

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2014 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2014 (Unaudited) RM'000	As at 31 December 2013 (Audited) RM'000
ASSETS		
Plant and equipment	1,835	2,586
Investment properties	4,433,000	4,133,000
Total non-current assets	<u>4,434,835</u>	<u>4,135,586</u>
Inventories	1,228	1,215
Trade and other receivables	8,328	10,983
Cash and cash equivalents	205,540	207,569
Total current assets	<u>215,096</u>	<u>219,767</u>
TOTAL ASSETS	4,649,931	4,355,353
LIABILITIES		
Borrowings	707,525	706,483
Payables and accruals	70,308	65,345
Total non-current liabilities	<u>777,833</u>	<u>771,828</u>
Payables and accruals	61,082	61,009
Distribution payable to unitholders	-	-
Total current liabilities	<u>61,082</u>	<u>61,009</u>
TOTAL LIABILITIES	838,915	832,837
NET ASSET VALUE	<u>3,811,016</u>	<u>3,522,516</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,887,271	2,881,933
Income / (Deficit)	923,745	640,583
TOTAL UNITHOLDERS' FUND	<u>3,811,016</u>	<u>3,522,516</u>
Number of units in circulation ('000 units)	3,013,819	3,009,684
Net asset value per unit (RM)		
- Before income distribution	1.2645	1.1704
- After income distribution	1.2645	1.1704

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2013 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	
	2014 (Unaudited) RM'000	2013 (Unaudited) RM'000	2014 (Unaudited) RM'000	2013 (Audited) RM'000
Rental Income	86,575	80,827	339,900	313,124
Other Income	14,195	15,623	62,192	62,385
GROSS REVENUE	100,770	96,450	402,092	375,509
Utilities	(10,581)	(10,683)	(44,070)	(43,649)
Maintenance	(6,362)	(7,033)	(29,951)	(29,316)
Quit rent and assessment	(2,721)	(2,192)	(10,888)	(8,742)
Other operating expenses	(10,619)	(8,884)	(34,444)	(30,677)
PROPERTY OPERATING EXPENSES	(30,283)	(28,792)	(119,353)	(112,384)
NET PROPERTY INCOME	70,487	67,658	282,739	263,125
Interest income	1,564	1,465	6,084	5,896
Change in fair value of investment properties	278,112	113,112	278,112	113,112
NET INVESTMENT INCOME	350,163	182,235	566,935	382,133
Manager's management fee	(6,372)	(5,713)	(22,432)	(20,960)
Trustee's fee	(101)	(101)	(400)	(400)
Other trust expenses	(590)	(448)	(2,140)	(2,135)
Borrowings cost	(7,918)	(7,899)	(31,488)	(31,388)
TOTAL TRUST EXPENDITURE	(14,981)	(14,161)	(56,460)	(54,883)
INCOME BEFORE TAXATION	335,182	168,074	510,475	327,250
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	335,182	168,074	510,475	327,250
Income after taxation comprises the followings:-				
Realised	57,070	54,962	232,363	214,138
Unrealised	278,112	113,112	278,112	113,112
	<u>335,182</u>	<u>168,074</u>	<u>510,475</u>	<u>327,250</u>
Earnings per unit - basic (sen) #	11.12	5.58	16.94	10.88
Earnings per unit - diluted (sen) #	11.12	5.58	16.94	10.88

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 2013 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 31 December		Year to Date 31 December	
	2014	2013	2014	2013
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Audited) RM'000
Total comprehensive income for the period	335,182	168,074	510,475	327,250
Distribution adjustments ¹	(276,032)	(111,190)	(270,547)	(105,935)
Distributable income	59,150	56,884	239,928	221,315

¹ Included in the distribution adjustments are the followings:-

	Current Quarter 31 December		Year to Date 31 December	
	2014	2013	2014	2013
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Audited) RM'000
Amortisation of borrowing transaction costs	314	312	1,242	1,241
Depreciation	173	182	715	696
Fair value gain of investment properties	(278,112)	(113,112)	(278,112)	(113,112)
Manager's management fee payable in units	1,593	1,428	5,608	5,240
	(276,032)	(111,190)	(270,547)	(105,935)

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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 2013	2,873,992	423,118	3,297,110
Total comprehensive income for the period	-	327,250	327,250
Unitholders' transactions			
- Issue of new units ²			
- Manager's management fee paid in units	7,941	-	7,941
- Distribution to unitholders	-	(109,785)	(109,785)
Increase/(Decrease) in net assets resulting from unitholders' transactions	7,941	(109,785)	(101,844)
As at 31 December 2013 (audited)	2,881,933	640,583	3,522,516
As at 1 January 2014	2,881,933	640,583	3,522,516
Total comprehensive income for the period	-	510,475	510,475
Unitholders' transactions			
- Issue of new units ²			
- Manager's management fee paid in units	5,338	-	5,338
- Distribution payable to unitholders	-	(227,313)	(227,313)
Increase/(Decrease) in net assets resulting from unitholders' transactions	5,338	(227,313)	(221,975)
As at 31 December 2014 (unaudited)	2,887,271	923,745	3,811,016

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 2013 and the accompanying explanatory notes attached to the interim financial statements.

² Issue of new units consists of the followings:-

	31 December 2013	
	Units 000	Amount RM'000
Issuance of new units pursuant to 50% Manager's management fee paid in units :-		
- at RM1.4534 per unit for entitlement for the 6 months period ended 31 December 2012	3,708	5,389
Issuance of new units pursuant to 25% Manager's management fee paid in units:-		
- at RM1.3710 per unit for entitlement for the 6 months period ended 30 June 2013	1,861	2,552
Total Manager's fee paid	5,569	7,941

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	31 December 2014	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.2659 per unit for entitlement for the 6 months period ended 31 December 2013	2,123	2,688
- at RM1.3171 per unit for entitlement for the 6 months period ended 30 June 2014	2,012	2,650
Total Manager's fee paid	<u>4,135</u>	<u>5,338</u>

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 31 December 2014 RM'000	Preceding Year to Date 31 December 2013 RM'000
Cash Flows From Operating Activities		
Income before taxation	510,475	327,250
<i>Adjustments for :-</i>		
Borrowing cost	31,488	31,388
Interest income	(6,084)	(5,896)
Depreciation	715	696
Loss/(Gain) on disposal of plant and equipment	8	(9)
Plant and equipment written off	25	5
Bad debts written off	-	6
Impairment loss on trade receivables	219	1,322
Fair value gain of investment properties	(278,112)	(113,112)
Operating income before changes in working capital	258,734	241,650
Inventories	(13)	(111)
Trade and other receivables	2,436	(3,956)
Trade and other payables	6,351	13,280
Tenants deposits	4,023	7,656
Net cash from operating activities	271,531	258,519
Cash Flow From Investing Activities		
Interest received	6,084	5,896
Payment for enhancement of investment properties	(21,888)	(7,888)
Pledged deposit	(576)	(534)
Proceed from disposal of plant and equipment	3	17
Purchase of plant and equipment	-	(265)
Net cash used in investing activities	(16,377)	(2,774)
Cash Flow from Financing Activities		
Distribution to unitholders	(227,313)	(215,229)
Interest paid	(30,246)	(30,147)
Payment of financing expenses	(200)	(200)
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Net cash used in financing activities	(257,759)	(245,576)
Net (decrease)/increase in cash and cash equivalents	(2,605)	10,169
Cash and cash equivalents as at the beginning of the year	189,484	179,315
Cash and cash equivalents as at the end of the period	186,879	189,484
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	2,539	3,536
Deposits placed with licensed banks	203,001	204,033
	205,540	207,569
Pledged deposit	(18,661)	(18,085)
	186,879	189,484

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2013 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 full year ended 31 December 2014 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 a full set of annual financial statements, and should be read in conjunction with the Audited Financial Report for the year ended 31 December 2013 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 2013, 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 2013.

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 2013.

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.

A7 Changes in Estimates

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

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A8 Debt and Equity Securities

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

Units issued	Price per Unit	Listed on Main Market of Bursa Securities on	Remark
2,123,147	RM1.2659	6 February 2014	Based on the 5-day volume weighted average price of the units up to but excluding 16 January 2014
2,012,190	RM1.3171	7 August 2014	Based on the 5-day volume weighted average price of the units up to but excluding 17 July 2014

A9 Segmental Reporting

Segmental results for the full year ended 31 December 2014 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	391,293	10,799	402,092
Net Property Income	276,829	5,910	282,739
Interest Income			6,084
Change in fair value of investment properties			278,112
Net Investment Income			566,935
Trust Expenses			(24,972)
Borrowings Cost			(31,488)
Income Before Taxation			510,475
Taxation			-
Income After Taxation			510,475
Segment assets	4,497,707	133,563	4,631,270
Other non-allocated assets			18,661
			4,649,931
Segment liabilities	808,565	30,184	838,749
Other non-allocated liabilities			166
			838,915

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.

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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 year is as follows:-

	Units
Balance as at 1 January 2014	3,009,684,199
Units issued as payment of Manager's management fee	4,135,337
Total units issued	<u>3,013,819,536</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 provided for and payable:	
- within one year	34,120
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

	Current Quarter 31 December			Year to Date 31 December		
	2014 (Unaudited) RM'000	2013 (Unaudited) RM'000	Change %	2014 (Unaudited) RM'000	2013 (Unaudited) RM'000	Change %
Gross Revenue						
Retail	98,080	93,314	5.1%	391,293	363,320	7.7%
Office	2,690	3,136	-14.2%	10,799	12,189	-11.4%
Total Gross Revenue	<u>100,770</u>	<u>96,450</u>	<u>4.5%</u>	<u>402,092</u>	<u>375,509</u>	<u>7.1%</u>
Property Operating Expenses						
Retail	28,916	27,769	-4.1%	114,464	108,338	-5.7%
Office	1,367	1,023	-33.6%	4,889	4,046	-20.8%
Total Property Operating Expenses	<u>30,283</u>	<u>28,792</u>	<u>-5.2%</u>	<u>119,353</u>	<u>112,384</u>	<u>-6.2%</u>
Net Property Income						
Retail	69,164	65,545	5.5%	276,829	254,982	8.6%
Office	1,323	2,113	-37.4%	5,910	8,143	-27.4%
Total Net Property Income	<u>70,487</u>	<u>67,658</u>	<u>4.2%</u>	<u>282,739</u>	<u>263,125</u>	<u>7.5%</u>
Interest Income	1,564	1,465	6.8%	6,084	5,896	3.2%
Change in fair value of Investment Properties	<u>278,112</u>	<u>113,112</u>	<u>145.9%</u>	<u>278,112</u>	<u>113,112</u>	<u>145.9%</u>
Net Investment Income	<u>350,163</u>	<u>182,235</u>	<u>92.1%</u>	<u>566,935</u>	<u>382,133</u>	<u>48.4%</u>
Manager's Management Fee	6,372	5,713	-11.5%	22,432	20,960	-7.0%
Other Trust Expenses	691	549	-25.9%	2,540	2,535	-0.2%
Borrowings Cost	<u>7,918</u>	<u>7,899</u>	<u>-0.2%</u>	<u>31,488</u>	<u>31,388</u>	<u>-0.3%</u>
Total Trust Expenses	<u>14,981</u>	<u>14,161</u>	<u>-5.8%</u>	<u>56,460</u>	<u>54,883</u>	<u>-2.9%</u>
Income Before Taxation	<u>335,182</u>	<u>168,074</u>	<u>99.4%</u>	<u>510,475</u>	<u>327,250</u>	<u>56.0%</u>
Taxation	-	-	-	-	-	-
Income After Taxation	<u>335,182</u>	<u>168,074</u>	<u>99.4%</u>	<u>510,475</u>	<u>327,250</u>	<u>56.0%</u>
Distribution Adjustments	<u>(276,032)</u>	<u>(111,190)</u>	<u>148.3%</u>	<u>(270,547)</u>	<u>(105,935)</u>	<u>155.4%</u>
Distributable Income	<u><u>59,150</u></u>	<u><u>56,884</u></u>	<u><u>4.0%</u></u>	<u><u>239,928</u></u>	<u><u>221,315</u></u>	<u><u>8.4%</u></u>

Review of Performance

Quarterly Results

Pavilion REIT recognised total gross revenue of RM100.8 million in Q4 2014, higher by RM4.3 million or 5% compared to Q4 2013 of RM96.5 million. The increase was mainly due to rental reversion after the renewal of all due tenancies from Q3 2013. Total property operating expenses was higher by RM1.5 million or 5% compared to Q4 2013 mainly due to the increased in assessment charges from 2014 and maintenance cost incurred for some advertising sites. These have resulted in higher total net property income by RM2.8 million or 4% in Q4 2014 compared to Q4 2013.

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Fair value gain of RM278.1 million arising from the valuation of Pavilion Mall and Tower as at 31 December 2014 was recognised in the current quarter. The fair value gain for 2013 recognised in Q4 2013 was RM113.1 million.

Manager's management fee incurred for the Q4 2014 was higher by RM0.7 million compared to Q4 2013. This was in line with the increased in total asset value as at 31 December 2014 and 31 December 2013 respectively. Borrowing cost incurred during the quarter of RM7.9 million was consistent with Q4 2013. Pavilion REIT converted its long term debts from floating rate to fixed rate effective from December 2012.

Income before taxation for the current quarter under review was higher by RM167.1 million compared to Q4 2013 mainly due to higher fair value gain of investment properties being recognised in the current quarter.

Distributable income for the quarter under review was RM59.2 million or 1.96 sen per unit, consisting of income after tax of RM335.2 million and non-cash adjustments for fair value gain of investment properties of RM278.1 million, depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM0.3 million and 25% of Manager's management fee payable in units amounting to RM1.6 million.

Full Year Results

Total revenue for the year ended 31 December 2014 was RM402.1 million. It was higher by RM26.6 million or 7% compared to preceding year ended 31 December 2013's performance. The achievement was mainly contributed by rental reversion after all due tenancies have been renewed from Q3 2013 and the increased in service charge from May 2014.

Total property operating expenses was higher by RM6.9 million or 6% as compared to year ended 31 December 2013. This was mainly due to the incurrence of repairs and preventive maintenance work, cost incurred for marketing events, maintenance cost to some advertising sites and increased in assessment charges from 2014.

Higher Manager's management fee was in line with the higher achievement of net property income and increased in total asset value. Borrowing cost was consistent with preceding year ended 31 December 2013.

The income before taxation for the year ended 31 December 2014 was RM510.5 million, RM183.2 million or 56% higher compared to preceding year ended 31 December 2013 due to the higher fair value gain of investment properties being recognised in Q4 2014. Excluding the fair value gain, income before taxation for the year ended 31 December 2014 was higher by RM18.2 million or 9% compared to preceding year ended 31 December 2013.

Distributable income for the year ended 31 December 2014 was RM239.9 million or 7.96 sen per unit, consisting of income before taxation of RM510.5 million and non-cash adjustments for value gain of investment properties of RM278.1 million, depreciation of RM0.7 million, amortisation of borrowings transaction cost of RM1.2 million and 25% of manager's management fee payable in units amounting to RM5.6 million.

Pavilion REIT has expended approximately RM21.9 million of its capital commitment during the year. These were mainly incurred for car park guidance system, toilet upgrading works and enhancement to its common corridor as well as the relocation of beauty precinct to the Beauty Hall, creation of additional retail spaces within the mall to cater to more tenant mix and conversion of previous beauty precinct located at Connection into food and beverage outlets.

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B2 Material Changes in Quarterly Results

The income before taxation for the current quarter under review was higher by RM272.2 million compared to the last immediate quarter mainly due to the fair value gain of RM278.1 million arising from the valuation of Pavilion Mall and Tower as at 31 December 2014. Property operating expenses for the last quarter was lower by RM4.3 million mainly due to the reversal of overprovision of assessment charges recorded in the 1st half of 2014 and recognition of credit / overcharge of electricity charges on one of the electricity metering system by Tenaga Nasional Berhad.

B3 Prospects

Although 2015 is expected to remain challenging for the retail sector due to weak consumer sentiment from impending GST implementation, weakening of Ringgit Malaysia and inflationary pressures, the Manager will continue to engage with its stakeholders to continue to attract shoppers, manage its operational cost effectively and seek investment prospects to ensure the best achievable return for unitholders. Continuous efforts will be employed to fill up office space vacancies, although there are many options available to potential tenants with newer buildings in the market and attractive lower rent to attract occupants.

B4 Investment Objectives

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

B5 Strategies and Policies

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

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

B6 Income Distribution

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

Resident Unitholder

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

Non-Resident Unitholder

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

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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 ended 31 December 2014, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 3.84 sen per unit or RM115.6 million earned for 1st half of 2014 was distributed on 25 August 2014. The distributable income for the 2nd half of 2014 is proposed to be 4.12 sen per unit or RM124.2 million payable on 27 February 2015.

B7 Portfolio Composition

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

B8 Taxation

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

As Pavilion REIT proposes to declare 100% of its distributable income to its unitholders for the financial year ended 31 December 2014, 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 31 December 2014 RM'000
Long term borrowings	
Secured Revolving Term Loan	709,701
Less: Unamortised Borrowings Transaction Cost	(2,176)
	707,525

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.

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B12 Material Litigation

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

B13 Soft Commission Received

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

B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 31 December 2014	Immediate preceding quarter ended 30 September 2014
Number of units in issue (units)	3,013,819,536	3,013,819,536
Net Asset Value ("NAV") (RM'000)	3,811,016	3,475,834
NAV per unit (RM)	1.2645	1.1533
Total comprehensive income (RM'000)	335,182	63,027
Weighted average number of units in issue – year to date (units)	3,012,408,329	3,011,932,757
Earnings per Unit after Manager's management fee (sen)	11.12	2.09
Propose / Declared Distribution per Unit ("DPU")(sen)	1.96	2.16
Market Price (RM)	1.46	1.46
Distribution Yield (%) ³	5.45	5.49

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 are as follows:-

Type RM'000	Current Quarter 31 December 2014	Year to Date 31 December 2014	Basis
Base Fee	4,258	13,950	0.3% per annum on total asset value
Performance Fee	2,114	8,482	3% per annum on net property income
Total	6,372	22,432	

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

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B16 Trustee's Fees

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

B17 Significant related party transactions

Significant related party transactions, other than Manager's management fee for the quarter ended 31 December 2014 are as follows:-

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value Year to Date: 31 Dec		Balance Outstanding As at	
		2014 RM'000	2013 RM'000	31 Dec 2014 RM'000	31 Dec 2013 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	403	394	-	-
Malton Berhad group #	Rental income and its related charges	2,288	2,185	8	6
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	1,338	1,667	8	28
	Purchase of product	674	667	118	50
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	792	1,429	2	54
Kuala Lumpur Pavilion Sdn Bhd ∞	Property management fees and charges payable	19,284	18,756	1,282	4,889
Impian Ekspresi Sdn Bhd ◇	Rental income and its related charges	505	-	63	-

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 deemed interest in Crabtree & Evelyn (Malaysia) Sdn Bhd.

^ Omer Abdulaziz H A Al-Marwani, Mohd Nasser A M Al-Humaidi and Navid Chamdia as directors of 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 holds 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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B18 Update on the Actions Taken to Rectify the Reconfiguration of the Net Lettable Area and Status of the Application

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

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

B19 Responsibility Statement

In the opinion of the Directors of the Manager, this quarterly financial report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Pavilion REIT as at 31 December 2014 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
15 January 2015