

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

| | As at 30 September 2014 (Unaudited) RM'000 | As at 31 December 2013 (Audited) RM'000 |
|---|--|---|
| ASSETS | | |
| Plant and equipment | 2,010 | 2,586 |
| Investment properties | 4,150,728 | 4,133,000 |
| Total non-current assets | <u>4,152,738</u> | <u>4,135,586</u> |
| Inventories | 1,146 | 1,215 |
| Trade and other receivables | 12,442 | 10,983 |
| Cash and cash equivalents | 153,230 | 207,569 |
| Total current assets | <u>166,818</u> | <u>219,767</u> |
| TOTAL ASSETS | 4,319,556 | 4,355,353 |
| LIABILITIES | | |
| Borrowings | 707,411 | 706,483 |
| Payables and accruals | 69,491 | 65,345 |
| Total non-current liabilities | <u>776,902</u> | <u>771,828</u> |
| Payables and accruals | 66,820 | 61,009 |
| Total current liabilities | <u>66,820</u> | <u>61,009</u> |
| TOTAL LIABILITIES | 843,722 | 832,837 |
| NET ASSET VALUE | <u>3,475,834</u> | <u>3,522,516</u> |
| FINANCED BY | | |
| UNITHOLDERS' FUND | | |
| Unitholders' capital | 2,887,271 | 2,881,933 |
| Accumulated Income | 588,563 | 640,583 |
| TOTAL UNITHOLDERS' FUND | <u>3,475,834</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 | 1.1533 | 1.1704 |
| - After income distribution | 1.1533 | 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.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Current Quarter 30 September | | Year to Date 30 September | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 2014 (Unaudited) RM'000 | 2013 (Unaudited) RM'000 | 2014 (Unaudited) RM'000 | 2013 (Unaudited) RM'000 |
| Rental Income | 86,309 | 77,114 | 253,325 | 232,297 |
| Other Income | 15,123 | 16,090 | 47,997 | 46,762 |
| GROSS REVENUE | 101,432 | 93,204 | 301,322 | 279,059 |
| Utilities | (8,962) | (11,064) | (33,489) | (32,966) |
| Maintenance | (8,165) | (7,531) | (23,589) | (22,283) |
| Quit rent and assessment | (196) | (2,179) | (8,167) | (6,550) |
| Other operating expenses | (8,605) | (7,481) | (23,825) | (21,793) |
| PROPERTY OPERATING EXPENSES | (25,928) | (28,255) | (89,070) | (83,592) |
| NET PROPERTY INCOME | 75,504 | 64,949 | 212,252 | 195,467 |
| Interest income | 1,579 | 1,625 | 4,520 | 4,431 |
| Change in fair value of investment properties | - | - | - | - |
| NET INVESTMENT INCOME | 77,083 | 66,574 | 216,772 | 199,898 |
| Manager's management fee | (5,459) | (5,038) | (16,060) | (15,247) |
| Trustee's fee | (101) | (101) | (299) | (299) |
| Other trust expenses | (504) | (527) | (1,550) | (1,687) |
| Borrowings cost | (7,992) | (7,959) | (23,570) | (23,489) |
| TOTAL TRUST EXPENDITURE | (14,056) | (13,625) | (41,479) | (40,722) |
| INCOME BEFORE TAXATION | 63,027 | 52,949 | 175,293 | 159,176 |
| Taxation | - | - | - | - |
| INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME | 63,027 | 52,949 | 175,293 | 159,176 |
| Income after taxation comprises the followings:- | | | | |
| Realised | 63,027 | 52,949 | 175,293 | 159,176 |
| Unrealised | - | - | - | - |
| | <u>63,027</u> | <u>52,949</u> | <u>175,293</u> | <u>159,176</u> |
| Earnings per unit – basic (sen) # | 2.09 | 1.76 | 5.82 | 5.29 |
| Earnings per unit – diluted (sen) # | 2.09 | 1.76 | 5.82 | 5.29 |

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 30 September | | Year to Date 30 September | |
|--|---------------------------------|---------------------|------------------------------|---------------------|
| | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Unaudited) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Total comprehensive income for the period | 63,027 | 52,949 | 175,293 | 159,176 |
| Distribution adjustments ¹ | 1,859 | 1,753 | 5,485 | 5,255 |
| Distributable income | 64,886 | 54,702 | 180,778 | 164,431 |

¹ Included in the distribution adjustments are the followings:-

| | Current Quarter 30 September | | Year to Date 30 September | |
|---|---------------------------------|---------------------|------------------------------|---------------------|
| | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Unaudited) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amortisation of borrowing transaction costs | 312 | 313 | 928 | 929 |
| Depreciation | 182 | 180 | 542 | 514 |
| Manager's management fee payable in units | 1,365 | 1,260 | 4,015 | 3,812 |
| | <u>1,859</u> | <u>1,753</u> | <u>5,485</u> | <u>5,255</u> |

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 2013 | 2,873,992 | 423,118 | 3,297,110 |
| Total comprehensive income for the period | - | 159,176 | 159,176 |
| 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 in net assets resulting from unitholders' transactions | 7,941 | (109,785) | (101,844) |
| As at 30 September 2013 (unaudited) | 2,881,933 | 472,509 | 3,354,442 |
| As at 1 January 2014 | 2,881,933 | 640,583 | 3,522,516 |
| Total comprehensive income for the period | - | 175,293 | 175,293 |
| 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 in net assets resulting from unitholders' transactions | 5,338 | (227,313) | (221,975) |
| As at 30 September 2014 (unaudited) | 2,887,271 | 588,563 | 3,475,834 |

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:-

| | 30 September 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 | 1,862 | 2,552 |
| Total Manager's fee paid | 5,570 | 7,941 |

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| | 30 September 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 |
| 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 | 4,135 | 5,338 |

PAVILION REAL ESTATE INVESTMENT TRUST
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CONDENSED STATEMENT OF CASH FLOWS

| | Current Year to Date 30 September 2014 RM'000 | Preceding Year to Date 30 September 2013 RM'000 |
|--|---|---|
| Cash Flows From Operating Activities | | |
| Income before taxation | 175,293 | 159,176 |
| <i>Adjustments for :-</i> | | |
| Borrowing cost | 23,570 | 23,489 |
| Interest income | (4,520) | (4,431) |
| Depreciation | 542 | 514 |
| Loss on disposal of plant and equipment | 9 | 3 |
| Plant and equipment written off | 23 | 2 |
| Impairment loss on trade receivables | 412 | 690 |
| Fair value gain of investment properties | - | - |
| Operating income before changes in working capital | 195,329 | 179,443 |
| Inventories | 69 | (189) |
| Trade and other receivables | (1,871) | (5,654) |
| Trade and other payables | 11,034 | 8,130 |
| Tenants deposits | 4,261 | 7,486 |
| Net cash from operating activities | 208,822 | 189,216 |
| Cash Flow From Investing Activities | | |
| Interest received | 4,520 | 4,431 |
| Payment for enhancement of investment properties | (17,728) | (4,166) |
| Pledged deposit | (423) | (398) |
| Proceed from disposal of plant and equipment | 2 | 3 |
| Purchase of plant and equipment | - | (207) |
| Net cash used in investing activities | (13,629) | (337) |
| Cash Flow from Financing Activities | | |
| Distribution to unitholders | (227,313) | (215,229) |
| Interest paid | (22,642) | (22,560) |
| Payment of financing expenses | - | - |
| Proceeds from borrowings | - | - |
| Repayment of borrowings | - | - |
| Net cash used in financing activities | (249,955) | (237,789) |
| Net decrease in cash and cash equivalents | (54,762) | (48,910) |
| 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 | 134,722 | 130,405 |
| Cash and cash equivalents as at the end of the period comprise :- | | |
| Cash and bank balances | 3,838 | 3,331 |
| Deposits placed with licensed banks | 149,392 | 145,023 |
| | 153,230 | 148,354 |
| Pledged deposit | (18,508) | (17,949) |
| | 134,722 | 130,405 |

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
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)

Part A – Disclosure Requirement Pursuant to Malaysian Financial Reporting Standard (MFRS) 134 and International Accounting Standard (IAS) 34

A1 Basis of Preparation

The condensed interim financial statements as at and for the nine months ended 30 September 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, except as disclosed below.

The accounting policy of investment properties as adopted by Pavilion REIT requires investments properties to be stated at fair value. In estimating the fair value of the investment properties, the managers will rely on professionally qualified valuers at annual reporting dates. However, for interim financial reporting, the fair values of the investment properties are not updated. Asset improvement initiatives undertaken by the management, the economic environment and other factors may change the fair values of the investment properties. When the fair values are updated as at 31 December 2014, the fair values could be materially different from the current carrying value.

A5 Seasonality or Cyclicity of Operations

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

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A6 Exceptional or Unusual Item

There were no exceptional or unusual items to be disclosed for the quarter under review.

A7 Changes in Estimates

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

A8 Debt and Equity Securities

There were no issuance, cancellation, repurchase, sale and payment of debt and equity securities for the current quarter and year to date except for payment of 25% Manager's 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 period ended 30 September 2014 is as follows:-

| Business Segment | Retail RM'000 | Office RM'000 | Total RM'000 |
|---------------------------------|------------------|------------------|-----------------|
| Gross Revenue | 293,213 | 8,109 | 301,322 |
| Net Property Income | 207,665 | 4,587 | 212,252 |
| Interest Income | | | 4,520 |
| Net Investment Income | | | 216,772 |
| Trust Expenses | | | (17,909) |
| Borrowings Cost | | | (23,570) |
| Income Before Taxation | | | 175,293 |
| Taxation | | | - |
| Income After Taxation | | | 175,293 |
| Segment assets | 4,167,052 | 133,996 | 4,301,048 |
| Other non-allocated assets | | | 18,508 |
| | | | 4,319,556 |
| Segment liabilities | 813,464 | 30,092 | 843,556 |
| Other non-allocated liabilities | | | 166 |
| | | | 843,722 |

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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 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 contracted for | 5,139 |
| Contracted but not provided for | 1,467 |

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

B1 Review of Performance

| | Current Quarter | | | Year to Date | | |
|--|-------------------------------|-------------------------------|--------------|-------------------------------|-------------------------------|--------------|
| | 30 Sept | | | 30 Sept | | |
| | 2014 (Unaudited) RM'000 | 2013 (Unaudited) RM'000 | Change % | 2014 (Unaudited) RM'000 | 2013 (Unaudited) RM'000 | Change % |
| Gross Revenue | | | | | | |
| Retail | 98,951 | 90,207 | 9.7% | 293,213 | 270,006 | 8.6% |
| Office | 2,481 | 2,997 | -17.2% | 8,109 | 9,053 | -10.4% |
| Total Gross Revenue | <u>101,432</u> | <u>93,204</u> | <u>8.8%</u> | <u>301,322</u> | <u>279,059</u> | <u>8.0%</u> |
| Property Operating Expenses | | | | | | |
| Retail | 24,605 | 27,207 | 9.6% | 85,548 | 80,569 | -6.2% |
| Office | 1,323 | 1,048 | -26.2% | 3,522 | 3,023 | -16.5% |
| Total Property Operating Expenses | <u>25,928</u> | <u>28,255</u> | <u>8.2%</u> | <u>89,070</u> | <u>83,592</u> | <u>-6.6%</u> |
| Net Property Income | | | | | | |
| Retail | 74,346 | 63,000 | 18.0% | 207,665 | 189,437 | 9.6% |
| Office | 1,158 | 1,949 | -40.6% | 4,587 | 6,030 | -23.9% |
| Total Net Property Income | <u>75,504</u> | <u>64,949</u> | <u>16.3%</u> | <u>212,252</u> | <u>195,467</u> | <u>8.6%</u> |
| Interest Income | 1,579 | 1,625 | -2.8% | 4,520 | 4,431 | 2.0% |
| Net Investment Income | <u>77,083</u> | <u>66,574</u> | <u>15.8%</u> | <u>216,772</u> | <u>199,898</u> | <u>8.4%</u> |
| Manager's Management Fee | 5,459 | 5,038 | -8.4% | 16,060 | 15,247 | -5.3% |
| Other Trust Expenses | 605 | 628 | 3.7% | 1,849 | 1,986 | 6.9% |
| Borrowings Cost | 7,992 | 7,959 | -0.4% | 23,570 | 23,489 | -0.3% |
| Total Trust Expenses | <u>14,056</u> | <u>13,625</u> | <u>-3.2%</u> | <u>41,479</u> | <u>40,722</u> | <u>-1.9%</u> |
| Income Before Taxation | <u>63,027</u> | <u>52,949</u> | <u>19.0%</u> | <u>175,293</u> | <u>159,176</u> | <u>10.1%</u> |
| Taxation | - | - | - | - | - | - |
| Income After Taxation | <u>63,027</u> | <u>52,949</u> | <u>19.0%</u> | <u>175,293</u> | <u>159,176</u> | <u>10.1%</u> |
| Distribution Adjustments | 1,859 | 1,753 | 6.0% | 5,485 | 5,255 | 4.4% |
| Distributable Income | <u>64,886</u> | <u>54,702</u> | <u>18.6%</u> | <u>180,778</u> | <u>164,431</u> | <u>9.9%</u> |

Quarterly Results

Total gross revenue of Pavilion REIT in Q3 2014 was RM101.4 million, an increase of RM8.2 million or 9% as compared to Q3 2013 of RM93.2 million. The increased was mainly contributed by rental reversion after all due tenancies have been renewed from Q3 2013. Total property operating expenses was lower by RM2.3 million or 8% as compared to Q3 2013. This was 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. These were off-set by the incurrence of repair and preventive maintenance work and maintenance cost incurred for some advertising sites. These have resulted in total net property income increased by RM10.6 million or 16% in Q3 2014 as compared to Q3 2013.

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Manager's management fee for the current quarter was higher by RM0.4 million. This was in line with the higher achievement of net property income and increased in total asset value. Borrowing cost incurred during the current quarter of RM8.0 million was consistent with Q3 2013 as majority of the borrowings are based on fixed interest rate.

Income before tax for the quarter under review was RM63.0 million, RM10.1 million or 19% higher than Q3 2013 mainly due to higher net property income.

Distributable income for the quarter under review is RM64.9 million or 2.16 sen per unit, consisting of income after tax of RM63.0 million and non-cash adjustments for 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 RM1.4 million.

Year-to-date Results

Total revenue for year-to-date 30 September 2014 was RM301.3 million. It was higher by RM22.2 million or 8% compared to preceding year-to-date 30 September 2013's performance. The achievement was mainly contributed by rental reversion after all due tenancies have been renewed from Q3 2013.

Total property operating expenses was higher by RM5.5 million or 7% as compared to year-to-date 30 September 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 a significant 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-to-date 30 September 2013 cost incurred.

These have resulted in higher income before taxation for year-to-date 30 September 2014 by RM16.1 million or 10% compared to preceding year-to-date 30 September 2013.

Distributable income for the nine months ended 30 September 2014 was RM180.8 million or 6.00 sen per unit, consisting of income before taxation of RM175.3 million and non-cash adjustments for depreciation of RM0.5 million, amortisation of borrowings transaction cost of RM0.9 million and 25% of manager's management fee payable in units amounting to RM4.0 million.

Pavilion REIT has expended approximately RM17.7 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.

B2 Material Changes in Quarterly Results

The income before taxation for the current quarter under review was higher by RM7.4 million compared to the last immediate quarter 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.

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B3 Prospects

The rest of 2014 and forthcoming 2015 is expected to be challenging. The Manager will cautiously track the potential increase in cost of some items / services due to the gradual removal of government subsidies and the impending GST implementation in April 2015. Furthermore, filling up office spaces / vacancies remain a challenge with the many options available. The Manager will continue to seek increase in income, manage its operational cost effectively and seek investment opportunities to ensure the best possible return for unitholders.

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% |

As per the distribution policy stated in the Trust Deed, the Manager intends to distribute at least 90% of Pavilion REIT distributable income on a half yearly basis. For the financial year ending 31 December 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. Distribution for the quarter ended 30 September 2014 would be payable together with the distribution for the quarter ending 31 December 2014.

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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 ending 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 30 September 2014 RM'000 |
|---|-----------------------------------|
| Long term borrowings | |
| Secured Revolving Term Loan | 709,701 |
| Less: Unamortised Borrowings Transaction Cost | (2,290) |
| | 707,411 |

B11 Off Balance Sheet Financial Instruments

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

B12 Material Litigation

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

B13 Soft Commission Received

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

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B14 Summary of DPU, EPU, NAV and Market Price

| | Current quarter ended 30 September 2014 | Immediate preceding quarter ended 30 June 2014 |
|--|--|---|
| Number of units in issue (units) | 3,013,819,536 | 3,011,807,346 |
| Net Asset Value (“NAV”) (RM’000) | 3,475,834 | 3,525,810 |
| NAV per unit (RM) | 1.1533 | 1.1707 |
| Total comprehensive income (RM’000) | 63,027 | 55,635 |
| Weighted average number of units in issue – year to date (units) | 3,011,932,757 | 3,011,385,063 |
| Earnings per Unit after Manager’s management fee (Sen) | 2.09 | 1.85 |
| Proposes / Declared Distribution per Unit (“DPU”) (Sen) | 2.16 | 1.90 |
| Market Price (RM) | 1.46 | 1.35 |
| Distribution Yield (%) ³ | 5.49 | 5.74 |

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

B15 Manager’s Management Fee

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

| Type RM’000 | Current Quarter 30 September 2014 | Year to Date 30 September 2014 | Basis |
|-----------------|--------------------------------------|-----------------------------------|-------------------------------------|
| Base Fee | 3,193 | 9,692 | 0.3% per annum on total asset value |
| Performance Fee | 2,266 | 6,368 | 3% per annum on net property income |
| Total | 5,459 | 16,060 | |

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 30 September 2014 is as follows:-

| Companies related to the Manager / director's interest | Nature of Transactions | Transaction Value Year to Date: 30 September | | Balance Outstanding As at | |
|--|--|--|----------------|---------------------------|-----------------------|
| | | 2014 RM'000 | 2013 RM'000 | 30 Sept 2014 RM'000 | 31 Dec 2013 RM'000 |
| Pavilion REIT Management Sdn Bhd | Rental income and its related charges | 301 | 295 | - | - |
| Malton Berhad group # | Rental income and its related charges | 1,709 | 1,667 | 7 | 6 |
| Crabtree & Evelyn (Malaysia) Sdn Bhd * | Rental income and its related charges | 953 | 948 | 20 | 28 |
| | Purchase of product | 554 | 540 | - | 50 |
| Lumayan Indah Sdn Bhd ^ | Rental income and its related charges | 603 | 745 | 2 | 54 |
| Kuala Lumpur Pavilion Sdn Bhd ∞ | Property management fees and charges payable | 14,289 | 13,801 | 4,052 | 4,889 |
| Impian Ekspresi Sdn Bhd ◇ | Rental income and its related charges | 315 | - | 67 | - |

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 party 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 M Al-Humaidi and Navid Chamdia as directors in the Manager also holds directorship in Lumayan Indah Sdn Bhd.

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

◇ Impian Ekspresi Sdn Bhd is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's deemed interest in Impian Ekspresi Sdn Bhd.

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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.

B19 Responsibility Statement

In the opinion of the Directors of the Manager, this quarterly financial report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Pavilion REIT as at 30 September 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
30 October 2014