

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2017 (Unaudited) RM'000	As at 31 December 2016 (Audited) RM'000
ASSETS		
Plant and equipment	2,040	1,958
Investment properties	5,235,220	5,229,000
Total non-current assets	<u>5,237,260</u>	<u>5,230,958</u>
Inventories	1,480	1,315
Trade and other receivables	46,404	43,074
Cash and bank balances	294,003	317,071
Total current assets	<u>341,887</u>	<u>361,460</u>
TOTAL ASSETS	5,579,147	5,592,418
LIABILITIES		
Borrowings	1,418,990	1,412,351
Payables and accruals	75,520	65,398
Total non-current liabilities	<u>1,494,510</u>	<u>1,477,749</u>
Payables and accruals	169,030	193,820
Total current liabilities	<u>169,030</u>	<u>193,820</u>
TOTAL LIABILITIES	1,663,540	1,671,569
NET ASSET VALUE	<u>3,915,607</u>	<u>3,920,849</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,907,364	2,900,708
Accumulated Income	1,008,243	1,020,141
TOTAL UNITHOLDERS' FUND	<u>3,915,607</u>	<u>3,920,849</u>
Number of units in circulation ('000 units)	3,026,284	3,022,525
Net asset value per unit (RM)		
- Before income distribution	1.2939	1.2972
- After income distribution	1.2939	1.2972

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 30 June		Year to Date 30 June	
	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000
Rental Income	98,778	101,192	196,119	190,631
Other Income	21,478	16,814	43,078	34,063
GROSS REVENUE	120,256	118,006	239,197	224,694
Utilities	(13,996)	(14,727)	(28,523)	(26,501)
Maintenance	(14,517)	(9,910)	(25,459)	(19,103)
Property taxes	(3,244)	(2,924)	(6,455)	(5,726)
Other operating expenses	(11,780)	(9,016)	(23,068)	(16,294)
PROPERTY OPERATING EXPENSES	(43,537)	(36,577)	(83,505)	(67,624)
NET PROPERTY INCOME	76,719	81,429	155,692	157,070
Interest income	2,014	2,231	4,207	3,967
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	78,733	83,660	159,899	161,037
Manager's management fee	(6,528)	(6,584)	(12,970)	(12,423)
Trustee's fee	(117)	(117)	(233)	(224)
Other trust expenses	(239)	(373)	(548)	(622)
Borrowings cost	(17,449)	(17,032)	(34,727)	(26,743)
TOTAL TRUST EXPENDITURE	(24,333)	(24,106)	(48,478)	(40,012)
INCOME BEFORE TAXATION	54,400	59,554	111,421	121,025
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	54,400	59,554	111,421	121,025
Income after taxation comprises the followings:-				
Realised	54,400	59,554	111,421	121,025
Unrealised	-	-	-	-
	<u>54,400</u>	<u>59,554</u>	<u>111,421</u>	<u>121,025</u>
Earnings per unit – basic (sen) #	1.80	1.97	3.68	4.01
Earnings per unit – diluted (sen) #	1.80	1.97	3.68	4.01

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 2016 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 June		Year to Date 30 June	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the period	54,400	59,554	111,421	121,025
Distribution adjustments ¹	4,248	2,717	8,429	4,714
Distributable income	58,648	62,271	119,850	125,739

¹ Included in the distribution adjustments are the followings:-

	Current Quarter 30 June		Year to Date 30 June	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	856	909	1,703	1,291
Depreciation	128	162	241	317
Manager's management fee payable in units	3,264	1,646	6,485	3,106
	4,248	2,717	8,429	4,714

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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 2016	2,893,046	958,561	3,851,607
Total comprehensive income for the period	-	121,025	121,025
Unitholders' transactions			
- Issue of new units ²	2,939	-	2,939
- Manager's management fee paid in units	-	(124,938)	(124,938)
- Distribution to unitholders	-	(124,938)	(124,938)
Increase in net assets resulting from unitholders' transactions	2,939	(124,938)	(121,999)
As at 30 June 2016 (unaudited)	2,895,985	954,648	3,850,633
As at 1 January 2017	2,900,708	1,020,141	3,920,849
Total comprehensive income for the period	-	111,421	111,421
Unitholders' transactions			
- Issue of new units ²	6,656	-	6,656
- Manager's management fee paid in units	-	(123,319)	(123,319)
- Distribution to unitholders	-	(123,319)	(123,319)
Increase in net assets resulting from unitholders' transactions	6,656	(123,319)	(123,319)
As at 30 June 2017 (unaudited)	2,907,364	1,008,243	3,915,607

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 2016 and the accompanying explanatory notes attached to the interim financial statements.

² Issue of new units consists of the followings:-

	30 June 2016	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.4970 per unit for entitlement for the 6 months period ended 31 December 2015	1,963	2,939
Total Manager's fee paid	<u>1,963</u>	<u>2,939</u>

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	30 June 2017	
	Units	Amount
	000	RM'000
Issuance of new units pursuant to 50% Manager's management fee paid in units :-		
- at RM1.7707 per unit for entitlement for the 6 months period ended 31 December 2016	3,759	6,656
Total Manager's fee paid	<u>3,759</u>	<u>6,656</u>

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 30 June 2017 RM'000	Preceding Year to Date 30 June 2016 RM'000
Cash Flows From Operating Activities		
Income before taxation	111,421	121,025
<i>Adjustments for :-</i>		
Borrowing cost	34,727	26,743
Interest income	(4,207)	(3,967)
Depreciation	241	317
Gain on disposal of plant and equipment	(1)	18
Plant and equipment written off	-	3
Impairment loss on trade receivables	1,838	-
Operating income before changes in working capital	144,019	144,139
Inventories	(165)	(36)
Trade and other receivables	(5,168)	(8,323)
Trade and other payables	(10,324)	8,791
Tenants deposits	2,312	16,115
Net cash from operating activities	130,674	160,686
Cash Flow From Investing Activities		
Acquisition of investment properties	-	(492,528)
Interest received	4,207	3,967
Payment for enhancement of investment properties	(6,220)	(3,715)
Pledged deposit	(636)	(15,849)
Proceed from disposal of plant and equipment	1	1
Purchase of plant and equipment	(323)	(236)
Net cash used in investing activities	(2,971)	(508,360)
Cash Flow from Financing Activities		
Distribution to unitholders	(123,319)	(124,938)
Interest paid	(33,024)	(25,452)
Payment of financing expenses	(64)	(7,129)
Proceeds from borrowings	5,000	720,574
Repayment of borrowings	-	(100,000)
Net cash (used in)/from financing activities	(151,407)	463,055
Net (decrease)/increase in cash and cash equivalents	(23,704)	115,381
Cash and cash equivalents as at the beginning of the year	277,353	164,730
Cash and cash equivalents as at the end of the period	253,649	280,111
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	16,726	10,505
Deposits placed with licensed banks	277,277	304,731
	294,003	315,236
Pledged deposit	(40,354)	(35,125)
	253,649	280,111

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2016 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 six months ended 30 June 2017 comprise Pavilion REIT and its subsidiaries. The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Listing Requirements of Bursa Securities, provision of the trust deed dated 13 October 2011 (“the Trust Deed”) and the Securities Commission’s Guidelines on Real Estate Investment Trusts (“the REITs Guidelines”). They do not include all of the information required for a full set of annual financial statements, and should be read in conjunction with the Audited Financial Report for the year ended 31 December 2016 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 2016, 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 2016.

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 2016, 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 2017, 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 50% 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
3,758,861	RM1.7707	10 February 2017	Based on the 5-day volume weighted average price of the units up to but excluding 19 January 2017

A9 Segmental Reporting

Segmental results for the period ended 30 June 2017 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	233,109	6,088	239,197
Net Property Income	151,784	3,908	155,692
Interest Income			4,207
Net Investment Income			159,899
Trust Expenses			(13,751)
Borrowings Cost			(34,727)
Income Before Taxation			111,421
Taxation			-
Income After Taxation			111,421
Segment assets	5,417,504	133,773	5,551,277
Other non-allocated assets			27,870
			5,579,147
Segment liabilities	1,632,896	30,470	1,663,366
Other non-allocated liabilities			174
			1,663,540

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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 2017	3,022,525,269
Units issued as payment of Manager's management fee	3,758,861
Total units issued	<u>3,026,284,130</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	22,508
Contracted but not provided for	3,034

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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 30 June		Year to Date 30 June	
	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	101,898	99,429	202,397	201,943
Intermark Mall	6,230	5,351	12,289	5,717
DA MEN Mall	9,076	10,135	18,423	10,890
	<u>117,204</u>	<u>114,915</u>	<u>233,109</u>	<u>218,550</u>
Office:				
Pavilion Tower	3,052	3,091	6,088	6,144
Total Gross Revenue	<u>120,256</u>	<u>118,006</u>	<u>239,197</u>	<u>224,694</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	30,942	28,214	60,836	57,957
Intermark Mall	4,112	2,642	7,379	2,758
DA MEN Mall	7,359	4,569	13,110	4,873
	<u>42,413</u>	<u>35,425</u>	<u>81,325</u>	<u>65,588</u>
Office:				
Pavilion Tower	1,124	1,152	2,180	2,036
Total Property Operating Expenses	<u>43,537</u>	<u>36,577</u>	<u>83,505</u>	<u>67,624</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	70,956	71,215	141,561	143,986
Intermark Mall	2,118	2,709	4,910	2,959
DA MEN Mall	1,717	5,566	5,313	6,017
	<u>74,791</u>	<u>79,490</u>	<u>151,784</u>	<u>152,962</u>
Office:				
Pavilion Tower	1,928	1,939	3,908	4,108
Total Net Property Income	<u>76,719</u>	<u>81,429</u>	<u>155,692</u>	<u>157,070</u>

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	Current Quarter		Year to Date	
	30 June		30 June	
	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000	2017 (Unaudited) RM'000	2016 (Unaudited) RM'000
Total Net Property Income	76,719	81,429	155,692	157,070
Interest Income	2,014	2,231	4,207	3,967
Net Investment Income	<u>78,733</u>	<u>83,660</u>	<u>159,899</u>	<u>161,037</u>
Manager's Management Fee	6,528	6,584	12,970	12,423
Other Trust Expenses	356	490	781	846
Borrowings Cost	17,449	17,032	34,727	26,743
Total Trust Expenses	<u>24,333</u>	<u>24,106</u>	<u>48,478</u>	<u>40,012</u>
Income Before Taxation	54,400	59,554	111,421	121,025
Taxation	-	-	-	-
Income After Taxation	<u>54,400</u>	<u>59,554</u>	<u>111,421</u>	<u>121,025</u>
Distribution Adjustments	4,248	2,717	8,429	4,714
Distributable Income	<u><u>58,648</u></u>	<u><u>62,271</u></u>	<u><u>119,850</u></u>	<u><u>125,739</u></u>

Quarterly Results

Pavilion REIT recognised total gross revenue of RM120.3 million in Q2 2017, an increase of RM2.3 million or 2% compared to Q2 2016 of RM118.0 million. The increase was mainly due to higher percentage rent.

Total property operating expenses was higher by RM7.0 million or 19% compared to Q2 2016 mainly due to higher maintenance cost incurred such as air conditioning system improvement and upgrading work, air chillers rewinding, replacement of escalator handrails and broken combs at Pavilion Kuala Lumpur Mall, improvement of light fittings at Intermark Mall, tenancy costs incurred for landlord provisions at Damen Mall as well as higher provision for doubtful debts.

These have resulted in lower total net property income by RM4.7 million or 6% in Q2 2017 compared to Q2 2016.

Borrowing cost for the current quarter was higher by RM0.4 million compared to Q2 2016 due to the drawdown of additional borrowings for acquisition of investment properties and working capital purposes.

Distributable income for the quarter under review was RM58.6 million or 1.94 sen per unit, consisting of income after tax of RM54.4 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.8 million and 50% of Manager's management fee payable in units amounting to RM3.3 million.

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Year-to-date Results

Total revenue for year-to-date 30 June 2017 was RM239.2 million. It was higher by RM14.5 million or 6% compared to preceding year-to-date 30 June 2016's performance. The achievement was mainly contributed by rental income from DA MEN Mall and Intermark Mall that were acquired on 25 March 2016.

Total property operating expenses incurred was higher by RM15.9 million or 23% compared to year-to-date 30 June 2016. This was mainly due to the routine operating expenses incurred for the two new properties and higher maintenance cost incurred such as air conditioning system improvement and upgrading work, air chillers rewinding, replacement of escalator handrails and broken combs at Pavilion Kuala Lumpur Mall, replacement of lift and escalator parts and improvement of light fittings at Intermark Mall, tenancy costs incurred for landlord provisions at Damen Mall as well as higher provision of doubtful debts compared to first half of 2016.

Manager's management fee was slightly higher despite lower net property income due to the increased in total asset value. Borrowing cost was higher by RM8.0 million due to drawdown of additional borrowings for acquisition of investment properties and working capital purposes.

These resulted in income before taxation being lower by RM9.6 million or 8% compared to preceding year-to-date 30 June 2016.

Distributable income for the six months ended 30 June 2017 was RM119.8 million or 3.96 sen per unit, consisting of income before taxation of RM111.4 million and non-cash adjustments for depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM1.7 million and 50% of manager's management fee payable in units amounting to RM6.5 million.

Pavilion REIT has expended approximately RM6.2 million of its capital commitment during the year, mainly for the continuous toilet upgrading works, installation of way finding system in Pavilion Kuala Lumpur Mall, upgrading of the drop off entrance and canopy at Couture Pavilion, façade enhancement at Jalan Bukit Bintang entrance, improvements of tenancy lots and creation of additional food and beverages kiosks at the Intermark Mall.

B2 Material Changes in Quarterly Results

The income before taxation for the current quarter under review was lower than the last immediate quarter by RM2.6 million or 5% mainly due maintenance cost incurred in the current quarter such as air conditioning system improvement and upgrading work, air chillers rewinding, replacement of escalator handrails and broken combs at Pavilion Kuala Lumpur Mall, improvement of light fittings at Intermark Mall, tenancy costs incurred for landlord provisions at Damen Mall as well as higher provision of doubtful debts compared to the last immediate quarter, mitigated by the increased in revenue from Pavilion Kuala Lumpur Mall.

B3 Prospects

Retail environment continues to be challenging. Marketing will continue engaging customers with value-creation, activities and promotions to build more differentiation to attract and retain shoppers' loyalty. Operating cost will continue to be managed to enhance productivity.

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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 24% |
| 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 2017, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.08 sen per unit or RM123.3 million earned for 2nd half of 2016 was distributed on 28 February 2017. The proposed interim income distribution for the six months ended 30 June 2017 is 3.96 sen per unit or RM119.8 million. The proposed interim income distribution will be payable on 6 September 2017.

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, Pavilion Tower, DA MEN Mall and Intermark Mall.

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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 2017, 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 June 2017 RM'000
Long term borrowings	
Secured Revolving Term Loan	1,126,888
Unrated Medium Term Notes	300,000
Less: Unamortised Borrowings Transaction Cost	(7,898)
	1,418,990

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 June 2017	Immediate preceding quarter ended 31 March 2017
Number of units in issue (units)	3,026,284,130	3,026,284,130
Net Asset Value (“NAV”) (RM’000)	3,915,607	3,861,207
NAV per unit (RM)	1.2939	1.2759
Total comprehensive income (RM’000)	54,400	57,021
Weighted average number of units in issue – year to date (units)	3,025,453,442	3,024,613,525
Earnings per Unit after Manager’s management fee (Sen)	1.80	1.89
Proposes / Declared Distribution per Unit (“DPU”) (Sen)	1.94	2.02
Market Price (RM)	1.76	1.74
Distribution Yield (%) ³	4.54	4.71

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 June 2017	Year to Date 30 June 2017	Basis
Base Fee	4,226	8,299	0.3% per annum on total asset value
Performance Fee	2,302	4,671	3.0% per annum on net property income
Total	6,528	12,970	

50% of the total Manager’s 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 June 2017 is as follows:-

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value Year to Date: 30 June		Balance Outstanding As at	
		2017 RM'000	2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	225	237	4	4
Malton Berhad group #	Rental income and its related charges	1,528	1,531	8	12
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	512	583	(83)	191
	Purchase of product	259	61	41	6
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	54	3	54	-
Impian Ekspresi Sdn Bhd ◇	Rental income and its related charges	383	270	64	196
Urusharta Cemerlang (KL) Sdn Bhd α	Rental income and its related charges	387	386	4	3
	Supply of electricity to Elite Pavilion Mall	3,081	-	3,081	-
Kuala Lumpur Pavilion Sdn Bhd ∞	MRT station naming rights fee and its related charges	-	-	-	-

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's interest in Crabtree & Evelyn (Malaysia) Sdn Bhd and his spouse, Puan Sri Tan Kewi Yong.

^ Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Lumayan Indah Sdn Bhd.

◇ Impian Ekspresi Sdn Bhd is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's directorship and deemed interest in Impian Ekspresi Sdn Bhd and his spouse, Puan Sri Tan Kewi Yong.

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- α Tan Sri Lim Siew Choon, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Urusharta Cemerlang (KL) Sdn Bhd (“UCKL”).

Tan Sri Lim Siew Choon is deemed interested in UCKL through his interest in the ultimate holding company and Puan Sri Tan Kewi Yong is his spouse.

Ahmad Mohammed F Q Al-Khanji and Mohd Abdulrazzaq A A Al-Hashmi are also directors of a substantial shareholder of the holding company of UCKL.

- ∞ 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.

B18 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 June 2017 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
27 July 2017