

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2015 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2015 (Unaudited) RM'000	As at 31 December 2014 (Audited) RM'000
ASSETS		
Plant and equipment	1,360	1,835
Investment properties	4,483,000	4,433,000
Other non-current assets	64,800	-
Total non-current assets	<u>4,549,160</u>	<u>4,434,835</u>
Inventories	1,237	1,228
Trade and other receivables	16,350	8,328
Cash and cash equivalents	184,006	205,540
Total current assets	<u>201,593</u>	<u>215,096</u>
TOTAL ASSETS	4,750,753	4,649,931
LIABILITIES		
Borrowings	754,333	707,525
Payables and accruals	29,143	70,308
Total non-current liabilities	<u>783,476</u>	<u>777,833</u>
Payables and accruals	115,670	61,082
Total current liabilities	<u>115,670</u>	<u>61,082</u>
TOTAL LIABILITIES	899,146	838,915
NET ASSET VALUE	<u>3,851,607</u>	<u>3,811,016</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,893,046	2,887,271
Accumulated income	958,561	923,745
TOTAL UNITHOLDERS' FUND	<u>3,851,607</u>	<u>3,811,016</u>
Number of units in circulation ('000 units)	3,017,842	3,013,819
Net asset value per unit (RM)		
- Before income distribution	1.2763	1.2645
- After income distribution	1.2763	1.2645

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2014 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	
	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000
Rental income	88,050	86,575	352,824	339,900
Other income	15,409	14,195	61,108	62,192
GROSS REVENUE	103,459	100,770	413,932	402,092
Utilities	(11,102)	(10,581)	(46,852)	(44,070)
Maintenance	(6,103)	(6,362)	(32,121)	(29,951)
Quit rent and assessment	(2,730)	(2,721)	(10,904)	(10,888)
Other operating expenses	(9,560)	(10,619)	(32,520)	(34,444)
PROPERTY OPERATING EXPENSES	(29,495)	(30,283)	(122,397)	(119,353)
NET PROPERTY INCOME	73,964	70,487	291,535	282,739
Interest income	1,418	1,564	6,211	6,084
Gain on disposal of investment property	593	-	593	-
Change in fair value of investment properties	41,035	278,112	41,035	278,112
NET INVESTMENT INCOME	117,010	350,163	339,374	566,935
Manager's management fee	(6,078)	(6,372)	(23,022)	(22,432)
Trustee's fee	(101)	(101)	(400)	(400)
Other trust expenses	(255)	(590)	(1,318)	(2,140)
Borrowings cost	(8,500)	(7,918)	(32,297)	(31,488)
TOTAL TRUST EXPENDITURE	(14,934)	(14,981)	(57,037)	(56,460)
INCOME BEFORE TAXATION	102,076	335,182	282,337	510,475
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	102,076	335,182	282,337	510,475
Income after taxation comprises the followings:-				
Realised	61,041	57,070	241,302	232,363
Unrealised	41,035	278,112	41,035	278,112
	<u>102,076</u>	<u>335,182</u>	<u>282,337</u>	<u>510,475</u>
Earnings per unit – basic (sen) #	3.38	11.12	9.36	16.94
Earnings per unit – diluted (sen) #	3.38	11.12	9.36	16.94

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 2014 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	
	2015	2014	2015	2014
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Total comprehensive income for the period	102,076	335,182	282,337	510,475
Distribution adjustments ¹	(39,075)	(276,032)	(33,452)	(270,547)
Distributable income	63,001	59,150	248,885	239,928

¹ Included in the distribution adjustments are the followings:-

	Current Quarter 31 December		Year to Date 31 December	
	2015	2014	2015	2014
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Amortisation of borrowing transaction costs	287	314	1,216	1,242
Depreciation	153	173	611	715
Fair value gain of investment properties	(41,035)	(278,112)	(41,035)	(278,112)
Manager's management fee payable in units	1,520	1,593	5,756	5,608
	(39,075)	(276,032)	(33,452)	(270,547)

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

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
As at 1 January 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 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 (audited)	<u>2,887,271</u>	<u>923,745</u>	<u>3,811,016</u>
As at 1 January 2015	2,887,271	923,745	3,811,016
Total comprehensive income for the period	-	282,337	282,337
Unitholders' transactions			
- Issue of new units ²			
- Manager's management fee paid in units	5,775	-	5,775
- Distribution to unitholders	-	(247,521)	(247,521)
Increase in net assets resulting from unitholders' transactions	5,775	(247,521)	(241,746)
As at 31 December 2015 (unaudited)	<u>2,893,046</u>	<u>958,561</u>	<u>3,851,607</u>

The unaudited condensed statement of changes in net asset value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

² Issue of new units consists of the followings:-

	31 December 2014	
	Units 000	Amount RM'000
Issuance of new units pursuant to 50% 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
Issuance of new units pursuant to 25% Manager's management fee paid in units:-		
- 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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	31 December 2015	
	Units	Amount
	000	RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.4007 per unit for entitlement for the 6 months period ended 31 December 2014	2,112	2,958
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.4739 per unit for entitlement for the 6 months period ended 30 June 2015	1,911	2,817
Total Manager's fee paid	<u>4,023</u>	<u>5,775</u>

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year Ended 31 December 2015 RM'000	Preceding Year Ended 31 December 2014 RM'000
Cash Flows From Operating Activities		
Income before taxation	282,337	510,475
<i>Adjustments for :-</i>		
Borrowing cost	32,297	31,488
Interest income	(6,211)	(6,084)
Depreciation	611	715
Loss on disposal of plant and equipment	-	8
Plant and equipment written off	16	25
Impairment loss on trade receivables	982	219
Gain on disposal of investment property	(593)	-
Fair value gain of investment properties	(41,035)	(278,112)
Operating income before changes in working capital	268,404	258,734
Inventories	(9)	(13)
Trade and other receivables	(9,004)	2,436
Trade and other payables	14,538	6,351
Tenants deposits	4,443	4,023
Net cash from operating activities	278,372	271,531
Cash Flow From Investing Activities		
Deposit for acquisition of investment properties	(64,800)	-
Interest received	6,211	6,084
Payment for enhancement of investment properties	(13,051)	(21,888)
Pledged deposit	(615)	(576)
Proceed from disposal of plant and equipment	-	3
Proceed from disposal of investment property	4,896	-
Purchase of plant and equipment	(152)	-
Net cash used in investing activities	(67,511)	(16,377)
Cash Flow from Financing Activities		
Distribution to unitholders	(247,521)	(227,313)
Interest paid	(31,081)	(30,246)
Payment of financing expenses	(8)	(200)
Proceeds from borrowings	45,600	-
Repayment of borrowings	-	-
Net cash used in financing activities	(233,010)	(257,759)
Net decrease in cash and cash equivalents	(22,149)	(2,605)
Cash and cash equivalents as at the beginning of the year	186,879	189,484
Cash and cash equivalents as at the end of the period	164,730	186,879
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	4,738	2,539
Deposits placed with licensed banks	179,268	203,001
Pledged deposit	(19,276)	(18,661)
	164,730	186,879

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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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 2015 comprise Pavilion REIT and its subsidiaries. The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Listing Requirements of Bursa Securities, provision of the trust deed dated 13 October 2011 (“the Trust Deed”) and the Securities Commission’s Guidelines on Real Estate Investment Trusts (“the REITs Guidelines”). They do not include all of the information required for a full set of annual financial statements, and should be read in conjunction with the Audited Financial Report for the year ended 31 December 2014 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 2014, 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 2014.

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 2014.

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
2,111,612	RM1.4007	6 February 2015	Based on the 5-day volume weighted average price of the units up to but excluding 15 January 2015
1,911,089	RM1.4739	18 August 2015	Based on the 5-day volume weighted average price of the units up to but excluding 30 July 2015

A9 Segmental Reporting

Segmental results for the year ended 31 December 2015 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	402,646	11,286	413,932
Net Property Income	284,864	6,671	291,535
Interest Income			6,211
Gain on Disposal of Investment Property			593
Changes in Fair Value of Investment Properties			41,035
Net Investment Income			339,374
Trust Expenses			(24,740)
Borrowings Cost			(32,297)
Income Before Taxation			282,337
Taxation			-
Income After Taxation			282,337
Segment assets	4,597,265	133,914	4,731,179
Other non-allocated assets			19,574
			4,750,753
Segment liabilities	867,614	31,397	899,011
Other non-allocated liabilities			135
			899,146

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A10 Valuation of Investment Properties

The investment properties are to be valued annually based on valuation by independent registered valuer. Any differences between the valuation and the book value of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. For investment properties acquired under equity-settled share-based payment transactions, the investment properties are initially measured at fair value, with corresponding increase in equity.

A11 Material Events Subsequent to Period End

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

A12 Changes in the Composition of Pavilion REIT

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

	Units
Balance as at 1 January 2015	3,013,819,536
Units issued as payment of Manager's management fee	4,022,701
Total units issued	<u>3,017,842,237</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 and contracted for	
- within one year	583,200
Authorised but not contracted for	
- within one year	13,359
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			Year to Date		
	31 Dec		Change	31 Dec		Change
	2015 (Unaudited) RM'000	2014 (Unaudited) RM'000		2015 (Unaudited) RM'000	2014 (Unaudited) RM'000	
Gross Revenue						
Retail	100,420	98,080	2.4%	402,646	391,293	2.9%
Office	3,039	2,690	13.0%	11,286	10,799	4.5%
Total Gross Revenue	<u>103,459</u>	<u>100,770</u>	<u>2.7%</u>	<u>413,932</u>	<u>402,092</u>	<u>2.9%</u>
Property Operating Expenses						
Retail	27,847	28,916	3.7%	117,782	114,464	-2.9%
Office	1,648	1,367	-20.6%	4,615	4,889	5.6%
Total Property Operating Expenses	<u>29,495</u>	<u>30,283</u>	<u>2.6%</u>	<u>122,397</u>	<u>119,353</u>	<u>-2.6%</u>
Net Property Income						
Retail	72,573	69,164	4.9%	284,864	276,829	2.9%
Office	1,391	1,323	5.1%	6,671	5,910	12.9%
Total Net Property Income	<u>73,964</u>	<u>70,487</u>	<u>4.9%</u>	<u>291,535</u>	<u>282,739</u>	<u>3.1%</u>
Interest Income	1,418	1,564	-9.3%	6,211	6,084	2.1%
Gain on disposal of car park bays	593	0	100.0%	593	0	100.0%
Change in fair value of investment properties	41,035	278,112	-85.2%	41,035	278,112	-85.2%
Net Investment Income	<u>117,010</u>	<u>350,163</u>	<u>-66.6%</u>	<u>339,374</u>	<u>566,935</u>	<u>-40.1%</u>
Manager's Management Fee	6,078	6,372	4.6%	23,022	22,432	-2.6%
Other Trust Expenses	356	691	48.5%	1,718	2,540	32.4%
Borrowings Cost	8,500	7,918	-7.4%	32,297	31,488	-2.6%
Total Trust Expenses	<u>14,934</u>	<u>14,981</u>	<u>0.3%</u>	<u>57,037</u>	<u>56,460</u>	<u>-1.0%</u>
Income Before Taxation	<u>102,076</u>	<u>335,182</u>	<u>-69.5%</u>	<u>282,337</u>	<u>510,475</u>	<u>-44.7%</u>
Taxation	-	-	-	-	-	-
Income After Taxation	<u>102,076</u>	<u>335,182</u>	<u>-69.5%</u>	<u>282,337</u>	<u>510,475</u>	<u>-44.7%</u>
Distribution Adjustments	-39,075	-276,032	-85.8%	-33,452	-270,547	-87.6%
Distributable Income	<u>63,001</u>	<u>59,150</u>	<u>6.5%</u>	<u>248,885</u>	<u>239,928</u>	<u>3.7%</u>

Quarterly Results:

Pavilion REIT recognised total gross revenue of RM103.5 million in Q4 2015, an increase of RM2.7 million or 3% as compared to Q4 2014 of RM100.8 million.

Total property operating expenses was lower in Q4 2015 by RM0.8 million or 3% as compared to Q4 2014 mainly due to the maintenance cost incurred for some advertising sites in Q4 2014.

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These have resulted in higher total net property income by RM3.5 million or 5% in Q4 2015 as compared to Q4 2014.

Fair value gain of RM41.0 million arising from the valuation of Pavilion Kuala Lumpur retail mall as at 31 December 2015 was recognised in the current quarter. The fair value gain for 2014 recognised in Q4 2014 was RM278.1 million.

Manager's management fee incurred for Q4 2015 was lower by RM0.3 million compared to Q4 2014 mainly due to lower change in total asset value recognised in the current quarter. Borrowing cost incurred during the quarter was higher by RM0.6 million, mainly resulted by the loan drawdown of RM45.6 million in August 2015 for working capital.

Income before taxation for the current quarter under review was lower by RM233.1 million or 70% compared to Q4 2014 mainly due to lower fair value gain of investment properties being recognised in the current quarter. Excluding the fair value gain, income before taxation for current quarter was higher by RM4.0 million or 7% compared to Q4 2014 mainly due to the higher net property income and the net gain on the disposal of an area measuring 1,050 square metres in Pavilion Kuala Lumpur retail mall of RM0.6 million.

Distributable income for the quarter under review was RM63.0 million or 2.08 sen per unit, consisting of income after tax of RM102.1 million and non-cash adjustments for fair value gain of investment properties of RM41.0 million, depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.3 million and 25% of Manager's management fee payable in units amounting to RM1.5 million.

Full Year Results:

Total revenue for the year ended 31 December 2015 was RM413.9 million. It was higher by RM11.8 million or 3% compared to preceding year ended 31 December 2014's performance. The achievement was mainly contributed by rental from 2014 asset enhancement areas such as Beauty Precinct, extension of 'Couture Pavilion' at Level 2 and Dining Loft at Level 7 as well as the increase in service charge that was revised in May 2014.

Total property operating expenses incurred was higher than year ended 31 December 2014 mainly due to the higher maintenance cost incurred for floor upgrading exercise at Level 1 around Gourmet Emporium area and recognition of credit to electricity charges given by TNB last year on one of the electricity metering system.

Higher Manager's management fee was in line with the higher achievement of net property income and increased in total asset value. Slight increase in borrowing cost was mainly due to the loan drawdown of RM45.6 million in August 2015 for working capital.

The income before taxation for year ended 31 December 2015 was RM282.3 million, RM228.1 million or 45% lower compared to preceding year ended 31 December 2014. This was mainly due to the lower fair value gain of investment properties being recognised in Q4 2015. Excluding the fair value gain, income before taxation for the year ended 31 December 2015 was higher by RM8.9 million or 3.8% compared preceding year ended 31 December 2014.

Distributable income for the year ended 31 December 2015 was RM248.9 million or 8.24 sen per unit, consisting of income before taxation of RM282.3 million and non-cash adjustments for fair value gain of investment property of RM41.0 million, depreciation of RM0.6 million, amortisation of borrowings transaction cost of RM1.2 million and 25% of manager's management fee payable in units amounting to RM5.8 million.

Pavilion REIT has expended approximately RM13.1 million of its capital commitment during the year, mainly for creation of a new drop off entrance at Jalan Bukit Bintang as well as continuous toilets upgrading works and enhancement to its common corridor.

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B2 Material Changes in Quarterly Results

The income before taxation for the current quarter under review was higher by RM41.6 million compared to the last immediate quarter mainly due to the fair value gain of RM41.0 million arising from the valuation of Pavilion Kuala Lumpur retail mall as at 31 December 2015 and gain from disposal of an area measuring 1,050 square metres in Pavilion Kuala Lumpur retail mall of RM0.6 million.

B3 Prospects

The retail environment is expected to be challenging. However, marketing will continue its effort on creating differentiation and key attractions to build shopping experiences to attract and retain shopper loyalty to its retail mall with operating cost being continuously monitored to optimize its efficiency.

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 2015, Pavilion REIT proposes to distribute 99.8% of its distributable income. The undistributed retained earnings is to be retained for asset enhancement exercises or to meet operational needs.

Distribution of 4.09 sen per unit or RM123.4 million earned for 1st half of 2015 was distributed on 8 September 2015. The distributable income for the 2nd half of 2015 is proposed to be 4.14 sen per unit or RM124.9 million payable on 26 February 2016.

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 99.8% of its distributable income to its unitholders for the financial year ended 31 December 2015, no provision for taxation has been made for the current quarter.

B9 Status of Corporate Proposal

Corporate proposals announced but not completed as at the latest practicable date from the issuance of this report are as follows:-

- a) On 24 June 2015, the Securities Commission Malaysia had approved and authorised the establishment of a proposed medium term notes (“MTNs”) programme of RM8.0 billion in nominal value (“MTN Programme”) to be undertaken by Pavilion REIT Bond Capital Berhad (“Issuer”), a company wholly owned by AmTrustee Berhad, as the trustee for Pavilion REIT. The MTN Programme shall have a tenure of twenty years from the date of the first issue of MTNs under the MTN Programme. An issuance of MTNs under the MTN Programme may either be rated or unrated, as the Issuer may decide.

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b) On 17 September 2015, the Board of Directors of the Manager announced that AmTrustee Berhad, as trustee of Pavilion REIT, had entered into a conditional sale and purchase agreement with Equine Park Country Resort Sdn Bhd and Revenue Concept Sdn Bhd for acquisition of the Property (as defined below), comprising the followings, for a total purchase consideration of RM488,000,000:

- i) A five (5) storey shopping mall with a lower ground floor of approximately 420,920 square feet of net lettable area known as da:mén USJ; and
- ii) Two (2) levels of basement car park with 1,672 car parking bays

all of which are erected on a piece of freehold land currently held under Grant 320023 for Lot 91576, Pekan Subang Jaya, District of Petaling, State of Selangor measuring approximately 3.499 hectares.

c) On 29 December 2015, the Board of Directors of the Manager announced that AmTrustee Berhad, as trustee of Pavilion REIT, had entered into a sale and purchase agreement with The Intermark Sdn Bhd for the acquisition of a six (6)-storey retail building having a main parcel of strata floor area of 31,348 square metres (approximately 337,427 square feet) for a total cash consideration of RM160,000,000.

B10 Borrowings and Debt Securities

	As at 31 December 2015 RM'000
Long term borrowings	
Secured Revolving Term Loan	755,301
Less: Unamortised Borrowings Transaction Cost	(968)
	754,333

B11 Off Balance Sheet Financial Instruments

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

B12 Material Litigation

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

B13 Soft Commission Received

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

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B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 31 December 2015	Immediate preceding quarter ended 30 September 2015
Number of units in issue (units)	3,017,842,237	3,017,842,237
Net Asset Value (“NAV”) (RM’000)	3,851,607	3,749,531
NAV per unit (RM)	1.2763	1.2425
Total comprehensive income (RM’000)	102,076	60,477
Weighted average number of units in issue – year to date (units)	3,016,434,956	3,015,960,708
Earnings per Unit after Manager’s management fee (Sen)	3.38	2.00
Proposes / Declared Distribution per Unit (“DPU”) (Sen)	2.07	2.07
Market Price (RM)	1.55	1.50
Distribution Yield (%) ³	5.31	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 is as follows:-

Type RM’000	Current Quarter 31 December 2015	Year to Date 31 December 2015	Basis
Base Fee	3,835	14,252	0.3% per annum on total asset value
Performance Fee	2,219	8,746	3.0% per annum on net property income
Divestment Fee	24	24	0.5% of transaction value in relation to disposal of any real estate and real estate related assets
Total	6,078	23,022	

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

B16 Trustee’s Fees

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

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B17 Significant related party transactions

Significant related party transactions, other than Manager's management fee for the quarter ended 31 December 2015 is as follows:-

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value		Balance Outstanding	
		Year to Date: 31 December 2015 RM'000	2014 RM'000	As at 31 Dec 2015 RM'000	31 Dec 2014 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	472	403	-	-
Malton Berhad group #	Rental income and its related charges	2,749	2,288	6	8
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	1,175	1,338	3	8
	Purchase of product	564	674	32	118
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	771	792	3	2
Kuala Lumpur Pavilion Sdn Bhd ∞	Property management fees and charges payable	4,078	19,284	869	1,282
Impian Ekspresi Sdn Bhd ◇	Rental income and its related charges	760	505	178	63
Urusharta Cemerlang Sdn Bhd α	Disposal of part area in Pavilion Kuala Lumpur Mall	4,896	-	-	-

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

* Crabtree & Evelyn (Malaysia) Sdn Bhd is deemed parties related to the Manager by virtue of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong's effective interest in Crabtree & Evelyn (Malaysia) Sdn Bhd.

^ Omer Abdulaziz H A Al-Marwani, Mohd Nasser A A Al-Humaidi and Navid Chamdia as directors in the Manager also holds directorship in Lumayan Indah Sdn Bhd, a company that is currently leasing an office space at Pavilion Tower.

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

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- ◇ 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.
- α Tan Sri Lim Siew Choon, Puan Sri Tan Kewi Yong, Omer Abdulaziz H A Al-Marwani, Mohd Nasser A A Al-Humaidi and Navid Chamdia are directors of Urusharta Cemerlang Sdn Bhd ("UCSB"). Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong control 51% shares in UCSB via Urusharta Cemerlang Development Sdn Bhd. Omer Abdulaziz H A Al-Marwani and Mohd Nasser A A Al-Humaidi are directors of Urusharta Cemerlang Project Corporation Sdn Bhd which hold 49% shares in UCSB.

B18 Update on the Actions Taken to Rectify the Reconfiguration of the Net Lettable Area and Status of the Application

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

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

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 2015 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
14 January 2016