :-				
Realised	50,328	12,376	194,635	12,376
Unrealised	435,570	-	435,570	-
	<u>485,898</u>	<u>12,376</u>	<u>630,205</u>	<u>12,376</u>
Earnings per unit - basic (sen) #	16.17	0.41	20.99	0.41
Earnings per unit – diluted (sen) #	16.17	0.41	20.99	0.41

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 Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011. The comparative financial results refer to the period from 13 October 2011 to 31 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 31 December		Year to Date 31 December	
	2012 (Unaudited)	2011 ¹	2012 (Unaudited)	2011 ¹
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the period	485,898	12,376	630,205	12,376
Distribution adjustments ²	(431,992)	764	(423,652)	764
Distributable income	53,906	13,140	206,553	13,140

² Included in the distribution adjustments are the followings:-

	Current Quarter 31 December		Year to Date 31 December	
	2012 (Unaudited)	2011 ¹	2012 (Unaudited)	2011 ¹
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	314	104	1,245	104
Depreciation	166	41	662	41
Fair value gain of investment properties	(435,570)	-	(435,570)	-
Manager's management fee payable in units	3,098	619	10,011	619
	(431,992)	764	(423,652)	764

¹ Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011. The comparative financial results refer to the period from 13 October 2011 to 31 December 2011.

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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 13 October 2011 (date of establishment)	-	-	-
Total comprehensive income for the period	-	12,376	12,376
Unitholders' transactions			
- Issue of new units ³	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 to unitholders ⁵	-	(13,140)	(13,140)
Increase in net assets resulting from unitholders' transactions	2,868,742	(13,140)	2,855,602
As at 31 December 2011(audited)¹	<u>2,868,742</u>	<u>(764)</u>	<u>2,867,978</u>
As at 1 January 2012	2,868,742	(764)	2,867,978
Total comprehensive income for the year	-	630,205	630,205
Unitholders' transactions			
- Creation of units ⁴			
- Manager's management fee paid in units	5,241	-	5,241
- Listing expenses	9	-	9
- Distribution payable to unitholders ⁶	-	(206,323)	(206,323)
Increase in net assets resulting from unitholders' transactions	5,250	(206,323)	(201,073)
As at 31 December (unaudited)	<u>2,873,992</u>	<u>423,118</u>	<u>3,297,110</u>

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.

¹ Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011. The comparative financial results refer to the period from 13 October 2011 to 31 December 2011.

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³ Issue of new units consists of the followings:-

	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	790,000	710,300
	<u>3,000,000</u>	<u>2,655,100</u>

⁴ Creation of units consists of the followings:-

	31 December 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>

⁵ Distribution refers to income for the period from 7 December 2011 to 31 December 2011 which was paid on 29 February 2012.

⁶ Distribution refer to income for the quarter ended 31 March 2012 and 30 June 2012 which was paid on 7 September 2012 and income for the quarter ended 30 September 2012 and 31 December 2012 would be payable on 28 February 2013.

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 31 December 2012 RM'000	Preceding Year to Date 31 December 2011 ¹ RM'000
Cash Flows From Operating Activities		
Income before taxation	630,205	12,376
<i>Adjustments for :-</i>		
Borrowing cost	33,333	2,322
Interest income	(5,247)	(234)
Depreciation	662	41
Loss/(Gain) on disposal of plant and equipments	(9)	-
Plant and equipments written off	5	-
Impairment loss on trade receivables	525	-
Fair value gain of investment properties	(435,570)	-
Operating income before changes in working capital	223,904	14,505
Inventories	(253)	(851)
Trade and other receivables	(5,805)	(3,075)
Trade and other payables	15,756	26,619
Tenants deposits	7,280	-
Net cash from operating activities	240,882	37,198
Cash Flow From Investing Activities		
Acquisition of investment properties	-	(1,369,000)
Interest received	5,247	234
Payment for enhancement of investment properties	(15,430)	-
Pledged deposit	(522)	(17,029)
Proceed from disposal of plant and equipments	77	-
Purchase of plant and equipments	(198)	(3,608)
Tenants' deposits assumed	-	68,053
Net cash used in investing activities	(10,826)	(1,321,350)
Cash Flow from Financing Activities		
Distribution to unitholders	(114,018)	-
Interest paid	(32,088)	(2,218)
Payment of financing expenses	(201)	(5,408)
Payment of listing expenses	-	(32,657)
Proceeds from borrowings	-	715,501
Proceeds from issue of units	-	710,300
Repayment of borrowings	-	(5,800)
Net cash used in financing activities	(146,307)	1,379,718
Net increase in cash and cash equivalents	83,749	95,566
Cash and cash equivalents as at the beginning of the period	95,566	-
Cash and cash equivalents as at the end of the period	179,315	95,566
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	5,896	186
Deposits placed with licensed banks	190,970	112,409
	196,866	112,595
Pledged deposit	(17,551)	(17,029)
	179,315	95,566

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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 Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011. The comparative financial results refer to the period from 13 October 2011 to 31 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 year ended 31 December 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 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.

A5 Seasonality or Cyclicity 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.

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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. Therefore, the proposed distributable income for the six months period ended 31 December 2012 is proposed to be 3.51 sen per unit or RM105.4 million.

A10 Segmental Reporting

Segmental results for the year ended 31 December 2012 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	335,943	10,581	346,524
Net Property Income	238,630	6,659	245,289
Interest Income			5,247
Change in fair value of investment properties			435,570
Net Investment Income			686,106
Trust Expenses			(22,568)
Borrowings Cost			(33,333)
Income Before Taxation			630,205
Taxation			-
Income After Taxation			630,205
Segment assets	4,071,110	132,694	4,203,804
Other non-allocated assets			17,551

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Business Segment	Retail RM'000	Office RM'000	Total RM'000
			4,221,355
Segment liabilities	890,902	33,250	924,152
Other non-allocated liabilities			93
			924,245

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.

For the current quarter ended 31 December 2012, the investment properties were valued based on valuation performed by independent professional valuer as at 31 December 2012. The fair value gain of RM435.6 million was recognised in the condensed statement of profit or loss and other comprehensive income in current quarter.

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
Authorised but not provided for and payable:	
- within one year	20,881
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 RM91.9 million and net property income of RM63.6 million for the fourth quarter ended 31 December 2012. Manager's management fee and borrowing cost incurred during the quarter were RM6.2 million and RM8.2 million respectively. Fair value gain of RM435.6 million arising from the valuation of Pavilion Mall and Tower as at 31 December 2012 was recognised in the current quarter. This has contributed to income before taxation of RM485.9 million in current quarter.

Distributable income for the quarter under review is RM53.9 million or 1.79 sen per unit, consisting of income before tax of RM485.9 million and non-cash adjustments for fair value gain of investment properties of RM435.6 million, 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 RM3.1 million.

For the year ended 31 December 2012, Pavilion REIT recorded an income before taxation of RM630.2 million mainly due to the fair value gain of RM435.6 million arising from the valuation of Pavilion Mall and Tower as at 31 December 2012. Gross revenue of RM346.5 million and net property income of RM245.3 million have been achieved. The manager's management fee incurred to date is RM20 million with borrowing cost at RM33.3 million.

The distributable income for the year ended 31 December 2012 is RM206.5 million or 6.87 sen per unit, after non-cash adjustment for fair value gain of investment properties of RM435.6 million, depreciation of RM0.7 million, amortisation of borrowings transaction cost of RM1.2 million and 50% of manager's management fee payable in units amounting to RM10 million.

Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011. The comparative financial results refer to the period from 13 October 2011 to 31 December 2011.

B2 Material Changes in Quarterly Results

The income before taxation for the current quarter was higher by RM437.2 million compared to the last immediate quarter. This was mainly due to the fair value gain of RM435.6 million arising from the valuation of Pavilion Mall and Tower as at 31 December 2012. Higher gross revenue was mainly contributed by the rental income from Fashion Avenue. This was offset by the higher maintenance cost as some of the scheduled future progressive major replacement or maintenance jobs have been brought forward to current quarter.

B3 Prospects

The asset enhancement initiative announced on 19 January 2011 has been completed with most tenants commencing trading from the end of last immediate quarter. This has contributed to higher net property income to Pavilion REIT. Pavilion Office Tower was fully tenanted from the last immediate quarter.

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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 Variance between Profit Forecast and Actual Results

- a) Condensed Statement of Comprehensive Income:

	Current Quarter ended 31 December 2012	
	Actual (unaudited) RM'000	Forecast RM'000
Rental Income	76,623	70,533
Other Income	15,228	8,931
GROSS REVENUE	91,851	79,464
Utilities	(10,123)	(9,867)
Maintenance	(10,148)	(6,006)
Quit rent and assessment	(2,179)	(2,273)
Other operating expenses	(5,779)	(5,524)
Property operating expenses	(28,229)	(23,670)
NET PROPERTY INCOME	63,622	55,794
Interest income	1,365	383
Change in fair value of investment properties	435,570	-
NET INVESTMENT INCOME	500,557	56,177
Manager's management fee	(6,196)	(4,363)
Trustee's fee	(100)	(100)
Other trust expenses	(164)	(500)
Borrowings cost	(8,199)	(8,705)
Total trust expenditure	(14,659)	(13,668)
INCOME BEFORE TAXATION	485,898	42,509
Taxation	-	-
INCOME AFTER TAXATION	485,898	42,509
Other comprehensive income, net of tax	-	-

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	Current Quarter ended 31 December 2012	
	Actual (unaudited) RM'000	Forecast RM'000
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR	485,898	42,509
Income after taxation comprise the followings :-		
Realised	50,328	42,509
Unrealised	435,570	-
	485,898	42,509
Earnings per unit – basic (sen) #	16.17	1.37
Earnings per unit – diluted (sen) #	16.17	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 31 December 2012	
	Actual (unaudited) RM'000	Forecast RM'000
Gross Revenue		
Pavilion Kuala Lumpur retail mall	88,832	76,550
Pavilion Tower	3,019	2,914
	91,851	79,464
Net Property Income		
Pavilion Kuala Lumpur retail mall	61,775	53,901
Pavilion Tower	1,847	1,893
	63,622	55,794

c) Comparison of Distributable Income:

Properties	Current Quarter ended 31 December 2012	
	Actual (unaudited) RM'000	Forecast RM'000
Total comprehensive income for the quarter	485,898	42,509
Distribution adjustments	(431,992)	1,322
Distributable income	53,906	43,831

Gross revenue for fourth quarter ended 31 December 2012 was RM91.9 million, higher by RM12.4 million compared to the forecast. The higher revenue was mainly contributed by Pavilion Kuala Lumpur retail mall's advertising income, car park income, income from turnover rent as well as the rental from Fashion Avenue which commenced the last immediate quarter.

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The net property income (NPI) achieved for the quarter was RM63.6 million, higher than forecast by RM7.8 million mainly due to higher gross revenue. Higher property operating expenses incurred were mainly due to engagement of auxiliary polices for Pavilion Kuala Lumpur, higher operating cost incurred for advertising income generated as well as fast forward of some of the future progressive major replacement or repair and maintenance work scheduled to the current quarter.

Higher manager's management fee was in line with higher net property income and higher total assets value resulted by valuation of investment properties as at 31 December 2012. The borrowings cost was lower due to lower loan amount being acquired as well as savings from interest due to conversion of its long term debt from floating rate to fixed rate.

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.

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	Actual Utilisation	Intended Timeframe for Utilisation RM'000	Deviation		Explanation RM'000
	RM'000	RM'000		RM'000	%	
Part payment for acquisition of properties	648,000	648,000	-	-	0%	-
Issuing expenses	42,000	33,549	-	8,451	20%	Note 1
Working capital	5,200	13,651	-	(8,451)	(163%)	Note 2
	695,200	695,200		-		

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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 has been used by Pavilion REIT for working capital.

Note 2

The working capital raised and excess fund from issuing expenses has been used for its operational needs and to finance the asset enhancement initiative announced early this year.

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 31 December 2012 RM'000
Long term borrowings	
Secured Revolving Term Loan	709,701
Less: Unamortised Borrowings Transaction Cost	(4,259)
	705,442

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.

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B15 Soft Commission Received

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

B16 Summary of DPU, EPU, NAV and Market Price

	As at 31 December 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")	3,297,110	2,867,978
NAV per unit (RM)	1.0975	0.9560
Total comprehensive income (current quarter / preceding year final period)	485,898	12,376
Weighted average number of units in issue – year to date (units)	3,001,694,156	3,000,000,000
EPU after Manager's management fee (sen)	16.17	0.41
DPU (sen)	1.79	0.44
Market Price (RM)	1.39	1.09
Distribution Yield (%) ⁷	4.94	5.89

⁷ Distribution yield of DPU divided by the Market Price (as at the end of the period) has been annualised for 2011. 2012 yield is based on actual DPU of 3.36 sen paid and DPU payable of 3.51 sen.

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 31 December 2012	Year to Date 31 December 2012	Basis
Base Fee	4,288	12,664	0.3% per annum on total asset value
Performance Fee	1,908	7,358	3% per annum on net property income
Total	6,196	20,022	

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 31 December 2012 is as follows:-

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value Year to Date: 31 Dec		Balance Outstanding As at	
		2012 RM'000	2011 ¹ RM'000	31 Dec 2012 RM'000	31 Dec 2011 RM'000
Urusharta Cemerlang Sdn Bhd	Acquisition cost of investment properties	-	3,561,000	-	-
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	394	26	-	26
Malton Berhad group #	Rental income and its related charges	2,224	144	-	-
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	562	-	13	-
	Purchase of product	68	-	60	-
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	880	-	8	-
Kuala Lumpur Pavilion Sdn Bhd ∞	Property management fees and charges payable	15,341	888	2,840	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.

¹ Pavilion REIT was established on 13 October 2011 and listed on 7 December 2011. The comparative financial results refer to the period from 13 October 2011 to 31 December 2011.

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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 31 December 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 31 December 2012 and of its financial performance and cash flows for the period ended on that date and duly authorised for release on 18 January 2013 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
18 January 2013