

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	As at 31 December 2013 (Unaudited) <b>RM'000</b>	As at 31 December 2012 (Audited) <b>RM'000</b>
<b>ASSETS</b>		
Plant and equipment	2,586	3,030
Investment properties	4,133,000	4,012,000
Total non-current assets	<u>4,135,586</u>	<u>4,015,030</u>
Inventories	1,215	1,104
Trade and other receivables	10,983	8,355
Cash and cash equivalents	207,569	196,866
Total current assets	<u>219,767</u>	<u>206,325</u>
<b>TOTAL ASSETS</b>	<b>4,355,353</b>	<b>4,221,355</b>
<b>LIABILITIES</b>		
Borrowings	706,483	705,442
Payables and accruals	65,345	23,395
Total non-current liabilities	<u>771,828</u>	<u>728,837</u>
Payables and accruals	61,009	89,964
Distribution payable to unitholders	-	105,444
Total current liabilities	<u>61,009</u>	<u>195,408</u>
<b>TOTAL LIABILITIES</b>	<b>832,837</b>	<b>924,245</b>
<b>NET ASSET VALUE</b>	<u><b>3,522,516</b></u>	<u><b>3,297,110</b></u>
<b>FINANCED BY</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	2,881,933	2,873,992
Income / (Deficit)	640,583	423,118
<b>TOTAL UNITHOLDERS' FUND</b>	<u><b>3,522,516</b></u>	<u><b>3,297,110</b></u>
Number of units in circulation ('000 units)	3,009,684	3,004,115
Net asset value per unit (RM)		
- Before income distribution	1.1704	1.1326
- After income distribution	1.1704	1.0975

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Current Quarter 31 December		Year to Date 31 December	
	2013 (Unaudited) RM'000	2012 (Unaudited) RM'000	2013 (Unaudited) RM'000	2012 (Audited) RM'000
Rental Income	80,827	76,623	313,124	289,193
Other Income	15,623	15,228	62,385	57,331
<b>GROSS REVENUE</b>	<b>96,450</b>	<b>91,851</b>	<b>375,509</b>	<b>346,524</b>
Utilities	(10,683)	(10,123)	(43,649)	(40,135)
Maintenance	(7,033)	(10,148)	(29,316)	(28,054)
Quit rent and assessment	(2,192)	(2,179)	(8,742)	(8,742)
Other operating expenses	(8,884)	(5,779)	(30,677)	(24,304)
<b>PROPERTY OPERATING EXPENSES</b>	<b>(28,792)</b>	<b>(28,229)</b>	<b>(112,384)</b>	<b>(101,235)</b>
<b>NET PROPERTY INCOME</b>	<b>67,658</b>	<b>63,622</b>	<b>263,125</b>	<b>245,289</b>
Interest income	1,465	1,365	5,896	5,247
Change in fair value of investment properties	113,112	435,570	113,112	435,570
<b>NET INVESTMENT INCOME</b>	<b>182,235</b>	<b>500,557</b>	<b>382,133</b>	<b>686,106</b>
Manager's management fee	(5,713)	(6,196)	(20,960)	(20,022)
Trustee's fee	(101)	(100)	(400)	(410)
Other trust expenses	(448)	(164)	(2,135)	(2,136)
Borrowings cost	(7,899)	(8,199)	(31,388)	(33,333)
<b>TOTAL TRUST EXPENDITURE</b>	<b>(14,161)</b>	<b>(14,659)</b>	<b>(54,883)</b>	<b>(55,901)</b>
<b>INCOME BEFORE TAXATION</b>	<b>168,074</b>	<b>485,898</b>	<b>327,250</b>	<b>630,205</b>
Taxation	-	-	-	-
<b>INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME</b>	<b>168,074</b>	<b>485,898</b>	<b>327,250</b>	<b>630,205</b>
Income after taxation comprises the followings:-				
Realised	54,962	50,328	214,138	194,635
Unrealised	113,112	435,570	113,112	435,570
	168,074	485,898	327,250	630,205
Earnings per unit - basic (sen) #	5.58	16.17	10.88	20.99
Earnings per unit - diluted (sen) #	5.58	16.17	10.88	20.99

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 2012 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	
	2013	2012	2013	2012
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Audited) RM'000
<b>Total comprehensive income for the period</b>	<b>168,074</b>	<b>485,898</b>	<b>327,250</b>	<b>630,205</b>
Distribution adjustments <sup>1</sup>	(111,190)	(431,992)	(105,935)	(423,652)
<b>Distributable income</b>	<b>56,884</b>	<b>53,906</b>	<b>221,315</b>	<b>206,553</b>

<sup>1</sup> Included in the distribution adjustments are the followings:-

	Current Quarter 31 December		Year to Date 31 December	
	2013	2012	2013	2012
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Audited) RM'000
Amortisation of borrowing transaction costs	312	314	1,241	1,245
Depreciation	182	166	696	662
Fair value gain of investment properties	(113,112)	(435,570)	(113,112)	(435,570)
Manager's management fee payable in units	1,428	3,098	5,240	10,011
	(111,190)	(431,992)	(105,935)	(423,652)

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**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
<b>As at 1 January 2012</b>	<b>2,868,742</b>	<b>(764)</b>	<b>2,867,978</b>
Total comprehensive income for the period	-	630,205	630,205
<b>Unitholders' transactions</b>			
- Issue of new units <sup>2</sup>	5,241	-	5,241
- Manager's management fee paid in units	9	-	9
- Listing expenses	-	(206,323)	(206,323)
- Distribution to unitholders	5,250	(206,323)	(201,073)
Increase/(Decrease) in net assets resulting from unitholders' transactions	5,250	(206,323)	(201,073)
<b>As at 31 December 2012 (unaudited)</b>	<b>2,873,992</b>	<b>423,118</b>	<b>3,297,110</b>
<b>As at 1 January 2013</b>	2,873,992	423,118	3,297,110
Total comprehensive income for the period	-	327,250	327,250
<b>Unitholders' transactions</b>			
- Issue of new units <sup>2</sup>	7,941	-	7,941
- Manager's management fee paid in units	-	(109,785)	(109,785)
- Distribution payable to unitholders	7,941	(109,785)	(101,844)
Increase/(Decrease) in net assets resulting from unitholders' transactions	7,941	(109,785)	(101,844)
<b>As at 31 December 2013 (unaudited)</b>	<b>2,881,933</b>	<b>640,583</b>	<b>3,522,516</b>

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 2012 and the accompanying explanatory notes attached to the interim financial statements.

<sup>2</sup> Issue of new units consists of the followings:-

	31 December 2012	
	Units 000	Amount RM'000
Issuance of new units pursuant to 50% Manager's management fee paid in units :-		
- at RM1.0919 per unit for entitlement for the period ended 31 December 2011	567	619
- at RM1.3028 per unit for entitlement for the period ended 30 June 2012	3,548	4,622
Total Manager's fee paid	<u>4,115</u>	<u>5,241</u>

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	31 December 2013	
	Units	Amount
	<b>000</b>	<b>RM'000</b>
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	<u>5,569</u>	<u>7,941</u>

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**CONDENSED STATEMENT OF CASH FLOWS**

	Current Year to Date 31 December 2013 <b>RM'000</b>	Preceding Year to Date 31 December 2012 <b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Income before taxation	327,250	630,205
<i>Adjustments for :-</i>		
Borrowing cost	31,388	33,333
Interest income	(5,896)	(5,247)
Depreciation	696	662
Gain on disposal of plant and equipment	(9)	(9)
Plant and equipment written off	5	5
Bad debts written off	6	-
Impairment loss on trade receivables	1,322	525
Fair value gain of investment properties	(113,112)	(435,570)
<b>Operating income before changes in working capital</b>	<b>241,650</b>	<b>223,904</b>
Inventories	(111)	(253)
Trade and other receivables	(3,956)	(5,805)
Trade and other payables	13,280	15,756
Tenants deposits	7,656	7,280
<b>Net cash from operating activities</b>	<b>258,519</b>	<b>240,882</b>
<b>Cash Flow From Investing Activities</b>		
Interest received	5,896	5,247
Payment for enhancement of investment properties	(7,888)	(15,430)
Pledged deposit	(534)	(522)
Proceed from disposal of plant and equipment	17	77
Purchase of plant and equipment	(265)	(198)
<b>Net cash used in investing activities</b>	<b>(2,774)</b>	<b>(10,826)</b>
<b>Cash Flow from Financing Activities</b>		
Distribution to unitholders	(215,229)	(114,018)
Interest paid	(30,147)	(32,088)
Payment of financing expenses	(200)	(201)
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
<b>Net cash used in financing activities</b>	<b>(245,576)</b>	<b>(146,307)</b>
Net increase in cash and cash equivalents	10,169	83,749
Cash and cash equivalents as at the beginning of the year	179,315	95,566
Cash and cash equivalents as at the end of the period	189,484	179,315
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	3,536	5,896
Deposits placed with licensed banks	204,033	190,970
	207,569	196,866
Pledged deposit	(18,085)	(17,551)
	189,484	179,315

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2012 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 full year ended 31 December 2013 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 2012 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 2012, 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 2012.

**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 2012.

**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 50% Manager's management fee for the 6 months period ended 31 December 2012 and 25% Manager's management fee for the 6 months period ended 30 June 2013 in Pavilion REIT units, with details as disclosed below.

Units issued	Price per Unit	Listed on Main Market of Bursa Securities on	Remark
3,707,929	RM1.4534	7 February 2013	Based on the 5-day volume weighted average price of the units up to but excluding 18 January 2013
1,861,605	RM1.3710	22 August 2013	Based on the 5-day volume weighted average price of the units up to but excluding 1 August 2013

**A9 Segmental Reporting**

Segmental results for the full year ended 31 December 2013 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	363,320	12,189	375,509
Net Property Income	254,982	8,143	263,125
Interest Income			5,896
Change in fair value of investment properties			113,112
Net Investment Income			382,133
Trust Expenses			(23,495)
Borrowings Cost			(31,388)
Income Before Taxation			327,250
Taxation			-
Income After Taxation			327,250
Segment assets	4,203,603	133,665	4,337,268
Other non-allocated assets			18,085
			4,355,353
Segment liabilities	802,582	30,174	832,756
Other non-allocated liabilities			81
			832,837



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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.

For the current quarter ended 31 December 2013, the investment properties were valued based on valuation performed by independent professional valuer as at 31 December 2013. The fair value gain of RM113.1 million was recognised in the condensed statement of profit or loss and other comprehensive income in the current quarter.

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 2013	3,004,114,665
Units issued as payment of Manager's management fee	5,569,534
Total units issued	<u>3,009,684,199</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	26,636
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		
	2013 (Unaudited) RM'000	2012 (Unaudited) RM'000	Change %	2013 (Unaudited) RM'000	2012 (Unaudited) RM'000	Change %
<b>Gross Revenue</b>						
Retail	93,314	88,832	5.0%	363,320	335,943	8.1%
Office	3,136	3,019	3.9%	12,189	10,581	15.2%
<b>Total Gross Revenue</b>	<b>96,450</b>	<b>91,851</b>	<b>5.0%</b>	<b>375,509</b>	<b>346,524</b>	<b>8.4%</b>
<b>Property Operating Expenses</b>						
Retail	27,769	27,057	-2.6%	108,338	97,313	-11.3%
Office	1,023	1,172	12.7%	4,046	3,922	-3.2%
<b>Total Property Operating Expenses</b>	<b>28,792</b>	<b>28,229</b>	<b>-2.0%</b>	<b>112,384</b>	<b>101,235</b>	<b>-11.0%</b>
<b>Net Property Income</b>						
Retail	65,545	61,775	6.1%	254,982	238,630	6.9%
Office	2,113	1,847	14.4%	8,143	6,659	22.3%
<b>Total Net Property Income</b>	<b>67,658</b>	<b>63,622</b>	<b>6.3%</b>	<b>263,125</b>	<b>245,289</b>	<b>7.3%</b>
Interest Income	1,465	1,365	7.3%	5,896	5,247	12.4%
Change in fair value of Investment Properties	113,112	435,570	-74.0%	113,112	435,570	-74.0%
<b>Net Investment Income</b>	<b>182,235</b>	<b>500,557</b>	<b>-63.6%</b>	<b>382,133</b>	<b>686,106</b>	<b>-44.3%</b>
Manager's Management Fee	5,713	6,196	7.8%	20,960	20,022	-4.7%
Other Trust Expenses	549	264	-108.0%	2,535	2,546	0.4%
Borrowings Cost	7,899	8,199	3.7%	31,388	33,333	5.8%
<b>Total Trust Expenses</b>	<b>14,161</b>	<b>14,659</b>	<b>3.4%</b>	<b>54,883</b>	<b>55,901</b>	<b>1.8%</b>
<b>Income Before Taxation</b>	<b>168,074</b>	<b>485,898</b>	<b>-65.4%</b>	<b>327,250</b>	<b>630,205</b>	<b>-48.1%</b>
Taxation	-	-	-	-	-	-
<b>Income After Taxation</b>	<b>168,074</b>	<b>485,898</b>	<b>-65.4%</b>	<b>327,250</b>	<b>630,205</b>	<b>-48.1%</b>
Distribution Adjustments	(111,190)	(431,992)	-74.3%	(105,935)	(423,652)	-75.0%
<b>Distributable Income</b>	<b>56,884</b>	<b>53,906</b>	<b>5.5%</b>	<b>221,315</b>	<b>206,553</b>	<b>7.1%</b>

Review of Performance

Quarterly Results

Pavilion REIT recognised total gross revenue of RM96.4 million in Q4 2013, higher by RM4.6 million or 5% compared to Q4 2012 of RM91.8 million. The increase was mainly due to rental reversion after the renewal of all due tenancies from Q3 2013 for Retail Mall and higher achievement of advertising income. Total property operating expenses was higher by RM0.6 million or 2% compared to Q4 2012 mainly due to incurrance of additional marketing expenses and related cost to advertising income. These have resulted in higher total net property income by RM4.0 million or 6% in Q4 2013 compared to Q4 2012.

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Fair value gain of RM113.1 million arising from the valuation of Pavilion Mall and Tower as at 31 December 2013 was recognised in the current quarter. The fair value gain for 2012 recognised in Q4 2012 was RM435.6 million.

Manager's management fee incurred for the Q4 2013 was lower by RM0.5 million compared to Q4 2012. This was in line with the increased in total asset value as at 31 December 2013 and 31 December 2012 respectively. Borrowing cost incurred during the quarter of RM7.9 million was lower by RM0.3 million compared to Q4 2012 due to the interest saving from conversion of its long term debts from floating rate to fixed rate effective from December 2012.

Income before taxation for the current quarter under review was lower by RM317.8 million compared to Q4 2012 mainly due to higher fair value gain of investment properties being recognised in Q4 2012. Excluding the fair value gain, income before taxation for Q4 2013 was higher by RM4.6 million or 9% compared to Q4 2012.

Distributable income for the quarter under review was RM56.9 million or 1.89 sen per unit, consisting of income before taxation of RM168.1 million and non-cash adjustments for fair value gain of investment properties of RM113.1 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 RM1.4 million.

#### Full Year Results

Total net property income for the full year ended 31 December 2013 was RM263.1 million. It was higher by RM17.8 million or 7% compared to preceding full year ended 31 December 2012's performance. The achievement was mainly contributed by Retail rental from Fashion Avenue, rental reversion from Q3 2013 and Pavilion Office Tower being fully tenanted from Q3 2012. Higher other income was mainly from advertising and percentage rent. These were offset by higher property operating expenses for the scheduled progressive major replacement and preventive maintenance works that started in Q4 2012 as well as advertising space set up cost which was in line with the increased in advertising income.

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 lower due to conversion of long term debts from floating rate to fixed rate effective from December 2012.

The income before taxation for the full year ended 31 December 2013 was RM327.3 million, RM302.9 million or 48% lower compared to preceding year ended 31 December 2012 due to the higher fair value gain of investment properties being recognised in Q4 2012. Excluding the fair value gain, income before taxation for the year ended 31 December 2013 was higher by RM19.5 million or 10% compared to preceding year ended 31 December 2012.

Distributable income for the year ended 31 December 2013 was RM221.3 million or 7.36 sen per unit, consisting of income before taxation of RM327.3 million and non-cash adjustments for fair value gain of investment properties of RM113.1 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 RM5.2 million.

Pavilion REIT has expended approximately RM8.2 million of its capital commitment during the year. These were mainly incurred for toilet 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 was higher by RM115.1 million compared to the last immediate quarter. This was mainly due to the recognition of fair value gain of RM113.1 million arising from the valuation of Pavilion Mall and Tower as at 31 December 2013. Higher gross revenue was mainly contributed by the higher rental income after completion of renewal for due tenancies. This was off-set by the higher marketing cost for Christmas decorations and promotions.

**B3 Prospects**

All the tenancies have been renewed within target. 2014 will be a challenging year due to the increase in operating cost from increase in electricity tariff and assessment and gradual removal of government subsidies.

**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 2013, Pavilion REIT proposes to distribute 100% of its distributable income.

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Distribution of 3.65 sen per unit or RM109.8 million earned for 1<sup>st</sup> half of 2013 was paid on 9 September 2013. The distributable income for the 2<sup>nd</sup> half of 2013 is proposed to be 3.71 sen per unit or RM111.6 million payable on 26 February 2014.

**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 2013, 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 2013 RM'000
Long term borrowings	
Secured Revolving Term Loan	709,701
Less: Unamortised Borrowings Transaction Cost	(3,218)
	706,483

**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.

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**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 2013	Immediate preceding quarter ended 30 September 2013
Number of units in issue (units)	3,009,684,199	3,009,684,199
Net Asset Value ("NAV") (RM'000))	3,522,516	3,354,442
NAV per unit (RM)	1.1704	1.1145
Total comprehensive income (RM'000)	168,074	52,949
Weighted average number of units in issue – year to date (units)	3,008,119,960	3,007,592,817
Earnings per Unit after Manager's management fee (sen)	5.58	1.76
Propose / Declared Distribution per Unit ("DPU")(sen)	1.89	1.82
Market Price (RM)	1.28	1.36
Distribution Yield (%) <sup>3</sup>	5.75	5.38

<sup>3</sup> 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 2013	Year to Date 31 December 2013	Basis
Base Fee	3,683	13,066	0.3% per annum on total asset value 3% per annum on net property income
Performance Fee	2,030	7,894	
Total	5,713	20,960	

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 2013 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	
		2013 RM'000	2012 RM'000	31 Dec 2013 RM'000	31 Dec 2012 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	394	394	-	-
Malton Berhad group #	Rental income and its related charges	2,185	2,224	6	-
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	1,667	562	28	13
	Purchase of product	667	68	50	60
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	1,429	880	54	8
Kuala Lumpur Pavilion Sdn Bhd ∞	Property management fees and charges payable	18,756	15,341	4,889	2,840

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

\* Crabtree & Evelyn (Malaysia) Sdn Bhd is deemed parties related to the Manager by virtue of Datuk Lim Siew Choon and Datin 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, a company that is currently leasing a retail space at Pavilion Kuala Lumpur.

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

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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.

As at 31 December 2013, the Manager had followed up on this matter which is still pending the relevant authority's 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 2013 and of its financial performance and cash flows for the period ended on that date and duly authorised for release on 16 January 2014 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  
16 January 2014