

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

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2014 (Unaudited) RM'000	As at 31 December 2013 (Audited) RM'000
ASSETS		
Plant and equipment	2,378	2,586
Investment properties	4,138,875	4,133,000
Total non-current assets	<u>4,141,253</u>	<u>4,135,586</u>
Inventories	1,214	1,215
Trade and other receivables	13,500	10,983
Cash and cash equivalents	149,921	207,569
Total current assets	<u>164,635</u>	<u>219,767</u>
TOTAL ASSETS	4,305,888	4,355,353
LIABILITIES		
Borrowings	706,789	706,483
Payables and accruals	69,014	65,345
Total non-current liabilities	<u>775,803</u>	<u>771,828</u>
Payables and accruals	59,910	61,009
Total current liabilities	<u>59,910</u>	<u>61,009</u>
TOTAL LIABILITIES	835,713	832,837
NET ASSET VALUE	<u>3,470,175</u>	<u>3,522,516</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,884,621	2,881,933
Accumulated Income	585,554	640,583
TOTAL UNITHOLDERS' FUND	<u>3,470,175</u>	<u>3,522,516</u>
Number of units in circulation ('000 units)	3,011,807	3,009,684
Net asset value per unit (RM)		
- Before income distribution	1.1522	1.1704
- After income distribution	1.1522	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 31 MARCH 2014 (UNAUDITED)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter		Year to Date	
	31 March		31 March	
	2014 (Unaudited) RM'000	2013 (Unaudited) RM'000	2014 (Unaudited) RM'000	2013 (Unaudited) RM'000
Rental Income	83,115	77,659	83,115	77,659
Other Income	18,093	17,092	18,093	17,092
GROSS REVENUE	101,208	94,751	101,208	94,751
Utilities	(11,879)	(10,764)	(11,879)	(10,764)
Maintenance	(7,545)	(7,575)	(7,545)	(7,575)
Quit rent and assessment	(4,983)	(2,180)	(4,983)	(2,180)
Other operating expenses	(7,982)	(7,942)	(7,982)	(7,942)
PROPERTY OPERATING EXPENSES	(32,389)	(28,461)	(32,389)	(28,461)
NET PROPERTY INCOME	68,819	66,290	68,819	66,290
Interest income	1,482	1,440	1,482	1,440
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	70,301	67,730	70,301	67,730
Manager's management fee	(5,250)	(5,073)	(5,250)	(5,073)
Trustee's fee	(99)	(99)	(99)	(99)
Other trust expenses	(576)	(565)	(576)	(565)
Borrowings cost	(7,745)	(7,721)	(7,745)	(7,721)
TOTAL TRUST EXPENDITURE	(13,670)	(13,458)	(13,670)	(13,458)
INCOME BEFORE TAXATION	56,631	54,272	56,631	54,272
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	56,631	54,272	56,631	54,272
Income after taxation comprises the followings:-				
Realised	56,631	54,272	56,631	54,272
Unrealised	-	-	-	-
	56,631	54,272	56,631	54,272
Earnings per unit – basic (sen) #	1.88	1.81	1.88	1.81
Earnings per unit – diluted (sen) #	1.88	1.81	1.88	1.81

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.

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

	Current Quarter 31 March		Year to Date 31 March	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the period	56,631	54,272	56,631	54,272
Distribution adjustments ¹	1,798	1,739	1,798	1,739
Distributable income	58,429	56,011	58,429	56,011

¹ Included in the distribution adjustments are the followings:-

	Current Quarter 31 March		Year to Date 31 March	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	306	306	306	306
Depreciation	179	165	179	165
Manager's management fee payable in units	1,313	1,268	1,313	1,268
	1,798	1,739	1,798	1,739

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

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	-	54,272	54,272
Unitholders' transactions			
- Issue of new units ²	-	-	-
- Manager's management fee paid in units	5,389	-	5,389
- Distribution to unitholders	-	-	-
Increase in net assets resulting from unitholders' transactions	5,389	-	5,389
As at 31 March 2013 (unaudited)	2,879,381	477,390	3,356,771
As at 1 January 2014	2,881,933	640,583	3,522,516
Total comprehensive income for the period	-	56,631	56,631
Unitholders' transactions			
- Issue of new units ²	-	-	-
- Manager's management fee paid in units	2,688	-	2,688
- Distribution to unitholders	-	(111,660)	(111,660)
Increase in net assets resulting from unitholders' transactions	2,688	(111,660)	(108,972)
As at 31 March 2014 (unaudited)	2,884,621	585,554	3,470,175

The unaudited condensed statement of changes in net asset value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

² Issue of new units consists of the followings:-

	31 March 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
Total Manager's fee paid	<u>3,708</u>	<u>5,389</u>

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

	31 March 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
Total Manager's fee paid	<u>2,123</u>	<u>2,688</u>

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

CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 31 March 2014 RM'000	Preceding Year to Date 31 March 2013 RM'000
Cash Flows From Operating Activities		
Income before taxation	56,631	54,272
<i>Adjustments for :-</i>		
Borrowing cost	7,745	7,721
Interest income	(1,482)	(1,440)
Depreciation	179	165
Loss on disposal of plant and equipment	9	3
Plant and equipment written off	18	1
Impairment loss on trade receivables	495	256
Fair value gain of investment properties	-	-
Operating income before changes in working capital	63,595	60,978
Inventories	1	20
Trade and other receivables	(3,012)	(3,446)
Trade and other payables	4,613	(1,539)
Tenants deposits	645	1,252
Net cash from operating activities	65,842	57,265
Cash Flow From Investing Activities		
Interest received	1,482	1,440
Payment for enhancement of investment properties	(5,875)	-
Pledged deposit	(138)	(131)
Proceed from disposal of plant and equipment	2	2
Purchase of plant and equipment	-	-
Net cash from investing activities	(4,529)	1,311
Cash Flow from Financing Activities		
Distribution to unitholders	(111,660)	(105,444)
Interest paid	(7,439)	(7,415)
Payment of financing expenses	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Net cash used in financing activities	(119,099)	(112,859)
Net decrease in cash and cash equivalents	(57,786)	(54,283)
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	131,698	125,032
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	3,805	2,993
Deposits placed with licensed banks	146,116	139,721
	149,921	142,714
Pledged deposit	(18,223)	(17,682)
	131,698	125,032

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 31 MARCH 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 three months ended 31 March 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.

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

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

A9 Segmental Reporting

Segmental results for the period ended 31 March 2014 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	98,275	2,933	101,208
Net Property Income	67,017	1,802	68,819
Interest Income			1,482
Net Investment Income			70,301
Trust Expenses			(5,925)
Borrowings Cost			(7,745)
Income Before Taxation			56,631
Taxation			-
Income After Taxation			56,631
Segment assets	4,153,361	134,304	4,287,665
Other non-allocated assets			18,223
			4,305,888
Segment liabilities	805,072	30,560	835,632
Other non-allocated liabilities			81
			835,713

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

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	2,123,147
Total units issued	<u>3,011,807,346</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	16,382
Contracted but not provided for	4,379

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

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 Mar			31 Mar		
	2014 (Unaudited) RM'000	2013 (Unaudited) RM'000	Change %	2014 (Unaudited) RM'000	2013 (Unaudited) RM'000	Change %
Gross Revenue						
Retail	98,275	91,709	7.2%	98,275	91,709	7.2%
Office	2,933	3,042	-3.6%	2,933	3,042	-3.6%
Total Gross Revenue	<u>101,208</u>	<u>94,751</u>	<u>6.8%</u>	<u>101,208</u>	<u>94,751</u>	<u>6.8%</u>
Property Operating Expenses						
Retail	31,258	27,539	-13.5%	31,258	27,539	-13.5%
Office	1,131	922	-22.7%	1,131	922	-22.7%
Total Property Operating Expenses	<u>32,389</u>	<u>28,461</u>	<u>-13.8%</u>	<u>32,389</u>	<u>28,461</u>	<u>-13.8%</u>
Net Property Income						
Retail	67,017	64,170	4.4%	67,017	64,170	4.4%
Office	1,802	2,120	-15.0%	1,802	2,120	-15.0%
Total Net Property Income	<u>68,819</u>	<u>66,290</u>	<u>3.8%</u>	<u>68,819</u>	<u>66,290</u>	<u>3.8%</u>
Interest Income	1,482	1,440	2.9%	1,482	1,440	2.9%
Net Investment Income	<u>70,301</u>	<u>67,730</u>	<u>3.8%</u>	<u>70,301</u>	<u>67,730</u>	<u>3.8%</u>
Manager's Management Fee	5,250	5,073	-3.5%	5,250	5,073	-3.5%
Other Trust Expenses	675	664	-1.7%	675	664	-1.7%
Borrowings Cost	7,745	7,721	-0.3%	7,745	7,721	-0.3%
Total Trust Expenses	<u>13,670</u>	<u>13,458</u>	<u>-1.6%</u>	<u>13,670</u>	<u>13,458</u>	<u>-1.6%</u>
Income Before Taxation	<u>56,631</u>	<u>54,272</u>	<u>4.3%</u>	<u>56,631</u>	<u>54,272</u>	<u>4.3%</u>
Taxation	-	-	-	-	-	-
Income After Taxation	<u>56,631</u>	<u>54,272</u>	<u>4.3%</u>	<u>56,631</u>	<u>54,272</u>	<u>4.3%</u>
Distribution Adjustments	1,798	1,739	3.4%	1,798	1,739	3.4%
Distributable Income	<u>58,429</u>	<u>56,011</u>	<u>4.3%</u>	<u>58,429</u>	<u>56,011</u>	<u>4.3%</u>

Review of Quarterly / Year to Date Results

Total gross revenue of Pavilion REIT in Q1 2014 was RM101.2 million, an increase of RM6.5 million or 7% as compared to Q1 2013 of RM94.8 million. The increased was mainly contributed by rental reversion after all due tenancies have been renewed from Q3 2013. Total property operating expenses was higher by RM3.9 million or 14% as compared to Q1 2013. This was mainly due to higher utilities charges with the increased in electricity tariff, renewable energy surcharge and a significant increased in assessment charges from 2014. These resulted in total net property income increasing by RM2.5 million or 4% in Q1 2014 as compared to Q1 2013.

Manager's management fee for the current quarter was higher by RM0.2 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 RM7.7 million was consistent with Q1 2013 as majority of the borrowings are based on fixed interest rate.

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

Income before tax for the quarter under review was RM56.6 million, RM2.3 million or 4% higher than Q1 2013 mainly due to higher net property income.

Distributable income for the quarter under review is RM58.4 million or 1.94 sen per unit, consisting of income after tax of RM56.6 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 RM1.3 million.

B2 Material Changes in Quarterly Results

Excluding the fair value gain of RM113.1 million arising from valuation in December 2013, the income before taxation for the current quarter under review was higher by RM1.7 million compared to the last immediate quarter. This was mainly due to higher rental income with due tenancies being fully renewed, higher income from turnover rent, car park income and electricity billing. This was offset by higher property operating expenses from increased in electricity tariff, renewable energy surcharge and assessment charges. Manager's management fee was higher in Q4 2013 due to the increased in total assets value after the valuation was done on its properties.

B3 Prospects

2014 is expected to be a challenging year due to the significant increase in electricity cost and assessment charges. The Manager is carrying out a few assets enhancement exercises in the retail mall. These exercises are anticipated to contribute positively to the Fund's revenue when completed. The Manager will continue to manage its operation 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.

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

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 3.71 sen per unit or RM111.7 million earned for 2nd half of 2013 was distributed 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 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.

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

B10 Borrowings and Debt Securities

	As at 31 March 2014 RM'000
Long term borrowings	
Secured Revolving Term Loan	709,701
Less: Unamortised Borrowings Transaction Cost	(2,912)
	706,789

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.

B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 31 March 2014	Immediate preceding quarter ended 31 December 2013
Number of units in issue (units)	3,011,807,346	3,009,684,199
Net Asset Value ("NAV") (RM'000)	3,470,175	3,522,516
NAV per unit (RM)	1.1522	1.1704
Total comprehensive income (RM'000)	56,631	168,074
Weighted average number of units in issue – year to date (units)	3,010,958,087	3,008,119,960
Earnings per Unit after Manager's management fee (Sen)	1.88	5.58
Proposes / Declared Distribution per Unit ("DPU") (Sen)	1.94	1.89
Market Price (RM)	1.31	1.28
Distribution Yield (%) ³	6.01	5.75

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

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

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 March 2014	Year to Date 31 March 2014	Basis
Base Fee	3,185	3,185	0.3% per annum on total asset value
Performance Fee	2,065	2,065	3% per annum on net property income
Total	5,250	5,250	

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.

B17 Significant related party transactions

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

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value Year to Date: 31 Mar		Balance Outstanding As at	
		2014 RM'000	2013 RM'000	31 Mar 2014 RM'000	31 Dec 2013 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	98	98	-	-
Malton Berhad group #	Rental income and its related charges	559	555	5	6
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	386	369	4	28
	Purchase of product	316	361	-	50
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	227	239	2	54
Kuala Lumpur Pavilion Sdn Bhd ∞	Property management fees and charges payable	4,270	4,246	2,251	4,889

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

- # 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 an office space at Pavilion Tower.
- ∞ 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.

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 March 2014, 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 March 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
24 April 2014