

PAVILION

REAL ESTATE INVESTMENT TRUST



INTEGRATED ANNUAL REPORT 2022

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Proxy Form

Pavilion REIT Management Sdn Bhd (“The Manager”) is pleased to present the first Integrated Annual Report (IAR) 2022 (“Report”) as the source of information on Pavilion REIT’s financial and non-financial performance for the financial year ended 31 December 2022 (“FY2022”). This report is prepared in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting (“<IR>”) Framework prescribed by the International Integrated Reporting Council (“IIRC”).

Sustainability remains an important part of Pavilion REIT’s long-term strategy in guiding business decisions and stakeholder engagement. As this is the first integrated report released by Pavilion REIT, the Manager strives for continuous improvement in delivering a balanced, reliable and holistic overview that demonstrate how it leverage on the six (6) strategic pillars in creating sustainable impact for all its key stakeholders that goes beyond financial performance.

Reporting Suite



Reporting Scope & Boundary

This Report is produced and published on an annual basis. The information presented in this IAR covers the reporting period from 1 January 2022 to 31 December 2022. The Report covers the primary activities of Pavilion REIT’s operations. Where data is limited to selected properties, a note will be disclosed. As Pavilion REIT do not have any employees, the information reported in relation to employees are made in reference to the employees of the Manager.

Exclusions or Changes in Reporting

This year, Pavilion REIT has set forth on integrated reporting and thus restructured the contents to convey the message more effectively. The Manager has incorporated value creation model to depict how the Manager will position Pavilion REIT towards creating sustainable impacts and delivering long-term value creation.

Reporting Framework

- IIRC’s Integrated Reporting <IR> Framework
- Global Reporting Initiative (GRI) Standards – With reference
- FTSE4Good Bursa Malaysia ESG Index
- Bursa Sustainability Reporting Guidelines & Toolkits (3rd edition)
- Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Main Market Listing Requirements (“MMLR”)
- Securities Commission Malaysia’s (“SC”) Guidelines on Listed Real Estate Investment Trusts (“REIT”)
- Malaysian Code on Corporate Governance (“MCCG”)
- Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”)
- Malaysia Companies Act 2016

Forward-Looking Statement

This Report may contain forward-looking statement with respect to Pavilion REIT’s future performance and prospects. Words such as “will”, “may”, “plan”, “could”, “believe”, “seek”, “intend” and similar expressions represents the Manager’s judgement and future expectations which may involve inherent risks and uncertainties, in which the actual results may be different from those anticipated. Undue reliance should not be placed on these forward-looking statement which are based on the Manager’s current view of future events, expectations, beliefs and assumptions.

Assurance Statement

Pavilion REIT’s financial statements are independently audited by a third-party auditor. Whilst the Manager have yet to obtain external assurance for the non-financial information, the Manager acknowledges that independent verification will enhance its credibility. Hence, the Manager will seek verification on the non-financial information in the near future.

Materiality

In FY2022, Pavilion REIT has reviewed and conducted materiality assessment in accordance with the latest guidelines by International <IR> Framework and the Listing Requirements of Bursa Malaysia Securities Berhad. The Manager has identified the sustainability matters which are material to Pavilion REIT’s business and stakeholders. Further details on the key steps and outcome of the materiality assessment are presented in the “Our Value Creation Story” section of this Report.

Board Statement of Responsibility

The Board of Directors (“Board”) of the Manager acknowledges its responsibility to ensure the integrity of the Integrated Annual Report for the financial year ended on 31 December 2022. In the Boards’ opinion, the Report addresses all key issues that are material to the fund in creating value. This Report has been prepared in accordance with the IIRC<IR> Framework and was approved by the Boards on 31 January 2023.

Feedback and Contact Point

Your feedback is important to us as we progress in our <IR> and sustainability journey. We welcome any queries or feedback to enhance the quality of reporting. Please visit www.pavilion-reit.com for more information or contact us via email at info@pavilion-reit.com.



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WHO WE ARE

Pavilion REIT is a real estate investment trust listed on the Main Market of Bursa Malaysia since 7 December 2011 and managed by the Manager.

There were no significant changes in the business as compared to the previous financial year. Its investment properties have an aggregate value of RM6.0 billion as of 31 December 2022.

WHAT WE DO

The core activity of Pavilion REIT is investment in income-producing real estate assets used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region. This investment serves the objective of providing Pavilion REIT’s unitholders with regular and stable distributions to achieve long-term growth in net asset value based on appropriate capital structure, whilst balancing stakeholders needs.

WHERE WE OPERATE

Pavilion REIT currently have five (5) properties in its portfolio consisting of four (4) retail malls and an office tower. Three (3) of the malls and the office tower are located within the commercial centre of Kuala Lumpur while the remaining mall is in the vibrant Subang Jaya neighbourhood.

Property	Segment	Location
Pavilion Kuala Lumpur Mall and Elite Pavilion Mall (“Pavilion Malls”)	Retail	Kuala Lumpur
Intermark Mall	Retail	Kuala Lumpur
DA MEN Mall	Retail	Subang Jaya
Pavilion Tower	Office	Kuala Lumpur



VISION, MISSION AND INVESTMENT STRATEGIES

The principal investment policy of Pavilion REIT is to invest directly and indirectly, in a diversified portfolio of income producing real estate assets used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region.



VISION

To be the leading and most sought after REIT in Malaysia



MISSION

To provide unitholders with regular and stable distributions to achieve long term growth in net asset value per unit and maintaining an appropriate capital structure, whilst balancing stakeholders needs.

STRATEGIES

The Manager intends to achieve the vision and mission of Pavilion REIT through the following strategies:

- (a) Actively pursuing acquisition opportunities in accordance with the authorised investments of Pavilion REIT
 - acquire yield accretive income-producing properties
 - explore repositioning opportunities
- (b) Pursuing an efficient capital management strategy
 - diversify sources of debt funding
 - maintaining a reasonable level of debt service capability
 - securing favourable terms of funding
 - managing financial obligations
 - managing the exposures arising from adverse market interest rates through appropriate hedging strategies
 - actively managing the range of maturities to reduce refinancing risk and optimise the cost of capital
- (c) Proactively managing the properties and implementing asset enhancement strategies
 - maximise quality shopper traffic, especially at Pavilion Kuala Lumpur and Elite Pavilion Malls
 - active management of tenant base in order to optimise tenant mix and maintain high occupancy rates
 - continued asset enhancement initiatives to increase net lettable area and rental potential
 - improving operational efficiency and cost effectiveness
 - commitment to sustainability to have positive impact on brand recognition, reputation and lessen environmental impact

PAVILION REIT STRUCTURE



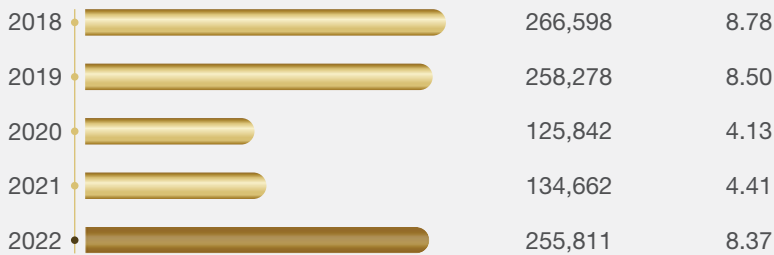
SALIENT FEATURES OF PAVILION REIT

Category of Fund	Real Estate Investment Trust
Type of Fund	Income and growth
Duration of Fund/ Termination Date	<p>The earlier of :</p> <ul style="list-style-type: none"> • The occurrence of any events listed under Clause 27.2 of the Deed • 999 years falling on 17 October 3010 • the date on which Pavilion REIT is terminated by the Manager under Clause 27.1(b) of the Deed
Investment Objective	To provide unitholders with regular and stable distributions as well as to achieve long-term growth in net asset value per Unit and maintaining an appropriate capital structure whilst balancing stakeholder needs
Distribution Policy	Half yearly distribution of 100% of distributable income for the financial year ended 31 December 2022 with at least 90% of distributable income for each subsequent financial year
Gearing Policy	Up to 50% of the total asset value of Pavilion REIT
Revaluation Policy	Annually by independent registered valuers
Financial Year Ending	31 December
Listing Market	Main Market of Bursa Malaysia Securities Berhad
Listing Date	7 December 2011
Board Lot	100 Units per board lot
Initial Public Offering Price per Unit	<ul style="list-style-type: none"> • Retail – RM0.88 • Institution – RM0.90
Stock Name	PAVREIT
Stock Code	5212

HIGHLIGHTS

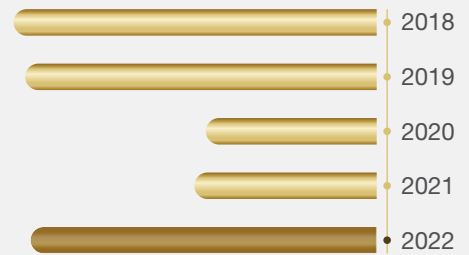
Distributable Income

(RM'000)



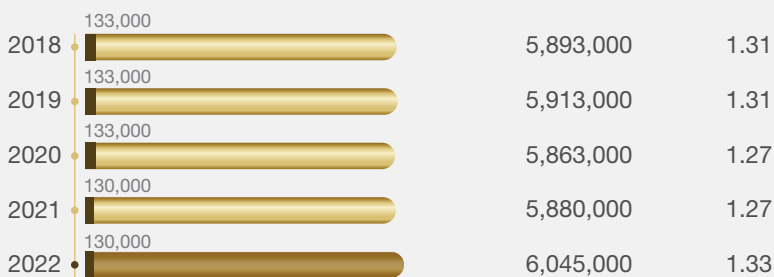
Distribution per Unit

(sen)



Investment Properties

(RM'000)



Net Asset Value per Unit

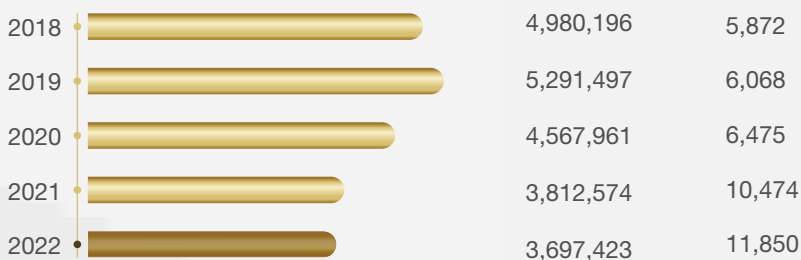
(RM)



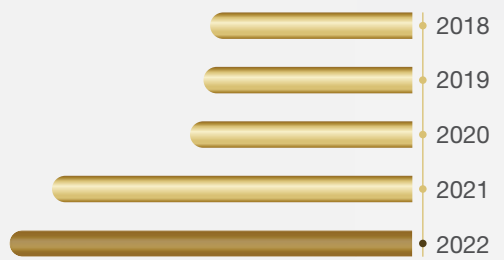
■ Office Sector

Market Capitalisation

(RM'000)



No of Unitholders



PORTFOLIO PERFORMANCE AND DETAILS

PORTFOLIO SUMMARY

Type	Retail	Office	Total
Appraised Value as at 31 December 2022 (RM million)	5,915	130	6,045
Net Lettable Area (square feet)	2,226,996	163,844	2,390,840

TOP 10 TENANTS

Pavilion REIT has a total combined tenancies list from the retail and office of 790 leases. Its ten largest tenants contributed to 16.0% of gross rental income for the reporting year.

Tenant's Name	Trade Sector	Expiry Year
Apex Excellent Sdn Bhd	Food and Beverage	2025
Dadi Cinema PKL (Malaysia) Sdn Bhd	Urban Leisure	2023
Gagan (Malaysia) Sdn Bhd	Fashion	2025
H & M Retail Sdn Bhd	Fashion	2023
Hermes Retail (Malaysia) Sdn Bhd	Fashion	2025
JD Sports Fashion Sdn Bhd	Fashion	2023
Padini Dot Com Sdn Bhd	Fashion	2025
Parkson Corporation Sdn Bhd	Fashion	2025
Richard Mille (Malaysia) Sdn Bhd	Jewellery, Timepiece & Writing Instrument	2023
Richmont Luxury (Malaysia) Sdn Bhd	Jewellery, Timepiece & Writing Instrument	2026

TENANCY PROFILES

Renewal process is gaining momentum as Malaysia enters into endemic phase and business confidence gradually improved. However, all businesses are conscious that cost of operation have increased due to the impact of inflation, rising cost of living, supply chain issues, increase in minimum wages and changes in Employment Act. Besides competition from existing malls, new malls anticipated to commence its operations from FY2023 are also sourcing from the same pool of tenants. Hence, tenants have the option to be selective on where their outlets ought to be with bargaining power to maximise their return. Tenant mix is critical to retail malls. Hence, the Manager would not just randomly allow trades to operate to maintain high occupancy.

Majority of Pavilion REIT's tenancies are for a term of three years each with an option to extend for another term of three (3) years each. Anchor and specialty anchor tenants generally have option for renewal of up to five terms of three years each.

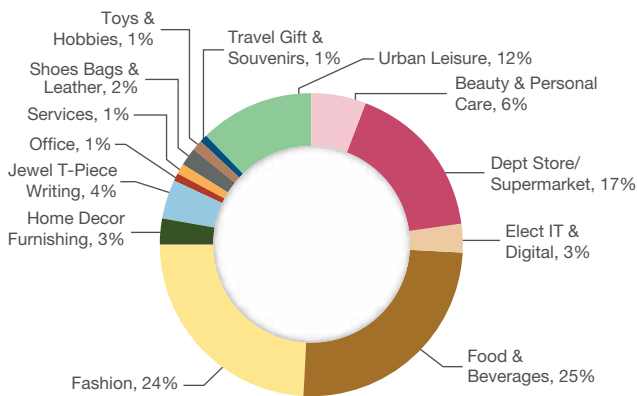
PORTFOLIO PERFORMANCE AND DETAILS

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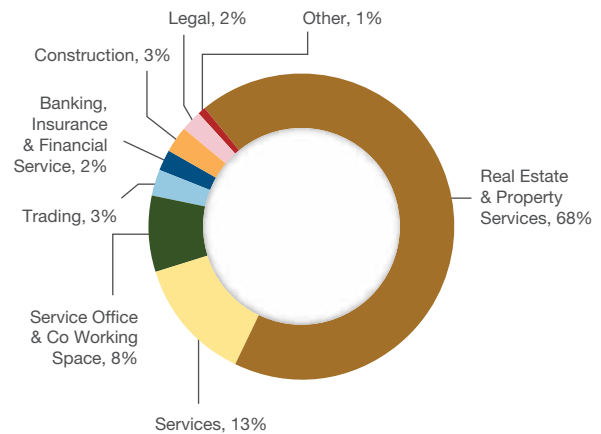
The weighted average lease expiry (“WALE”) as at year end has increased to 1.35 years against FY2021 of 0.98 years, with WALE for retail and office being 1.37 and 0.98 years respectively.

Food & beverages as well as fashion remain the two largest trade categories by net lettable area for its retail sector with real estate and property occupying the most spaces in the office sector.

Trade Category by Net Lettable Area - Retail



Trade Category by Net Lettable Area - Office



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

(A) RETAIL

Pavilion Kuala Lumpur Mall

Address	168 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	7-storey shopping mall (including 4 split-levels of car parking bays together with a 3-storey retail office block sited atop and annexed with a 4-storey retail/entertainment connection block) and 3 levels of basement car parks
Year of Completion	2007
Age of Building	15 years
Title	Pajakan Negeri 53757 Lot 20020, Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL
Encumbrances	Private caveats have been lodged in favour of MTrustee Berhad and Alliance Investment Bank Berhad
Tenure	99-year lease expiring on 26 October 2109
Gross Floor Area	2,356,397 square feet
Net Lettable Area	1,355,416 square feet
Number of Car Park Bays	2,391
Occupancy Rate as at 31 December 2022	91.6%
Date of Acquisition	7 December 2011
Acquisition Price	RM3,190 million
Appraised Value	RM5,000 million
Date of Latest Valuation	31 December 2022
Independent Valuer	CBRE WTW Valuation & Advisory Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM458 million
Net Property Income	RM316 million
Ten Largest Tenants	Cartier, Dadi Cinema, Food Republic, Forever 21, Hermes, Mercato, Padini Concept Store, Parkson Elite, Richard Mille, Zara

PORTFOLIO PERFORMANCE AND DETAILS

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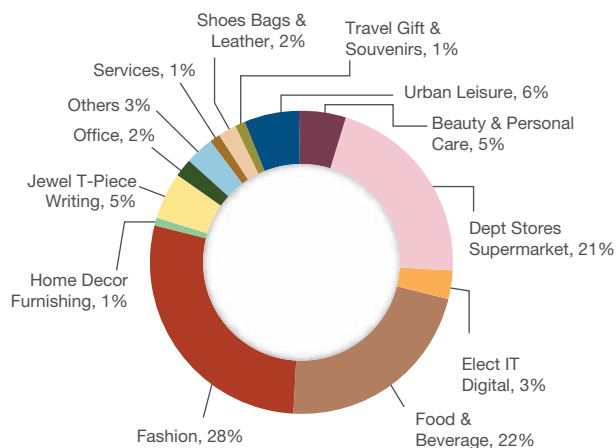


Tenancy Expiry Profile

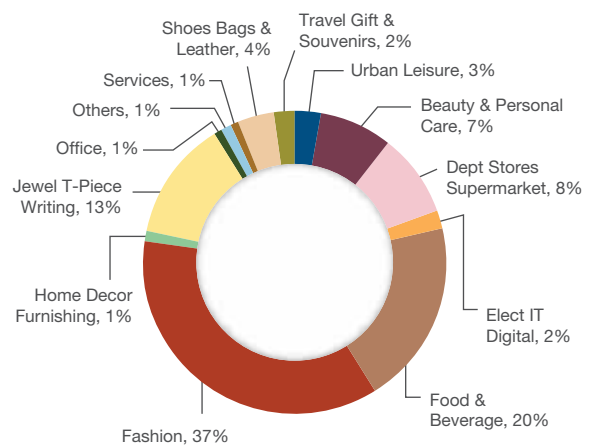
Period	% of Occupied NLA	% of Gross Rental
Monthly	15	17
FY2023	30	33
FY2024	10	13
FY2025 and thereafter	45	37
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

Intermark Mall

Address	348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Description	6-storey retail podium with a roof pavilion together with 367 designated car parking bays
Year of Completion	Refurbished in 2012
Age of Building	10 years
Title	Geran 75638/M1/B3/2, Parcel No 2, Storey No B3, Building No M1 on part of parent Lot 20000 Seksyen 43, Bandar Kuala Lumpur, Negeri Wilayah Persekutuan
Encumbrances	Nil
Tenure	Interest in perpetuity
Gross Floor Area	337,427 square feet
Net Lettable Area	222,494 square feet
Number of Car Park Bays	367
Occupancy Rate as at 31 December 2022	86.9%
Date of Acquisition	25 March 2016
Acquisition Price	RM160 million
Appraised Value	RM185 million
Date of Latest Valuation	31 December 2022
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM24 million
Net Property Income	RM10 million
Ten Largest Tenants	Grandmama, Hanare, Hua Wei, In Colonial, Jaya Grocer, McDonald's, MST Golf, Oriental Landmark, Primrose Hill Active Learning, SportsDirect.com

PORTFOLIO PERFORMANCE AND DETAILS

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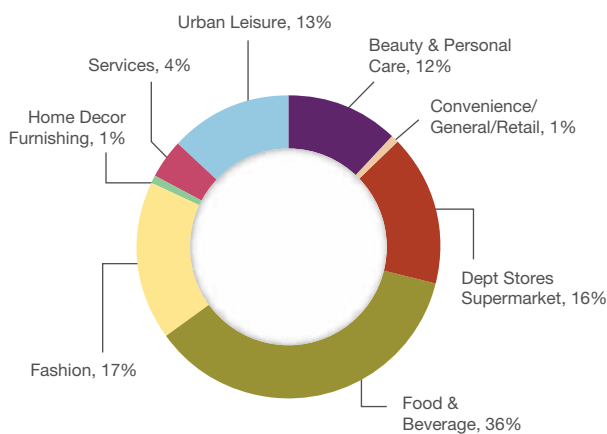


Tenancy Expiry Profile

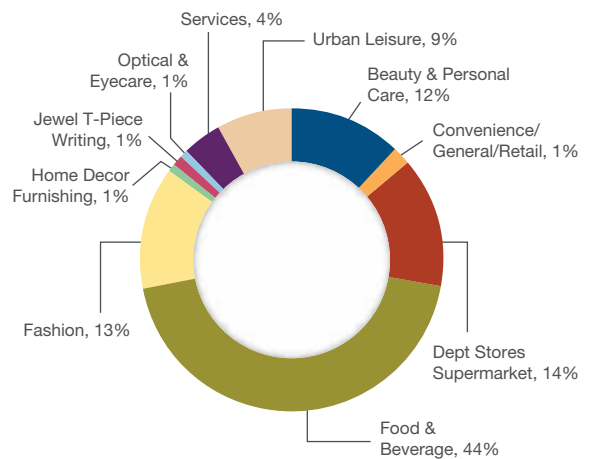
Period	% of Occupied NLA	% of Gross Rental
Monthly	14	14
FY2023	20	23
FY2024	28	32
FY2025 and thereafter	38	31
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

DA MEN Mall

Address	Da:men USJ 1, Persiaran Kewajipan, USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan
Description	Five storey retail mall together with a lower ground floor and two levels of basement car parks
Year of Completion	2015
Age of Building	7 years
Title	Geran 320023/M1-A/1/1, Building No M1-A, Storey No 1, Parcel No 1 on part of parent Lot 91576 Pekan Subang Jaya, Daerah Petaling, Negeri Selangor Geran 320023/M1-A/1/2, Building No M1-A, Storey No 1, Parcel No 2 on part of parent Lot 91576 Pekan Subang Jaya, Daerah Petaling, Negeri Selangor
Encumbrances	Nil
Tenure	Interest in perpetuity
Gross Floor Area	732,925 square feet
Net Lettable Area	421,303 square feet
Number of Car Park Bays	1,638
Occupancy Rate as at 31 December 2022	64.5%
Date of Acquisition	25 March 2016
Acquisition Price	RM487 million
Appraised Value	RM180 million
Date of Latest Valuation	31 December 2022
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.50 %
Gross Revenue	RM13 million
Net Property Loss	RM7 million
Top Ten Tenants	Big Pharmacy, BookXcess, Chi-X Fitness, Dadi Cinema, Grand Harbour Restaurant, Home's Harmony, Jaya Grocer, Mr DIY, Music Box, Nam Heong Ipoh

PORTFOLIO PERFORMANCE AND DETAILS

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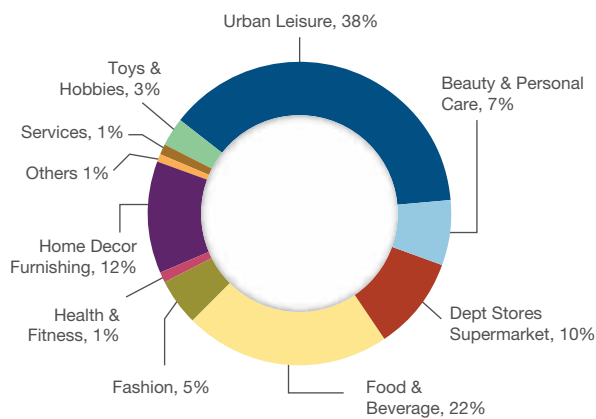


Tenancy Expiry Profile

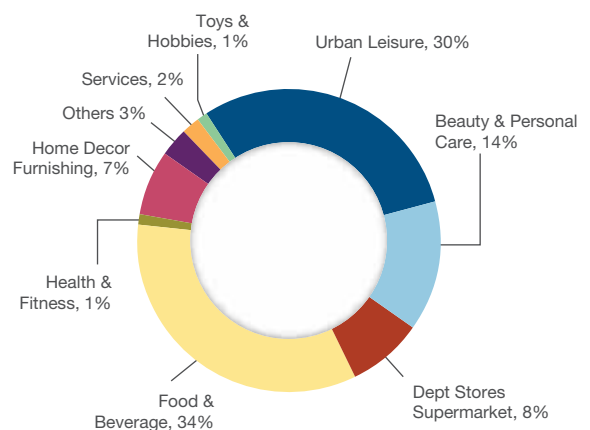
Period	% of Occupied NLA	% of Gross Rental
Monthly	22	19
FY2023	37	35
FY2024	28	32
FY2025 and thereafter	13	14
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

Elite Pavilion Mall

Address	166 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	10-storey shopping mall with stratified parcels consisting of car park bays on Level B3 to Level 2 ('Elite Pavilion') interconnected to Pavilion Kuala Lumpur Mall via pedestrian link bridges and seating/retail areas on Level 4 to Level 10 ('Extension-Connections') and an underground pedestrian tunnel with retail outlets which contractual rights will expire on 10 October 2037 ('Subway Linkage')
Year of Completion	2016
Age of Building	6 years
Title	Geran 79872, Lot No 20027, Sekysen 57, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL for Elite Pavilion Pajakan Negeri 53757, Lot 20020, Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL for Extension-Connections
Encumbrances	Nil
Tenure	Interest in perpetuity for Elite Pavilion 99-year lease expiring on 26 October 2109 for Extension-Connections
Gross Floor Area	464,689 square feet
Net Lettable Area	227,783 square feet
Number of Car Park Bays	50
Occupancy Rate as at 31 December 2022	92.3%
Date of Acquisition	27 April 2018
Acquisition Price	RM580 million
Appraised Value	RM550 million
Date of Latest Valuation	31 December 2022
Independent Valuer	CBRE WTW Valuation & Advisory Sdn Bhd
Capitalisation Rate – Reversionary	6.25% for Elite Pavilion
Gross Revenue	RM64 million
Net Property Income	RM41 million
Ten Largest Tenants	Coach, COS "Collection of Style", Cotton On, HuaWei, JD Sports King of Trainers, Haidilao Hotpot, Lukfook Jewellery, Lululemon, Muji & Café, Red Box Plus

PORTFOLIO PERFORMANCE AND DETAILS

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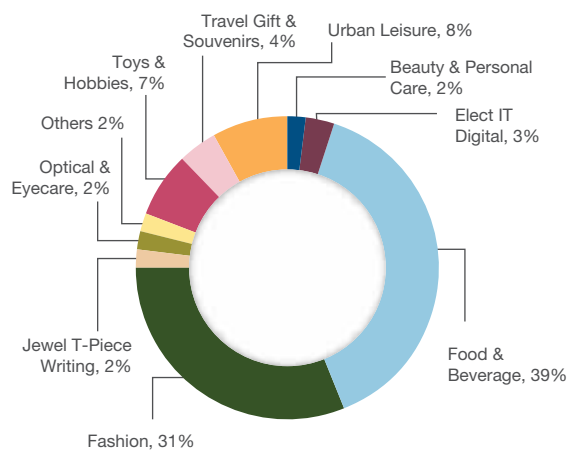


Tenancy Expiry Profile

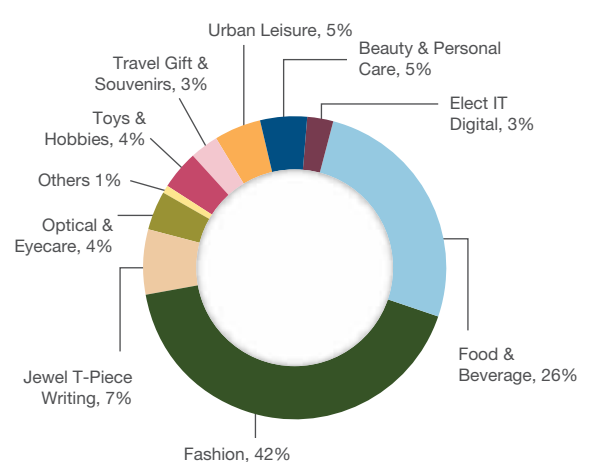
Period	% of Occupied NLA	% of Gross Rental
Monthly	43	47
FY2023	20	15
FY2024	17	14
FY2025 and thereafter	20	24
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

(B) Office

Pavilion Tower

Address	75 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia
Description	20-storey office building together with 6 mechanical/electrical levels
Year of Completion	2007
Age of Building	15 years
Title	Pajakan Negeri 53757 Lot 20020, Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL
Encumbrances	Private caveats have been lodged in favour of MTrustee Berhad and Alliance Investment Bank Berhad
Tenure	99-year lease expiring on 26 October 2109
Gross Floor Area	243,288 square feet
Net Lettable Area	163,844 square feet
Occupancy Rate as at 31 December 2022	72.8%
Date of Acquisition	7 December 2011
Acquisition Price	RM123 million
Appraised Value	RM130 million
Date of Latest Valuation	31 December 2022
Independent Valuer	CBRE WTW Valuation & Advisory Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM10 million
Net Property Income	RM4 million
Top Ten Tenants	Coach Malaysia Sdn Bhd, Clever Eagle Sdn Bhd, Gapadu Development Sdn Bhd, Impian Ekspresi Sdn Bhd, Khuan Choo Development Sdn Bhd, KL Pavilion Design Studio Sdn Bhd, KL Metro Sdn Bhd, KL Metro Property Sdn Bhd, Malton Berhad, Pan-Asia Property Management Sdn Bhd

PORTFOLIO PERFORMANCE AND DETAILS

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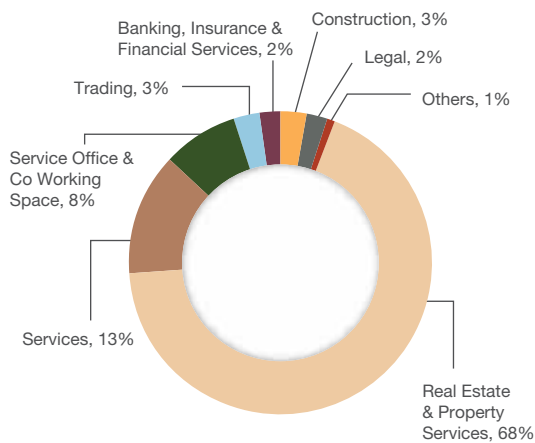


Tenancy Expiry Profile

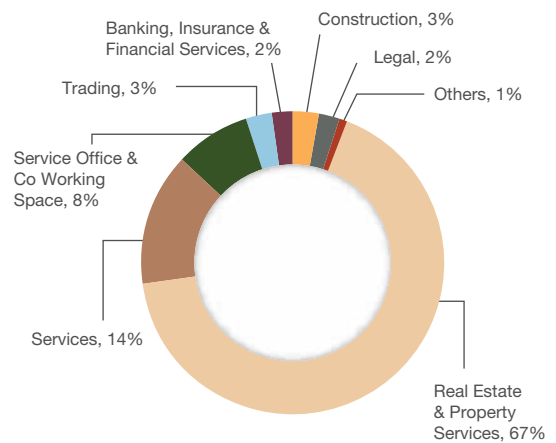
Period	% of Occupied NLA	% of Gross Rental
Monthly	37	37
FY2023	31	32
FY2024	9	8
FY 2025 and thereafter	23	23
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental





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MESSAGE FROM THE CHAIRMAN



The year started with a tremendous improvement to the pandemic situation as most people return physically to work at their office and local travels resume with no more major lock down in the country. Other countries were progressively opening up for international arrivals too.

However, by 24 February 2022 Russia invaded Ukraine resulting in that part of the world inducing deep concerns about global instability and the possibility of tensions escalating into a bigger conflict. The Russia-Ukraine war has tremendous global repercussions ranging from a broader global conflict to rising food prices, animal feed shortages and high fertilisers cost. The electronic sector, particularly the semiconductor sub-sector, experienced the spill overs of the war in Ukraine due to shortages in neon and palladium. This, together with China that continued Zero-COVID Policy had also resulted in demand for products with insufficient supplies, resulting in inflation to core products that contributed to a world inflation not seen in decades.

The annual inflation rate in the United States was 6.5% in 2022, down from 7.1% in 2021. To counter increases in inflation, the Federal Reserve of United States increased interest rates by 4.25% or 7 times in 2022, reaching 4.25%-4.50% by December 2022 from a low of 0.25%. This resulted in most of other nations reserve bank, like Bank Negara Malaysia increasing their interest in tandem. Malaysia's overnight policy rate has increased from 1.75% (2021) to 2.75% (2022). The decision came in line with market expectations, aiming to control inflation, balance foreign exchange and support growth.

ECONOMIC REVIEW

The International Monetary Fund (IMF) estimated global growth for 2022 to be 3.2% in its October report, marginally reducing it from its April forecast. The World Bank, on the other hand, lowered its forecast from 4.1% (as observed in January 2022) to 2.9% in its June estimate.

China reported 3.0% GDP growth for 2022, compared to 2021 growth of 8.5%, according to the National Bureau of Statistics of China. China's economy is expected to deliver a strong recovery in 2023, buoyed by the country's optimized epidemic response and effective pro-growth policies. Morgan Stanley raised its outlook for China's GDP growth in 2023 from 5.4% to 5.7%, predicting that a rebound in activity will come earlier and be sharper than expected.

The Malaysian economy ended 2022 on a high note, thanks to the economy's full reopening in April 2022, which allowed people to return to work and businesses to reopen without any stringent standard operating procedure. Furthermore, the reopening of Malaysia's international borders, benefitting the pandemic-ravaged tourism industry, spilling over to other related sub-services sectors.

Malaysia's economy grew by 14.2% in the third quarter of 2022, the highest growth recorded amongst Southeast Asian countries, bringing the year-to-date growth of 9.3%, which is well above of Bank Negara Malaysia's 2022 GDP forecast of 6.5% to 7.0%.

MESSAGE FROM THE CHAIRMAN

cont'd

Nevertheless, global events like the Russia-Ukraine conflict and the ensuing sanctions imposed by the U.S. and its western allies on Russia, geo-political tensions between the U.S. and China, the economic slowdown in China resulting from its Zero COVID-19 Policy as well as the actions taken by the Chinese government against errant tech companies and property developers, could, in the views of some economists, lead to a global recession in 2023 and if this happens, Malaysia's economy which is heavily dependent on exports could be adversely impacted and this could result in a lowering of its growth rate next year.

PAVILION REIT – INVESTMENT AND ASSET PERFORMANCE

Pavilion REIT's assets have performed well during the year in line with the re-opening of the market progressively throughout the year. Its quarterly results have been on the increase every quarter this year. Year to date 2022 gross revenue increased by 16.6% to RM570 million resulting in net property income of RM364 million or an increase of 53.9% as compared to the previous year. Distribution per unit increased to 8.37 sen per unit, an increase of 89.8% from 4.41 sen per unit for FY2021.

Properties valuation have also increased from RM5,880 million to RM6,045 million, with net fair value increase of RM151.4 million.



MARKET REVIEW

The FBM KLCI Index closed 4.6% lower at 1,495.49 points as at 31 December 2022 as compared to 1,567.5 points a year earlier.

The M-REIT Index was not spared either, closing the lowest since the index was created at 773.0 points as compared to 792.0 points a year earlier, representing a drop of 2.4%. However, its total market capitalisation as of 31 December 2022 increased by 1.7% or RM637.8 million to RM39.1 billion as the office, retail and hospitality sectors registered a recovery during the year.

Malaysian REITs made announcements of acquisitions totalling RM4.67 billion in 2022, surpassing the RM3.82 billion announced in 2021. This was mainly due to Pavilion REIT's announcement on 22 November 2022 of the proposal acquisition of Pavilion Bukit Jalil Mall for a consideration of RM2.2 billion. The increase was consistent with the overall improvement in the property market, especially the tourism and retail industry as the country began its transition to the endemic phase of COVID-19. Meanwhile, disposals made by REITs in 2022 stood at RM492 million with no disposal in 2021.

Pavilion REIT unit closed at RM1.21 as compared to RM1.25 at the end of 2021.

PAVILION REIT'S SUSTAINABILITY EFFORTS

To follow up from 2021 initiatives, the board established Sustainability as well as Risk Management Committees. 2 meetings each were held for the FY2022 with the following efforts.

- Policies, procedures and guidelines have been established with regards to risk management framework
- Creation of the Sustainability Committee that will spearhead the sustainability efforts by development of a roadmap in relation to sustainability strategy and initiatives covering economic, environment, social and governance aspects as well as embedding sustainability practices into Pavilion REIT's properties
- Continue efforts to enhance governance from top-down approach to be on par with industry standards

MESSAGE FROM THE CHAIRMAN

cont'd

GOING FORWARD

The global economy is still unpredictable with geopolitical conflicts, weaker than expected growth in major economies, higher cost of living & inflation still persists due to strong demand, tighter labour market and elevated raw material prices. These factors have resulted in the US interest rates continually increasing, together with many other central banks rising their interest rates sharply to manage their inflation. This resulted in higher volatility in the financial market and a weaker Ringgit and other regional currencies.

Notwithstanding all the ups and downs, Pavilion REIT's performance have return to some form of normality in 2022. With a stable changeover of the government late 2022 and announcement by the China Government that they have re-open for international trade and travel from January, this faster than expected exit from COVID-19 Policy in early 2023 is viewed as positive news for the world economy and our tourism industry.

Bank Negara Malaysia in January 2023 announced that it will maintain the overnight policy rate at 2.75% for the current quarter. It will continue to calibrate the monetary policy that balances risk to domestic inflation and sustainable growth. Going forward despite the challenging global environment, domestic demand together with the opening of the China market will remain the key to regional and Malaysia's growth.

In 2023, the economy is expected to grow moderately between 4% – 5% backed by strong fundamentals and diversified economic structure, coupled with ongoing policy support to cushion the impact of rising cost of living and mitigate the downside risks stemming from prolonged geopolitical uncertainties and tightening global financial conditions, said the Ministry of Finance in its 2023 Economic Outlook report.

Despite all this, the Board of Directors will work closely with the management to develop corporate strategies that are resilient to the economic downturn.

ANNUAL GENERAL MEETING

Pavilion REIT's 10th Annual General meeting held on 30 March 2022 to present Pavilion REIT's audited financial statement for the year ended 31 December 2021 went smoothly. The Board of Directors managed to obtain general mandate for the allotment and issuance of up to 20% of the total number of issued units size as well as enhanced general mandate for the rights issue of up to 50% of the total number of issued units on pro rata basis.

The board will seek the approval of the allotment and issuance of up to 20% of the total number of issued units size for this year's forthcoming annual general meeting.

ACKNOWLEDGEMENT

I would like to thank all the members of the board of directors, management team and staff for their dedication, collective efforts and commitments during the year. On behalf of the Board and management we would also like to thank Mr. Syed Mohd Fareed bin Shaikh Alhabshi and Mr Ooi Ah Heong who have retired from the board after slightly over 10 years of service. The Board would also like to welcome two new independent directors namely, Baljeet Kaur Grewal Jaswant Singh and Dato' Mearia Hamzah who joined in September 2022 and January 2023 respectively.

On behalf of the Board members, we also like to thank our unitholders, stakeholders, bankers and tenants for their support during the year.

TAN SRI LIM SIEW CHOON

Chairman

31 January 2023



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

REVIEW FOR THE YEAR

Pavilion REIT registered four (4) strong quarters in FY2022, resulting in gross revenue improving from RM488.6 million in 2021 to RM569.7 million in 2022, an increase of 16.6%. Despite no pandemic rebate provided, distribution per unit (DPU) has increased by 89.8% to 8.37 sen as compared to 4.41 sen for FY2021.

Even though the 3rd quarter 2022 Consumer Sentiment Index (CSI) has increased to 98.4 points after dropping in the 2nd quarter, it still lags behind the optimism rate of 100 points and above, unlike the 1st quarter index of 108.9 points. This is associated with cautious spending pattern primarily because of the uncertainty of both the domestic and global economies although the labour market indicates that the overall financial expectations are stable (*Malaysian Institute of Economic Research*).

ASSET AND FINANCIAL PERFORMANCES

As Malaysia transition to an endemic phase from 1 April 2022, the retail sector started to gain traction as most COVID-19 restrictions were removed with retailers ramping up their offerings of merchandises and services, as well as increasing their advertising and marketing expenditures. Shoppers also provided their support by visiting and spending time physically in malls. Improved tenant sales have boosted retailers' confidence to renew their tenancies or open new outlets resulting in increase in occupancy rate across all Pavilion REIT malls. On the other hand, the office tower's occupancy has decreased slightly to 72.8% following the rise of work from home culture after the pandemic.



The market value of all Pavilion REIT investment properties is stable with some increment in selected properties. Pavilion Kuala Lumpur Mall's valuation has increased by RM150.0 million (as compared to last year's end value) to RM5.0 billion. These increases in valuation have resulted in the overall group valuation increasing by RM151.4 million.

FY2022 also saw increment in the Overnight Policy Rate (OPR), which resulted in an increase in interest cost from RM86.4 million to RM90.5 million with a minimum increase in borrowings.

Further to the announcement that MTrustee Berhad had accepted the invitation to commence discussion on the potential acquisition of Pavilion Bukit Jalil Mall on 24 December 2021, due diligence reviews and negotiations had taken place during the year leading to the execution of sale and purchase agreement with Regal Path Sdn Bhd on 22 November 2022 for RM2.2 billion. The proposed acquisition is now pending issuance of circular for Pavilion REIT unitholders approval besides compliance with conditions' precedent.

STRATEGY AND OUTLOOK

After a strong economic recovery in 2022, the Malaysian economy is expected to moderately grow in 2023 in the range of 4% to 5% amid challenging external conditions and slowing domestic demand due to rising cost of living, although inflation seems to have eased after peaking in 2022. The world recession outlook also seems to be potentially controllable or at least reduced to a soft landing.

Hence, consumers in Malaysia are likely to be cautious in their spending with Retail Group Malaysia forecasting a growth rate of 3.5% for the retail industry. Despite these challenges, it is expected that the increase in domestic demand will anchor the economy amidst a steady recovery in the labour market. The growing demand is also expected to further strengthen in the tourism-related sectors which will lead to an increase in corporate earnings. The reopening of China's borders will also attract Chinese tourists that would spur the local economy and tourism business.

With regards to the proposed acquisition of Pavilion Bukit Jalil Mall, Pavilion REIT's assets under management will increase from the current RM6.5 billion to RM8.6 billion upon approval of Pavilion REIT unitholders and compliance of all conditions' precedent. This will also optimise the Fund's efficiency in terms of capital management to increase its profit and distribution by diversifying the contribution to two larger properties rather than only relying on a single property for its future growth.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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SUSTAINABILITY AND RISK MANAGEMENT

To re-affirm the Board's commitment in enhancing its corporate governance, Risk Management Committee and Sustainability Committee was formalized in May 2022.

The senior management is re-strategising its plans for a five-year sustainability roadmap to align with the current sustainability standards and best practices. In FY2022, Pavilion Kuala Lumpur Mall have subscribed to 20% consumption of renewable energy from Tenaga Nasional Berhad with future plans to subscribe for more quotas when they are available. Rainwater harvesting system and air handling unit condensate water recycling system have been installed in an effort to reduce water consumption. Electric vehicle charging ports are also being evaluated to reduce carbon emissions. The Manager are planning to gradually reduce waste from landfills and whilst continuing to evaluate the feasibility of installing food waste digester machine at selected properties. The Manager will continue to assess and review the different types of sustainable designs and features that are feasible to be incorporated into its existing properties.

The Manager is also planning and reviewing its due diligence criteria with the addition of ESG requirements in Pavilion REIT's vendor evaluation process. In FY2022, Pavilion REIT has started measuring their Scope 2 carbon emission in preparation towards more comprehensive climate-related disclosures. The Manager plans to gradually improve climate-related disclosures based on Task-Force Climate-Related Financial Disclosure (TCFD) and the Global ESG Benchmark for Real Estate (GRESB) framework.



For risk evaluation, the Manager is committed to continuously review, improve and reduce the internal and external risks identified.

ACKNOWLEDGEMENT

The Management would like to thank the team for their efforts, dedication and resilience despite challenges faced in 2022 that has allowed the Fund to grow stronger. Appreciation is also extended to all Pavilion REIT stakeholders for their continuous support and trust.

DATO' PHILIP HO YEW HONG

Chief Executive Officer
31 January 2023



MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS

Financial Results and Key Performance Indicators	FY2018	FY2019	FY2020	FY2021	FY2022	Change (%)
						FY2022 vs FY2021
Gross Revenue (RM'000)	554,977	585,353	510,220	488,591	569,691	16.60%
Net Property Income ("NPI") (RM'000)	374,787	375,184	233,524	236,622	364,201	53.92%
Distributable Income (RM'000)	266,598	258,278	125,842	134,662	255,811	89.97%
Earnings per Unit (sen)	9.51	8.64	1.52	4.11	13.03	217.03%
Distribution per Unit (DPU) (sen)	8.78	8.50	4.13	4.41	8.37	89.80%
Distribution Yield based on Year End Market Price (%)	5.35	4.88	2.75	3.53	6.92	96.03%
Management Expense Ratio ("MER") (%)	0.83	0.79	0.71	0.71	0.80	(12.68)%
Investment Properties (RM'000)	5,893,000	5,913,000	5,863,000	5,880,000	6,045,000	2.81%
Total Asset Value ("TAV") (RM'000)	6,357,724	6,357,015	6,241,907	6,238,695	6,483,176	3.92%
Net Asset Value ("NAV") (RM'000)	3,977,956	3,979,738	3,859,317	3,858,453	4,060,007	5.22%
NAV per Unit (RM)	1.31	1.31	1.27	1.27	1.33	4.72%
Gearing Ratio (%)	33.78	33.93	34.66	34.84	33.84	2.87%
Portfolio Turnover Ratio (times)	0.15	0.00	0.00	0.00	0.00	0.00%

FINANCIAL REVIEW

By Segment

	Gross Revenue				Net Property Income			
	FY2021		FY2022		FY2021		FY2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pavilion Kuala Lumpur Mall	396,415	81.13	458,251	80.44	212,991	90.01	316,436	86.88
Intermark Mall	23,451	4.80	24,168	4.24	8,868	3.75	9,921	2.73
DA MEN Mall	11,381	2.33	13,250	2.33	(9,183)	(3.88)	(7,098)	(1.95)
Elite Pavilion Mall	46,305	9.48	64,286	11.28	18,461	7.80	40,862	11.22
Retail	477,552	97.74	559,955	98.29	231,137	97.68	360,121	98.88
Pavilion Tower – Office	11,039	2.26	9,736	1.71	5,485	2.32	4,080	1.12
Total	488,591	100.00	569,691	100.00	236,622	100.00	364,201	100.00

Gross revenue achieved in FY2022 was RM569.7 million or 16.6% higher as compared to the immediate preceding year. This change was mainly due to higher rental billings, increase in revenue rent and income from advertising and marketing events as all economic sectors resume their businesses post pandemic.

Lower operating cost incurred for the year under discussion was mainly due to rent rebates given to tenants in the preceding year, offset by higher utility cost as the 10% electricity rebate given by the government ended in December 2021 as well as the imposition of electricity tariff surcharge of 3.7 sen per kilowatt hour to non-domestic sector from 1 February 2022. Maintenance cost also increased due to remobilizing ad-hoc upkeeps, installation of rain harvesting and air handling condensate water recycling systems and adjustment to contract sum of labour-intensive services due to the minimum wage requirements. Marketing expenses also increased with the resumption of activities and events held post pandemic.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

These resulted in increase of Pavilion REIT's net property income to RM364.2 million. Pavilion Kuala Lumpur Mall and its seamlessly connected Elite Pavilion Mall collectively contributes to 98.1% of net property income of Pavilion REIT with office sector contribution of 1.1%.

Retail property continues to contribute to approximately 98.0% of Pavilion REIT's total portfolio in terms of gross revenue and net property income. Overall, Pavilion REIT portfolio achieved NPI margin of 63.9% with retail and office achieving a NPI margin of 64.3% and 41.9% respectively.

Net fair value change in investment properties resulted in gain of RM151.4 million against the immediate preceding year deficit of RM0.6 million due to higher valuations for Pavilion Kuala Lumpur, Elite Pavilion and Intermark malls. Borrowing cost was higher due to the increase in overnight policy rates as 64.7% of Pavilion REIT's borrowings are on variable rate. Bank Negara Malaysia had increased Malaysia's overnight policy rate from 1.75% (at the beginning of 2021) to 2.75% in November 2022. All these resulted in increase of 217.6% in income before taxation for the year to RM397.8 million.

DISTRIBUTION PER UNIT

Total DPU for 2022 increased by 3.96 sen to 8.37 sen from 2021 DPU of 4.41 sen, with additional 5,662,580 Units being issued during the year resulting in 3,055,721,661 Units as at 31 December 2022.

4.08 sen, earned for first half of 2022 was paid on 2 September 2022 with the final distribution of 4.29 sen earned in the second half of 2022 is to be paid on 28 February 2023. This resulted in net asset value per unit (after final income distribution) of RM1.29 and RM1.24 for FY2022 and FY2021 respectively.

STATEMENT OF FINANCIAL POSITION – ASSET AND LIABILITIES

Pavilion REIT's total asset value increased by RM244.5 million to RM6,483.2 million in FY2022 mainly due to the increase in investment properties as well as cash and cash equivalent by RM165.0 million and RM78.9 million respectively. Its total liabilities remain about the same for the year under review and its preceding year at about RM2,400 million. Pavilion REIT's borrowings increased from RM2,173.3 million to RM2,194.0 million in FY2022, a 1.0% increase resulting in gearing ratio of 33.8%.

INVESTMENT PROPERTIES AND VALUATION

During the year, there were no changes to the investment objectives set forth during the listing in December 2011 nor any acquisition or disposal of assets.

The Manager will continue to put their best effort forward to identify future potential investment, negotiate the most efficient capital strategy and continue to implement improvements to its existing investment properties.

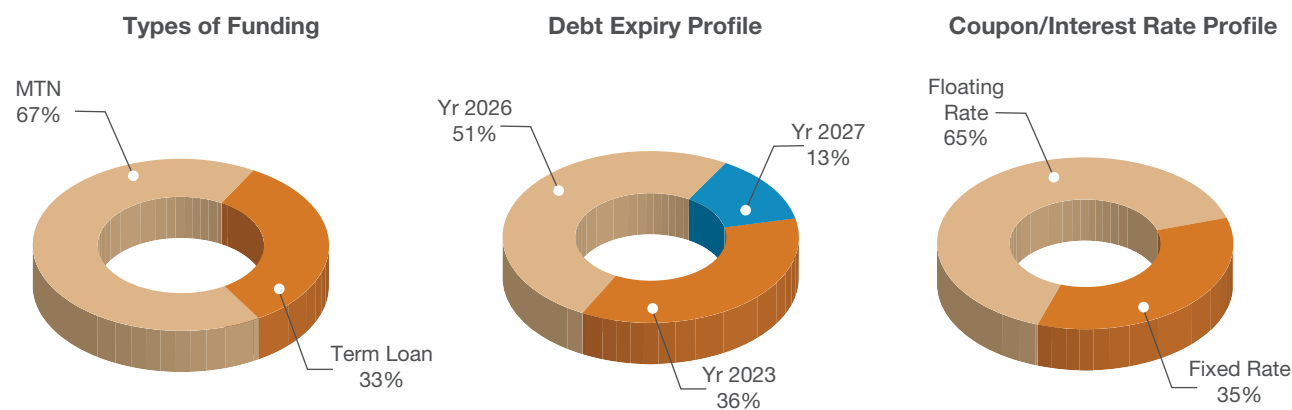
The Fund's investment properties had been re-valued as at the end of the financial year to ensure that its investment properties reflect the current market value and in compliance to Malaysian Financial Reporting Standards 140. This re-valuation resulted in a gain of RM151.4 million.

MANAGEMENT DISCUSSION & ANALYSIS

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Property	Market Value @ 31 Dec 2022 RM'000	Market Value @ 31 Dec 2021 RM'000	Change in Value RM'000	Property Yield 2022 %	Property Yield 2021 %
Retail					
Pavilion Kuala Lumpur Mall	5,000,000	4,850,000	150,000	6%	4%
Intermark Mall	185,000	180,000	5,000	5%	5%
DA MEN Mall	180,000	180,000	-	-4%	-5%
Elite Pavilion Mall	550,000	540,000	10,000	7%	3%
	5,915,000	5,750,000	165,000		
Office					
Pavilion Tower	130,000	130,000	-	3%	4%
Total Portfolio	6,045,000	5,880,000	165,000		
Less : Capital Expenditure			(13,619)		
Net Fair Value Change			151,381		

CAPITAL MANAGEMENT



With average interest cost of 4.1%, Pavilion REIT's gearing of 33.8% is below the market norm of approximately 35% to 40% or REIT Guidelines of up to the permitted 50% of Total Asset Value.

The Manager will try to optimise its fixed and floating rate funding ratio to manage its borrowing costs and arrange to fix its rate as the interest rate environment is anticipated to move up in the future. The Manager will also continue to explore the best available financing options to enable it to have additional options ready for future acquisitions or to re-finance any existing credit facilities when due in the future.

STATEMENT OF CASH FLOWS

Of the net cash available from operating activities of RM361.8 million, RM8.4 million was used for investing activities with RM274.5 million being net cash used in financing activities. This caused the increase in net cash of RM78.9 million for FY2022 resulting in cash and cash equivalents of RM332.9 million against preceding year end cash of RM254.0 million.

MANAGEMENT DISCUSSION & ANALYSIS

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OPERATIONS REVIEW

Pavilion Kuala Lumpur Mall's gross revenue increased from RM396.4 million to RM458.3 million, mainly due to higher rental billings, increased in revenue rent and income from advertising and marketing events as all economic sectors resume their operations post COVID-19 pandemic with occupancy at 91.6% as at 31 December 2022. Notable tenants that commenced trading during the year under review are BX+, Chargee, Five Guys, HWC Coffee, Kenangan Coffee, Para Thai, Red Tail and Two Sons Bistro. 1st store in Malaysia that commenced their business in the mall are Arthur's Storehouse (The Guinness Experience), Baan PadThai, Caffike & Nuttea, OJA, Roger Dubuis, The Coffee Academics and Vacheron Constantin.

New tenants secured for Elite Pavilion Mall such as Dar Soo Vegetarian Cuisine, Football Republic and Honor improved the mall's occupancy from 86.4% as at the end of the last financial year to 92.3% as at 31 December 2022 with RasaNya Malaysia opened its 1st F&B outlet in Malaysia. As businesses continue as usual after the Malaysian government declared endemic status post the COVID-19 pandemic, advertisers and tenants have aggressively increased their brand awareness and promotions resulting in much higher take-up rate in the mall's advertising panels and sites.

Intermark Mall's occupancy increased marginally from 83.6% a year ago to 86.9% with the addition of Cauli & Rice, Ceemboja, Chargee Express and Mayilan Beef. This property's operating expenses has been stable at around RM12.0 million.

DA MEN Mall's gross revenue has improved slightly leading to a narrower net property loss as compared to the preceding year end as the mall's occupancy improved from 62.3% to 64.5%. New tenants secured are A&W, Australian National Institute of Business & Technology, BookXcess, Big Pharmacy, Hee Tech Academy, Lun/o, Pos Mini and Subway.

Total property operating expenses incurred was lower by RM46.5 million or 18.4% when compared to the preceding year ended 31 December 2021. This was mainly due to rent rebate given to tenants in the preceding year, offset by higher utility cost as the 10% electricity rebate given by the government ended in December 2021 as well as imposition of electricity tariff surcharge of 3.7 sen per kWh to non-domestic sector from 1 February 2022. Increase in maintenance cost was mainly due to the remobilizing ad-hoc upkeeps, installation of rain harvesting and air handling condensate water recycling systems and adjustment to contract sum of labour-intensive services due to the minimum wage requirements. Marketing expenses also increased with the resumption of activities and events post pandemic.

Pavilion Tower's occupancy reduced slightly to 72.8% as the office market remains soft and challenging with some employers downsizing due to hybrid working style, more new office spaces targeted for completion in the next few years and older office buildings trying to retain or capture new tenants by providing more incentives or lowering rent to compete. Good tenant retention with no negative rental reversion will continue to be the strategy for the coming years with continuous upkeep of the building to retain good tenants.

As the properties aged with wear and tear, continuous and regular upkeep will be required to refresh and maintain the standard of the respective malls. However, Pavilion REIT strives to ensure its cost management procedures are refined to optimise return to unitholders as well as to ensure sustainable practices are adopted where applicable.

ASSET ENHANCEMENT EXERCISES

Asset enhancement exercises incurred during the year under review were mainly for upgrading of cooling towers, development of glass kiosks outside Fashion Avenue as well as reconfiguration for a new food hall at Level 1 Pavilion Kuala Lumpur Mall.

For FY2023, besides setting up of landlord provisions to cater for tenant requirements, capital expenditures to be incurred are for completing the upgrading of air-condition in Pavilion Kuala Lumpur Mall.

MANAGEMENT DISCUSSION & ANALYSIS

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MARKET REVIEW

Malaysia's strong economic recovery in FY2022 was mainly contributed to strong pick-up in domestic demand, underpinned by improving labour market conditions as well as continued policy support as all economic activities return to normalization after COVID-19 pandemic. Malaysia's FY2022 inflation rose by 3.3% against FY2021 increase of 2.5% with estimate of 2.8% to 3.0% for FY2023 due to stronger Ringgit and lower commodity prices. FY2023's economic growth is expected to be in the range of 4.0% to 5.0% due to the well-diversified nature of Malaysia's economy and its proven track record of withstanding shocks. The country's relatively well-developed infrastructure, competitive manufacturing and services sectors as well as substantial natural resources should continue to support growth and keep the economy resilient.

Most economists and research houses foresee a mild and shallow recession in advanced economies like the United States due to its robust job market mitigated by China, the world's second largest economy, unwinding its Zero COVID-19 Policy. As for Malaysia, while the possibility of a quarterly gross domestic product moderation remains, it seems that the country could avert a recession in FY2023. However, there is still potential escalation of the Russian-Ukraine war and the widening of the rifts between China, Taiwan and the United States that could cause further global supply chain disruptions. This will then impact Malaysia given its strong reliance on global economic performances.

As published by the Malaysian Institute of Economic Research, in the 3rd quarter of FY2022 consumer confidence index rose to 98.4 points. Although this index has been increasing quarter by quarter, it remains below the optimism level, i.e. reflecting cautious spending pattern. Even though the overall financial expectations are steady as reported in the labour market, consumer sentiments are primarily vigilant due to the uncertainty in the domestic and global economy. Business conditions index also improved to 99.8 points for the 3rd quarter of 2022 as opposed to 96.2 points in the previous quarter. The stronger index is supported by robust demand for export of goods and services coupled with higher capital expenditure. Most industries anticipate a rebound and this signals a positive business outlook with unemployment rate at 3.6% for October and November 2022

As per Knight Frank's research report, Klang Valley's cumulative retail space supply increased to 67.2 million square feet for the 2nd half of FY2022 following the completions of IOI City Mall Phase II, Setia Ecohill Mall, Datum Jelatek Shopping Centre and Megah Rise Mall. At least seven new shopping centres are expected to open in FY2023 with a total nett floor area of about 3.9 million square feet. They are located in all parts of the Klang Valley with malls at least 1.0 million square feet being The Exchange TRX and Pavilion Damansara Heights. Catering to the ever-evolving consumer preferences, mall operators are adopting sustainability initiatives and leveraging on digitalization in efforts to adapt to the rapidly changing preferences. Retailers are also adopting omnichannel strategies, accelerating their digitalization processes and placing greater emphasis on convenience and accessibility to drive sales and improve engagements.

Malaysia was declared endemic from 1 April 2022 whereby almost all economic sectors were permitted to operate with certain standard operating procedures. With the full resumption of commercial and social activities, Malaysia's retail industry rebounded strongly. In the first nine months of 2022, retail sales grew 45.9% (as compared to the same period in 2021), backed by rising domestic demand. Moving forward, despite the increasing supply of retail space, higher footfall supporting retail sales growth coupled with sustained occupancy levels are expected to drive positive rental reversions. The growth momentum is, however, threatened by concerns on weaker economic outlook. Growing inflationary pressure and rising interest rate environment pose unrelenting challenges to the industry, clouding consumer sentiments and waning on their purchasing power.

Similar to the global issue, local businesses are also grappling with labour shortages experienced across all sectors including retail. With continuing labour shortages, retailers are likely to turn to automation, investing more heavily and strategically in digital infrastructure. Driven by Malaysia's steady growth of digital consumers as well as high penetration of e-wallets and digital payments, e-commerce is indispensable. Despite the resumption of physical retail, consumers expect a seamless shopping experience online and offline. With the ever-evolving retail landscape, retailers and mall operators are increasingly re-configuring their spaces and services to offer experiential retail. Retail Group Malaysia is forecasting a growth rate of 3.5% for the retail industry in FY2023.

Consumers in Malaysia continue to be cautious in their spending due to the uncertainties in the domestic and global economy of inflationary pressures, rising cost of living besides the projected slowdown in the international economy. However, despite these challenges, it is expected that domestic demand will anchor the economy amid a steady recovery in the labour market as well as further strengthening in the tourism-related sectors leading to an increase in corporate earnings. The reopening of China's borders will also attract Chinese tourists that would spur the local economy and tourism business

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

The Manager expects retail sales to normalise with Pavilion REIT malls' continuous effort in elevating their retail mix, creating immersive experiences and encouraging shopper interaction. Through festive and themed campaigns, international collaborations, first-in-Malaysia experiences, stronger tenant partnerships, celebrity appearances and rewards, Pavilion REIT malls will be able to reinvigorate a passion for shopping, dining and leisure in Malaysia for visitors.

The office market in Klang Valley remains competitive as the gap between supply and demand widens further with no immediate catalyst to boost office demand amid rising new supply. As per Knight Frank's research report, the cumulative supply of office space in Klang Valley stood at about 113.9 million square feet as of 2nd half 2022 following the completion of four buildings offering a total of 1.8 million square feet of space. By the 1st half of 2023, another seven (7) office buildings are scheduled for completion – three (3) in KL City and two (2) each in KL Fringe and Selangor, collectively adding about 5.1 million square feet of space. The three (3) office buildings to be ready soon in the KL City are PNB 1194, V2 Corporate Office Tower (Velocity 2) and Merdeka 118 Tower. The overall occupancy rate of purpose-built office space in KL City improved slightly to 67.5% from 65.5% a year before.

The Klang Valley office sector remains favourable to tenant with landlords focusing on retaining tenants through cost-cutting exercises, asset upgrading and leasing packages. The strategy for 2023 is to continue to retain good tenants with continuous upkeep of property to maintain and enhance the standard of its facilities.

Distribution policy for FY2023 is expected to be maintained as per FY2022. The Manager will continue to increase its properties' occupancy through proactive lease management and monitor operational cost to optimise efficiency.





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OUR VALUE CREATION MODEL

This year has been monumental for Pavilion REIT’s sustainability journey. The Manager aims to integrate sustainability into everything it does as it continues to improve sustainability management practices. The diagram below presents the value creation model demonstrating how it has taken into account the operating landscape, key risks and opportunities and stakeholder expectations to create value for its stakeholders.

VALUE CREATION MODEL

At Pavilion REIT, its value creation model is driven by a business model that’s on its six (6) capitals and converted by key enablers into value creation for its stakeholders.



OUR VALUE CREATION MODEL

cont'd

FOR VALUE CREATION	VALUE TO STAKEHOLDERS
<p>Governance</p> <p>Supported by effective governance and leadership of the Board</p>	<p>Outcomes/Outputs</p>
<p>Our Business Strategy</p> <ul style="list-style-type: none"> Active asset acquisition Efficient capital management Sustainability and governance Proactive asset management and enhancement 	<p>I Investing Strategically</p> <ul style="list-style-type: none"> Gross Revenue: RM 570 million Net Property Income: RM 364 million Distributable income: RM 256 million <p><i>Read more on Section 5 - I: Investing Strategically</i></p>
<p> Our Operating Landscape</p> <p> Our Stakeholders</p> <p> Our Risks & Opportunities</p> <p> Our Materiality Matters</p> <p><i>Read more on Section 4 - Our Value Creation Story</i></p>	<p>M Maintaining Good Governance</p> <ul style="list-style-type: none"> Zero cases of non-compliance on anti-bribery and corruption since FY2020 <p><i>Read more on Section 5 - M: Maintaining Good Governance</i></p>
	<p>P Practicing Responsible Environment Stewardship</p> <ul style="list-style-type: none"> Energy Intensity (kWh/m²/year): 2,709 Water Intensity (m³/m²/year): 19.0 Waste diverted from disposal: 376 tonnes <p><i>Read more on Section 5 - P: Practicing Responsible Environment Stewardship</i></p>
	<p>A Acclaiming Trusted Brand Reputation</p> <ul style="list-style-type: none"> Achieved 51 accolades from both local and international councils or associations <p><i>Read more on Section 5 - A: Acclaiming Trusted Brand Reputation</i></p>
	<p>C Caring for Local Community</p> <ul style="list-style-type: none"> Total amount invested into communities: RM0.2 million <p><i>Read more on Section 5 - C: Caring for Local Community</i></p>
	<p>T Transforming Talent Management</p> <ul style="list-style-type: none"> Employee retention rate: 90.9% Total Training Hours: 169 Zero cases of work-related injuries in 2022 <p><i>Read more on Section 5 - T: Transforming Talent Management</i></p>

OUR OPERATING LANDSCAPE

Although the Malaysian economy began its recovery in FY2022, the looming global recession due to the Ukrainian-Russia war, rising US Federal interest rates and political instability has dampened growth. There is a growing fear of a global recession in FY2023 that would further deepens financial woes and exacerbates inflation.

Pavilion REIT's operating landscape continues to be shaped by various factors such as the environment, real estate market and the global economy. To ensure business sustainability, the Manager constantly reassessed and re-evaluated its approach in identifying potential effects that may influence this ever-changing landscape for FY2023.

Key Trend 1: Macroeconomy

What happened in FY2022	How it impacts Pavilion REIT	Actions/Strategies	FY2023 Outlook
<p>The Malaysian economy reversed its previous downward trend as it expanded by 9.3% in the first 3 quarters. The lifting of the lockdown restrictions and the reopening of the Malaysian borders helped many businesses to recover from the effects of the pandemic.</p> <p>Despite the positive economy, Malaysia's headline inflation peaked at 4.5% and core inflation has increased to 3.7%. While consumer spending is still improving, the continued increase of inflation rates and rising living cost may slow economic growth in 2023.</p> <p>There is a potential global recession in FY2023 that may setback Malaysia's GDP growth. The recession will affect many different industries. Hence, it is important that industry players are prepared to minimize the impacts of the recession as much as possible.</p>	<p>The improvement of the Malaysian economy and the re-opening of Malaysian borders played a role in the improvement of Pavilion REIT's revenue growth.</p> <p>Retail Group Malaysia forecast a growth rate of 3.5% for the retail industry for FY2023. The Manager will remain cautious on the geopolitical uncertainties and potential drop in purchasing power of consumers by continuing its efforts to implement initiatives that will minimize any potential impacts to the business.</p>	<p>The Manager has started engagements with subscribers to negotiate for better terms before the renewal of Medium-Term Notes (MTNs) programmes.</p> <p>The Manager is also managing Pavilion REIT's operating cost and implementing efficient capital management strategy to ensure Pavilion REIT can navigate through any potential economic hardships.</p>	<p>The Manager expects the retail industry to normalize. Despite challenges, it is expected that domestic demand will anchor the economy amid a steady recovery in the labour market as well as further revival in the tourism-related sectors. The reopening of China's borders will also attract Chinese tourists that would spur the local economy and tourism business.</p> <p>It will continue to evaluate assets that are strategic, and ensure efficient capital management, whilst maintaining proper risk management and strong governance.</p>

OUR OPERATING LANDSCAPE

cont'd

Key Trend 2: Changing Market Preference

What happened in FY2022	How it impacts Pavilion REIT	Actions/Strategies	FY2023 Outlook
<p>Shoppers have returned to physical shopping. Malaysia's retail industry rebounded strongly with sales soaring 96.0% in 3Q2022, supported by the full reopening of the economy. For the full year of FY2022, the country's retail sales growth has been revised upwards to 41.6% from the earlier projection of 31.7%.</p> <p>Office occupancy has also seen a decrease as many companies implemented a hybrid working environment. Office occupancy has not returned back to the pre-pandemic level. Kuala Lumpur office market remains competitive as the gap between supply and demand widens further with Kuala Lumpur City occupancy averaging 67.5% during 2nd half of 2022.</p>	<p>Pavilion REIT's mall occupancy have been improving with Pavilion KL and Elite Pavilion's occupancy at 92% as at 31 December 2022.</p> <p>Pavilion Tower is Pavilion REIT's only office tower and currently its occupancy rate is at 73%, which is well above the average rate of Kuala Lumpur city.</p> <p>Overall, Pavilion REIT's performance are impacted in certain areas but remained strong for FY2022.</p>	<p>Various marketing and promotional activities are held to attract shoppers to its malls.</p> <p>The Manager implements proactive lease management to enhance the properties occupancy and tenant mix.</p> <p>The Manager also continuously evaluate potential assets that have growth potential for Pavilion REIT.</p>	<p>Pavilion REIT will continue engage and attract shoppers via festive and thematic campaigns, international collaborations, first-in-Malaysia experiences, stronger tenant partnerships, celebrity appearances and rewards.</p> <p>During the asset acquisition process, due diligence will be carried out to review its viability holistically. Besides economic return, public transportation network and accessibility, risk of flooding, and potential hazards from adjacent properties and green features such as the installation of rainwater harvesting tanks, LED lightings and clean source of energy are among the criteria that are and will be reviewed and deliberated prior to any acquisition.</p>

OUR OPERATING LANDSCAPE

cont'd

Key Trend 3: Increasing Focus on Climate Change Adaptation and Mitigation Efforts

What happened in FY2022	How it impacts Pavilion REIT	Actions/Strategies	FY2023 Outlook
<p>Climate disasters continue to rise in FY2022 with flooding occurring throughout Malaysia causing lost in revenue for many industries especially agriculture and poultry. Occurrence of landslides has increased physical risks for property developers as now lands are more susceptible to landslides.</p> <p>Physical and transition risk continue to be the main focuses for FY2022 as businesses in Malaysia which are impacted by the recent climate disasters will struggle to recover and may be force into bankruptcy.</p> <p>There is a rising awareness to the financial implication of climate change risk and opportunities. Hence businesses have started adopting climate and ESG related framework.</p> <p>At the GRESB 2022 Regional Insights in Malaysia, it is highlighted that many REITs are now using TCFD and GRESB framework for ESG-reporting with Malaysia being one of the fastest growing countries.</p>	<p>Continuous flooding had cautioned the Manager of potential risk to Pavilion REIT's properties.</p> <p>Asset acquisition will require assessment to ensure the surrounding areas are not impacted by climate disasters.</p> <p>Potential foreign investors are now looking at ESG disclosures prior to any investment which may cause REITs to lose out on investor due to failure of disclosures.</p> <p>Pavilion REITs must be ready to adapt to latest sustainability reporting standards and framework to remain competitive.</p>	<p>Pavilion REIT has subscribed to TNB's Green Tariff Scheme for Pavilion Kuala Lumpur with a quota of 20%.</p> <p>Flooding defensive measures have been implemented to prevent any potential flooding within the properties.</p> <p>In FY2022, Pavilion REIT has also started measuring their Scope 2 carbon emission in preparation towards more comprehensive climate-related disclosures.</p>	<p>Pavilion REIT plans to further pivot into renewable energy by increasing subscriptions to TNB's Green Tariff Scheme up to 50% of its consumption.</p> <p>There are plans to install Electric Vehicle (EV) charging ports at its properties to reduce carbon emissions. The Manager has also set targets to decrease both water and energy consumption.</p> <p>The Manager will plan, assess and gradually improve climate-related disclosures based on Task-Force Climate-Related Financial Disclosure (TCFD) and the GRESB framework.</p>

OUR OPERATING LANDSCAPE

cont'd

Key Trend 4: Incorporating Sustainable Initiatives into Business Operations

What happened in FY2022	How it impacts Pavilion REIT	Actions/Strategies	FY2023 Outlook
<p>REITs are pivoting towards green buildings and buildings with sustainable design to play its role in reducing its effects on climate change.</p> <p>There is a rising demand to install sustainable designs/features, that also help businesses to reduce operating cost while being sustainable.</p> <p>Recent research shown that 40% of global carbon dioxide (CO2) emission came from the real estate industry. Within that percentage, 70% of the emissions are due to building operations and the remaining 30% are due to construction.</p> <p>Hence, many REITs are using green lease to reduce building operations emission. Green lease is lease that incorporated clauses that require the owner, and the tenants undertake specific responsibilities/obligations that are related to sustainable operations such as efficient energy management, water consumption, waste management, etc.</p> <p>The US has a Green Lease Leader which more REITs committed to be part of the programme to align both owners and tenants in reducing carbon emissions and attaining ESG goals. In FY2022, the number of applications rose 26% which signified REITs pivoting towards sustainability.</p> <p>Recent research also has shown that 65% of 340 corporate sustainability professionals in Asia Pacific believe that green lease will replace conventional leases by FY2025 with green lease adoption set to double by FY2025.</p>	<p>REITs with Green Building certifications and/or green lease may be more attractive to investors, causing Pavilion REIT to lose out to potential investors or competitors.</p>	<p>Installation of rainwater harvesting & air handling unit condensate water recycling system to reduce water consumption and energy wastage.</p>	<p>Pavilion REIT has started efforts to incorporate sustainable designs/features into its current properties. The Manager will continue to assess and review the different types of sustainable designs/features that are feasible to be incorporated into its existing properties.</p> <p>The Manager is also planning and reviewing ESG requirements that could be added into its due diligence process to further enhance Pavilion REIT's vendor evaluation process such as its vendors, contractors and service providers.</p>

OUR OPERATING LANDSCAPE

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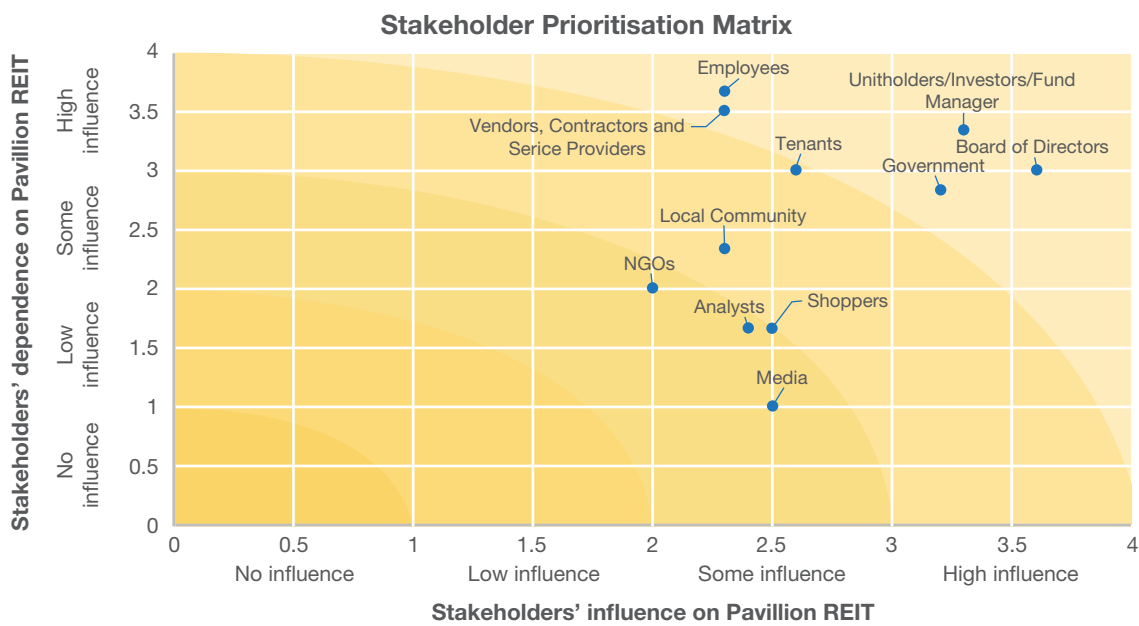
Key Trend 5: Technology and Digital Transformation

What happened in FY2022	How it impacts Pavilion REIT	Actions/Strategies	FY2023 Outlook
<p>Since the COVID-19 pandemic, REIT industry has been accelerating towards digitalisation and the increase of usage of technology in business operations.</p> <p>In the US, many REIT leaders have integrated the latest technology in their business operations to streamline operations and increase efficiency. Moreover, the use of data analytics tools allowed REITs to improve ESG goals by analysing tenants' utilities usage.</p> <p>However, there is a risk with digitalisation. Cyberattacks have increased especially the past 2 years with hackers now targeting everyone, from individuals to government. According to research done in FY2021, the average cost of a data breach is 4.24 million US dollars, the highest average cost in the research's 17-year history.</p> <p>REITs are advised to train employees and senior management on cyber security and implement procedures to protect the data of customers and the company.</p>	<p>The use of technology will speed up certain business processes which may result in tenants advancing to a more digitalised experience.</p> <p>At the same time, it will also put Pavilion REIT at a great risk of cyberattacks or data security breaches due to the large volume of customers and tenants' data held. A cyberattack would impact the REIT greatly.</p>	<p>The Manager has embarked on digitalisation through Pavilion REIT's member mobile application to encourage mall patrons to utilize the functionality of a mobile application and keep up to date with the latest news from the malls.</p> <p>The Manager has also implemented paperless initiative within the Fund to reduce paper usage and encourage digitalisation within its operations.</p> <p>The Manager continues its efforts to enhance existing IT infrastructures, conduct penetration testing on IT systems, and increase cyber security awareness among the employees.</p>	<p>The Manager plans to increase the use of technology within Pavilion REIT and to accelerate digitalisation efforts to improve business operations.</p> <p>The Manager also plans to continue its effort of enhancing its IT systems and infrastructures to meet current trends of data governance and cyber security measures.</p> <p>There is also a plan to introduce multi-factor authentication into Pavilion REIT's core IT system to further tighten security.</p>

OUR STAKEHOLDERS

The Manager recognizes the importance of a stakeholder-inclusive approach in creating sustainable value. Hence stakeholders’ perspectives are integrated into Pavilion REIT’s business operations. During the year under review, Pavilion REIT has conducted a stakeholder prioritisation exercise in which Pavilion REIT’s stakeholders were identified and prioritised with consideration of their influence and dependence on Pavilion REIT.

The stakeholder prioritisation matrix below presents the key stakeholders rated based on their influence and dependence level on Pavilion REIT.



The Manager has also conducted a stakeholder engagement survey to understand stakeholders’ views on the importance of these sustainability matters to Pavilion REIT and their expectations on the Manager’s sustainability management process. This year, the Manager has included additional stakeholder groups (e.g. board of directors, analysts and NGOs) to obtain a more comprehensive view of a wider stakeholder groups. The key feedback from stakeholder groups were analysed and presented in the table below.

Stakeholders	Why We Engage	Method of Engagement	Stakeholder’s Issues and Expectations	Our Strategic Response
Board of Directors	<ul style="list-style-type: none"> Provides oversight of business directions and make overall decisions on the Pavilion REITs strategy 	<ul style="list-style-type: none"> Annual general meeting Quarterly Board meeting 	<ul style="list-style-type: none"> Focus on the needs of ageing society Giving back to local communities Cutting down electricity consumption Developing strategic decisions for Pavilion REIT 	<ul style="list-style-type: none"> Partner with non-government organisation to give back to the local ageing communities Work closely with the Manager’s CEO in developing strategic decisions for Pavilion REIT

OUR STAKEHOLDERS

cont'd

Stakeholders	Why We Engage	Method of Engagement	Stakeholder's Issues and Expectations	Our Strategic Response
Employees	<ul style="list-style-type: none"> Involves in day-to-day operations Possesses knowledge and insights into other stakeholder groups through daily operations 	<ul style="list-style-type: none"> Training programmes Dialogue with senior management Annual performance appraisals 	<ul style="list-style-type: none"> Employee's mental health and safety Diversity and equality at work Employee retention 	<ul style="list-style-type: none"> Ensure equal opportunity for all employees without discrimination Facilitate training programmes and seminars Provide performance and career development review Improve work-related benefits and remuneration
Government	<ul style="list-style-type: none"> Sets the rules and regulations of the industry 	<ul style="list-style-type: none"> Direct dialogue Policy briefings Consultation sessions and conferences 	<ul style="list-style-type: none"> Engagement with B40 and underprivileged communities 	<ul style="list-style-type: none"> Engage with B40 and underprivileged communities through CSR events and sponsorship to promote social awareness
Unitholders/ Investors/ Fund Manager	<ul style="list-style-type: none"> Provides investment to support Pavilion REIT's growth Plays an essential role in ensuring the success of Pavilion REIT 	<ul style="list-style-type: none"> Announcements Annual general meetings Investor roadshows Electronic communication 	<ul style="list-style-type: none"> Green Energy Minimising carbon footprint Stable and sustainable returns 	<ul style="list-style-type: none"> Intensify effort in reducing Scope 2 emission through energy management Increase efforts in implementing sustainable designs across all properties such as rainwater harvesting system at Pavilion Kuala Lumpur Mall Focus on providing unitholders with stable and sustainable income streams
Analysts	<ul style="list-style-type: none"> Influences investor sentiment through industry and company analysis 	<ul style="list-style-type: none"> Announcements Analyst briefing Electronic Communication 	<ul style="list-style-type: none"> Safety of the building Energy efficiency Performance of assets Timely and transparent reporting 	<ul style="list-style-type: none"> Ensure timely release of announcements and financial results
Vendors, Contractors and Service Providers	<ul style="list-style-type: none"> Provides supplies and services to support Pavilion REIT's operations 	<ul style="list-style-type: none"> Meetings Safety briefings and workshops 	<ul style="list-style-type: none"> Fair and transparent Procurement processes and vendor selection Compliance with rules and regulations 	<ul style="list-style-type: none"> Build strong relationships with the Fund's vendors, contractors and service providers through fair treatment in all dealings Ensure compliance through routine assessments with internally prescribed standards and applicable laws and regulations

OUR STAKEHOLDERS

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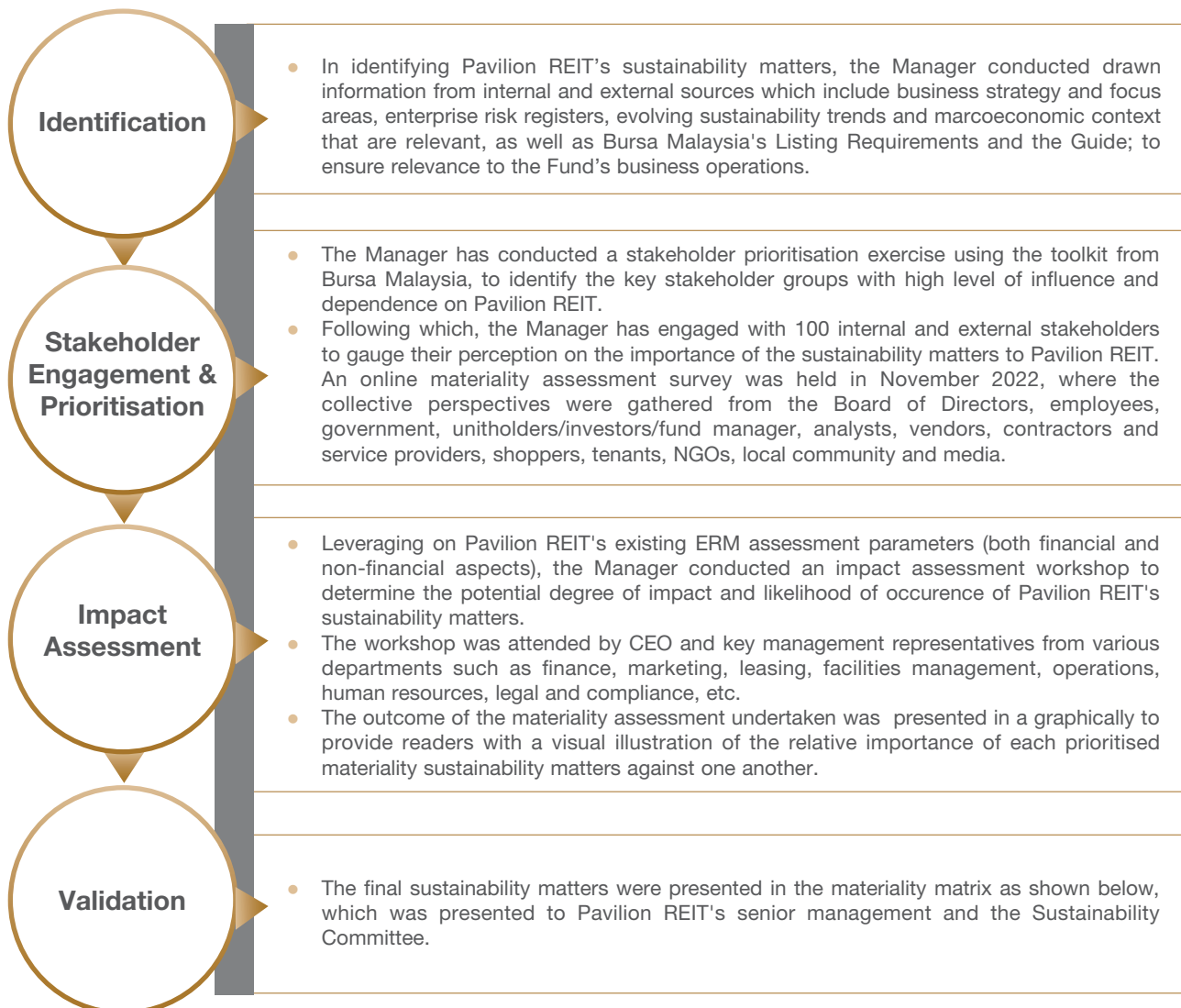
Stakeholders	Why We Engage	Method of Engagement	Stakeholder's Issues and Expectations	Our Strategic Response
Shoppers	<ul style="list-style-type: none"> Contributes to the traffic of Pavilion's malls End consumers of the value chain 	<ul style="list-style-type: none"> Festive performance and activities Promotional events Customer satisfaction surveys Information concierge 	<ul style="list-style-type: none"> Safe and conducive mall environment with good accessibility Good and diverse retail mix Promotional campaigns to enhance attraction Good connectivity to public transport and convenience in transportation 	<ul style="list-style-type: none"> Respond to feedback from customers Identifying avenues for improving the shopping experience Improve access to neighbouring amenities and transportation
Tenants	<ul style="list-style-type: none"> Provides revenue to Pavilion REIT 	<ul style="list-style-type: none"> Update on Property activities Tenant meeting 24 hours hotline help desk 	<ul style="list-style-type: none"> Good property maintenance High shopper traffic Competitive rental rates Promotional events to drive traffic Tenant engagement and support Conducive operating environment 	<ul style="list-style-type: none"> Ensure any property maintenance issues or repairs are dealt with expeditiously Provide a comfortable and safe environment with exciting retail mix to maintain high shopper traffic Collaborate with tenants on promotional campaigns
NGOs	<ul style="list-style-type: none"> Collaborative partnerships 	<ul style="list-style-type: none"> Corporate Social Responsibility initiatives Events Meetings 	<ul style="list-style-type: none"> Corporate Social Responsibilities 	<ul style="list-style-type: none"> Increase collaboration with NGOs' for charity events or activities
Local Community	<ul style="list-style-type: none"> To generate long lasting positive impacts in community 	<ul style="list-style-type: none"> Corporate Social Responsibility initiatives Relevant authorities to improve mobility and traffic congestion 	<ul style="list-style-type: none"> Community development Corporate responsibility to give back to the community and create a positive impact Strengthen community ties 	<ul style="list-style-type: none"> Continuously seek to contribute to the communities where the properties are located
Media	<ul style="list-style-type: none"> Generates impact through news coverage on Pavilion REIT 	<ul style="list-style-type: none"> Media launches Media interviews Media releases 	<ul style="list-style-type: none"> Timely and transparent communication Industry and business performance outlook 	<ul style="list-style-type: none"> Communicate consistently on developments of interest and business performance in order to propagate the Fund's brand value and ensure transparency in the eyes of the public

OUR MATERIAL MATTERS

In FY2022, the Manager undertook a refreshed materiality assessment exercise to ensure relevancy to the sustainability matters that are most important to Pavilion REIT's business and stakeholders. This full-scale materiality assessment was conducted with reference to Pavilion REIT's Enterprise Risk Management (ERM) policy as well as guidance from Bursa Malaysia's Sustainability Reporting Guide and Bursa Malaysia's Toolkit: Materiality Assessment (3rd edition). The Manager has also taken into consideration the global megatrends, both internal and external factors affecting the REIT industry.

Five (5) new sustainability matters were introduced to strengthen sustainability management and provide a more comprehensive representation of Pavilion REIT's sustainability impacts to its stakeholders and businesses. The new sustainability matters added are "Asset Acquisition and Management", "Business Ethics and Compliance", "Climate Change", "Talent Attraction and Retention" and "Human Rights Management". Based on assessment, all the "common material matters" have been covered as indicated in the Bursa Malaysia Listing Requirements.

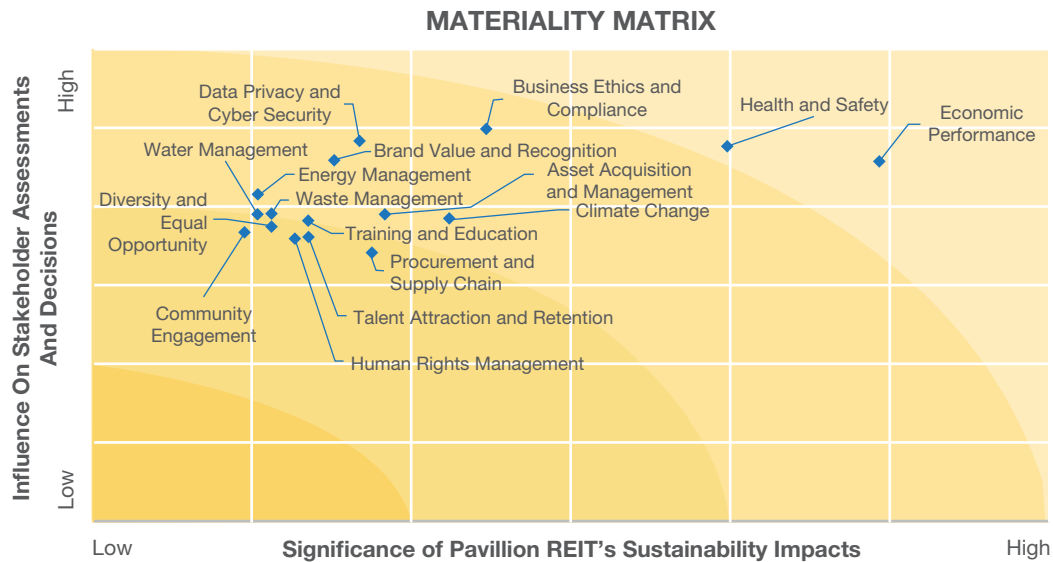
Materiality Assessment Process



OUR MATERIAL MATTERS

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The materiality matrix below presents the current material sustainability matters for Pavilion REIT.



Based on the outcome of materiality assessment (as shown in the materiality matrix on the top), the key material matters identified are as below:

High Priority

- Economic Performance
- Health and Safety

Medium-High Priority

- Business Ethics and Compliance
- Data Privacy and Cyber Security
- Brand Value and Recognition
- Climate Change
- Asset Acquisition and Management
- Energy Management
- Training and Education
- Waste Management
- Water Management

These key material matters are of high significance to Pavilion REIT’s stakeholders and business. The Manager is committed to manage these matters in a responsible way to create sustainable value for Pavilion REIT’s business and stakeholders. More details of how these material matters are managed are demonstrated in different IMPACT pillars under Section 5: Creating Sustainable Impact. The table below shows what each sustainability matter means for Pavilion REIT.

Sustainability Matters	What It Means for Pavilion REIT	Mapping to Pavilion REIT’s Risk & Opportunities	Mapping to UNSDGs	How do we manage this matter?
Economic Performance	Generating long term financial value for stakeholders and ensuring long term business growth through strategic investment	<ul style="list-style-type: none"> • Acquisition & Investment • Valuation • Credit • Tenant Concentration • Financing • Interest Rate • Business Continuity Plan 	SDG 8	Please refer to Section 5; I: Investing Strategically subsection for further details on management approach.
Asset Acquisition and Management	Ensuring sustainable value creation through strategic property management and asset acquisition	<ul style="list-style-type: none"> • Acquisition & Investment • Valuation • Financing • Interest Rate • Operational • Business Continuity 	SDG 8	

OUR MATERIAL MATTERS

cont'd

Sustainability Matters	What It Means for Pavilion REIT	Mapping to Pavilion REIT's Risk & Opportunities	Mapping to UNSDGs	How do we manage this matter?
Procurement and Supply Chain	Supporting local procurement and ensuring alignment of values during the vendor evaluation process, taking into consideration Economic, Environment, Social and Governance factors.	<ul style="list-style-type: none"> Acquisition & Investment Operational 	SDG 12	
Business Ethics and Compliance	We have a zero-tolerance approach to bribery and corruption and strive to comply to regulatory requirements and standards, whilst maintaining business integrity and ethical conduct.	<ul style="list-style-type: none"> Legal & Regulatory Compliance 	SDG 16	Please refer to Section 5; M: Maintaining Good Governance sub-section for further details on management approach.
Data Privacy and Cyber Security	Developing information technology system to maintain data privacy and secure data of stakeholders	<ul style="list-style-type: none"> Business Continuity Operational 	SDG 8 SDG 9	
Climate Change	Incorporating adequate climate change strategy and green practices in Pavilion REIT's properties to improve energy efficiency and reduce carbon emission in support of the nation's climate change agenda	<ul style="list-style-type: none"> Disaster Business Continuity 	SDG 13	Please refer to Section 5; P: Practicing Responsible Environment Stewardship sub-section for further details on management approach.
Energy Management	Striving to reduce energy consumption through energy-efficient installations and equipment and renewable energy mix to minimise environmental impact	<ul style="list-style-type: none"> Operational 	SDG 7 SDG 13	

OUR MATERIAL MATTERS

cont'd

Sustainability Matters	What It Means for Pavilion REIT	Mapping to Pavilion REIT's Risk & Opportunities	Mapping to UNSDGs	How do we manage this matter?
Waste Management	Reducing waste generated whilst having sufficient internal control and waste management system to reduce adverse environmental impacts	<ul style="list-style-type: none"> Operational Legal & Compliance Regulatory 	SDG 12	
Water Management	Establishing effective internal control and monitoring mechanism to optimize water usage and minimize environmental impacts	<ul style="list-style-type: none"> Operational 	SDG 6	
Brand Value and Recognition	Strategies to maintain brand value and recognition and increase trust and confidence amongst stakeholders	<ul style="list-style-type: none"> Tenant Concentration Financing 	SDG 8 SDG 16	Please refer to Section 5; A: Acclaiming Trusted Brand Reputation sub-section for further details on management approach.
Community Engagement	Initiatives to support and engage the local community through CSR programmes, raising awareness on social issues and promoting art and culture.		SDG 3 SDG 11	Please refer to Section 5; C: Caring for Local Community sub-section for further details on management approach.
Talent Attraction and Retention	Enhancing efforts to attract, motivate and reduce employee turnover at work through providing a rewarding working environment	<ul style="list-style-type: none"> Staff Resource 	SDG 5 SDG 8 SDG 10	Please refer to Section 5; T: Transforming Talent Management sub-section for further details on management approach.
Training and Education	Promoting high-performances work culture through continuous development and improvement of employees' skills and competencies	<ul style="list-style-type: none"> Staff Resource 	SDG 4 SDG 5 SDG 8	

OUR MATERIAL MATTERS

cont'd

Sustainability Matters	What It Means for Pavilion REIT	Mapping to Pavilion REIT's Risk & Opportunities	Mapping to UNSDGs	How do we manage this matter?
Human Rights Management	Improving human rights practices through conduct of social and human rights audit in the organization and across the value chain	<ul style="list-style-type: none"> Operational Legal & Compliance Regulatory 	SDG 8	Please refer to Section 5; T: Transforming Talent Management sub-section for further details on management approach.
Diversity and Equal Opportunity	Promoting diversity and equality at work through merit-based employment, regardless of age, gender, ethnicity and disability, religion or any other status	<ul style="list-style-type: none"> Staff Resource 	SDG 5 SDG 8 SDG 10	
Health and Safety	Establishing a safe and healthy working environment by setting up processes and policies for the prevention, detection, risk assessment and reporting of health and safety matters	<ul style="list-style-type: none"> Legal & Compliance Regulatory 	SDG 3 SDG 8	

OUR RISK AND OPPORTUNITIES

The Manager adopts a structured Enterprise Risk Management (ERM) process to identify its business risks and lessen their impact on Pavilion REIT. The core element of the process involves identification, measurement, control, constant monitoring and communication of associated risks. This allows the Manager to address and mitigate potential risks and seize any opportunities that could create value for Pavilion REIT's stakeholders and bring Pavilion REIT to greater heights. To ensure accountability, the Board maintains oversight on the identification of principal risks and ensures the implementation of appropriate control to manage these risks.

The table below is a summary of the key risks associated with Pavilion REIT mapped against identified material sustainability matters. The details of the Manager's approach and performance data are available in Section 5 of the Report.

No.	Key risks	Impact on business	Mitigation Measures	Mapping to Sustainability Matters
1	Acquisition & Investment Risk	Risk of non-accretive yield of property / investments affecting the overall performance of Pavilion REIT	<ul style="list-style-type: none"> Enhance due diligence process prior to acquiring any properties 	<ul style="list-style-type: none"> Economic Performance
2	Valuation Risk	Risk that valuation of property may not be sustainable, hence affecting Pavilion REIT's asset value, profitability, and gearing	<ul style="list-style-type: none"> Manage operating cost Explore repositioning opportunities Maximise quality shopper traffic, especially at Pavilion Kuala Lumpur and Elite Pavilion malls Active management of tenant base to optimise tenant mix and maintain high occupancy rates Continue asset enhancement initiatives to increase net lettable area and rental potential 	<ul style="list-style-type: none"> Economic Performance
3	Credit Risk	Liquidity risk of non-payment by tenants/customers	<ul style="list-style-type: none"> Conduct thorough credit evaluation and due diligence on counterparties before accepting entering into letter of offer or agreement tenants 	<ul style="list-style-type: none"> Economic Performance
4	Tenant Concentration Risk	Risk of relying on only a handful of tenants	<ul style="list-style-type: none"> Establish a leasing team which is responsible for monitoring the sales performance of its tenants Have more tenants within each property 	<ul style="list-style-type: none"> Economic Performance Brand Value Tenant Satisfaction
5	Financing Risk	Risk of not being able to obtain fresh facilities or renew its facilities when due, either from financial institution or debt capital market	<ul style="list-style-type: none"> Engagement with borrowers to discuss and negotiate better terms before renewal of financing Diversify sources of debt funding Maintain a reasonable level of debt service capability Secure favourable terms of funding Manage financial obligations 	<ul style="list-style-type: none"> Economic Performance Brand Value
6	Interest Rate Risk	Risk refers to the potential unfavourable movement in floating interest rate that will affect income before taxation	<ul style="list-style-type: none"> Manage the exposures arising from adverse market interest rates through appropriate hedging strategies. 	<ul style="list-style-type: none"> Economic Performance

OUR RISK AND OPPORTUNITIES

cont'd

No.	Key risks	Impact on business	Mitigation Measures	Mapping to Sustainability Matters
7	Business Continuity Risk	Risk of business not being able to operate at an optimal level	<ul style="list-style-type: none"> Conduct periodic review of the system and user access, or privileges of Information System and IT infrastructure to ensure the technology in use are secured and run by authorised personnel to ensure the efficient running of the IT system Regular review of potential risks, its mitigation actions and training 	<ul style="list-style-type: none"> Economic Performance Data Privacy and Cyber Security
8	Legal and Regulatory Compliance Risk	The risk that a non-compliance in required laws, rules and regulations will materially impact the operation of Pavilion REIT and its stakeholders	<ul style="list-style-type: none"> Identify and assess its exposure to bribery and corruption risks, including the identification of any emerging bribery and corruption risks every quarter Not to enter into any business dealings with third parties which are in suspect of engaging in improper business practices Conduct due diligence to verify business partners' identity/ background and to assess their bribery and corruption risks Provide training materials and training (in both English and Bahasa Malaysia) to ensure all employees understand and align with Pavilion REIT's policies and procedures Ensure all electrical installations are compliant with relevant laws and regulations Ensure full compliance with government regulations such as OSHA 1994, Fire Services Act 1988, and Electricity Supply Act 1990 Institute the Hazard Identification, Risk Assessment and Risk Control (HIRARC) into Pavilion REIT's business operations Ensure human rights practices throughout the operations 	<ul style="list-style-type: none"> Business Ethics and Compliance Waste Management Health and Safety Procurement & Supply Chain Human Rights Management

OUR RISK AND OPPORTUNITIES

cont'd

No.	Key risks	Impact on business	Mitigation Measures	Mapping to Sustainability Matters
9	Operational Risk	Risk of incurring loss resulting from inadequate procedures or existing system failure	<ul style="list-style-type: none"> Improve operational efficiency and cost effectiveness Require contractors to undergo a pre-evaluation process and KYC background check to evaluate their financial stability and ensure ethical business conducts Plan to provide Cyber-Security Awareness Program to educate its employees as well as to share knowledge sharing articles to keep all employees updated Conduct regular inspections, tests, and calibration of electrical installations to ensure they are operating efficiently and smoothly Ensure strong and effective internal control on energy, waste and water management is in place Conduct quarterly human rights audits at the foreign workers' accommodation of its security and cleaning service providers to ensure there are proper welfare for the foreign workers who work at Pavilion REIT properties Conduct verifications with the service providers to ensure that the workers are being paid the minimum wage as per the latest government regulations Provide regular training for ground staff on flood mitigation and control measures, which include the use of floodgates and sandbag 	<ul style="list-style-type: none"> Data Privacy and Cyber Security Energy Management Waste Management Water Management Human Rights Management Procurement & Supply Chain Climate Change
10	Disaster Risk	Risk of loss and damage due to incidents arising from natural disaster	<ul style="list-style-type: none"> Implement flood mitigation mechanism and training besides installation of flood defence equipment such as pump drainage systems at properties All properties under Pavilion REIT has their own emergency response and crisis management team 	<ul style="list-style-type: none"> Climate Change
11	Staff Resource Risk	Risk of not being able to attract and retain capable staff	<ul style="list-style-type: none"> Hiring process is based on merit and credibility regardless of background Proactively review and improve the current employee-related benefits remuneration Provide learning & development programmes that involve reskilling and upskilling programmes for employees Enforce a Whistleblowing Policy for employees to report any unethical practices, discrimination, and harassment anonymously Practice diverse and inclusive hiring process regardless of employee background 	<ul style="list-style-type: none"> Talent Attraction and Retention Training and Education Diversity and Equal Opportunity

OUR INVESTMENT STRATEGY

As the Manager paves the way to achieving Pavilion REIT's vision, which is to be the leading and most sought after REIT in Malaysia, the Manager recognises the importance of integrating sustainability into Pavilion REIT's business operations and embrace a top-down approach which focuses on the "Creation of Impact" to its stakeholders and the environment. With this in mind, the Manager has reviewed Pavilion REIT's business strategies as follows:





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REITs and the real estate industry are fundamental in building up the infrastructures of our nation. We are well positioned to take a leadership role in strategic investment, good governance, environmental stewardship and responsible social practices within our society and nation. In today's business landscape, creating continuous sustainable value requires a comprehensive and integrated approach that serves all stakeholders, including investors, tenants, employees, and local communities. Businesses are required to address and manage the full range of sustainability risks and opportunities. With the rapid increase of concern within REIT's stakeholders, it is vital for REITs and real estate industry to accelerate their sustainability journey.

At Pavilion REIT, the Manager constantly seek ways to create a sustainable impact to Pavilion REIT's business and stakeholders. In this section, we describe the efforts and performance in managing sustainability matters which are categorised into the below sub-sections.

I : Investing Strategically

- *Describing efforts to manage economic-related sustainability matters – Economic performance, asset acquisition and management, procurement and supply chain.*

M : Maintaining Good Governance

- *Describing efforts to manage governance-related sustainability matters – Business ethics and compliance, data privacy and cyber security.*

P : Practicing Responsible Environmental Stewardship

- *Describing efforts to manage environmental-related sustainability matters – Climate change, energy, waste and water management.*

A : Acclaiming Trusted Brand Reputation

- *Describing efforts to maintain Pavilion REIT's brand value and recognition.*

C : Caring for Local Community

- *Describing efforts to manage community-related sustainability matters – Corporate social responsibility and community engagement.*

T : Transforming Talent Management

- *Describing efforts to manage talent-related sustainability matters – Talent attraction and retention, training and education, human rights management, diversity and equal opportunity, health and safety.*

I: INVESTING STRATEGICALLY

ECONOMIC PERFORMANCE

Pavilion REIT remains committed to creating long-term financial values for all its stakeholders. As one of the largest real estate investment trusts in Malaysia, Pavilion REIT contribute to the Malaysian economy through our strategic investment strategy which involves a diversified portfolio of income-producing real estate assets across Malaysia. The Manager oversees operating cash flows, financing arrangement, investment, and debt maturity profile to ensure the generation of economic value through its performance.

In addition, Pavilion REIT has observed various positive indirect socio-economic impacts derived from its operations which include the growth of small-medium enterprises within its properties which led to an increase in job opportunities for the surrounding neighbourhoods in the areas where it operates.

Separately, the Manager has also held various community development and enhancement programmes for the local community. These philanthropic programmes aim to support the underprivileged communities, which include youth and women, to improve their welfares. More information on how Pavilion REIT creates indirect economic value for its stakeholders can be found in the “Caring for the Community” section.

Creating Economical Values for Stakeholders

The Manager aims to develop strategic key initiatives to create economical values which can lead to better economic performances. The table below shows the key initiatives that was implemented by Pavilion REIT with the economical values created:

Key Initiatives	Value Created
<p>Renewal of Medium-Term Notes (MTNs) matured during the year Engagement with subscribers to negotiate better terms before renewal of MTN programs</p>	<ul style="list-style-type: none"> Pavilion REIT maintains financing cost at a manageable level
<p>Proactive lease management Through proactive lease management, new tenants are brought in</p>	<ul style="list-style-type: none"> Pavilion REIT enhances properties occupancy and tenant mix
<p>Marketing promotions and activities Formed partnerships with event sponsors or be a venue sponsor for events such as livestreaming of football matches</p>	<ul style="list-style-type: none"> Pavilion REIT brings in shoppers into the malls through marketing and promotional activities, thus increasing retail sales and car park income which may lead to better percentage rent
<p>Managing operating cost Efficiency in operational management and regular upkeep</p>	<ul style="list-style-type: none"> Pavilion REIT manages operating cost to mitigate downtime in the event of major breakdown or equipment failure
<p>Asset enhancement Development of the glass kiosks outside Fashion Avenue and Zone A development at Pavilion KL</p>	<ul style="list-style-type: none"> Pavilion REIT utilizes asset enhancements to create new spaces in the mall to lease out to tenants

I: INVESTING STRATEGICALLY

cont'd

The pandemic and lockdown restrictions proved to be a challenge for Pavilion REIT which recorded a decrease of 4.2% in revenue in FY2021 as compared to FY2020. With the lifting of lockdown restrictions and opening of the Malaysian border, Pavilion REIT saw improvements and recorded a growth of 16.6% in FY2022 as compared to FY2021. Although the economic value distributed increased 19.3% in FY2022, it is able to also increase the economic value retained by 6.3%.

Economic Performance	FY2020 (RM'000)	FY2021 (RM'000)	FY2022 (RM'000)
Direct Economic Value Generated (Revenue)	510,220	488,591	569,691
Economic Value Distributed			
- Operating Costs	260,306	235,724	189,227
- Employee Wages and Benefits	-	-	-
- Payments to Capital Providers	125,842	134,662	255,811
- Payments to Government	16,390	16,245	16,263
- Community Investments			
Economic Value Retained	107,682	101,960	108,390

ASSET ACQUISITION AND MANAGEMENT

Pavilion REIT's core activity is to invest in income-producing real estate assets, which are solely used predominantly for retail purposes in Malaysia and other countries within the Asia-Pacific region, with the objective of providing its unitholders with regular and stable distributions while achieving long-term growth in the net asset value based on an appropriate capital structure.

Achieving Investment Objective Through Various Strategies

The primary objective of Pavilion REIT is to provide unitholders with regular and stable distributions and achieve long-term growth in net asset value per unit and maintaining an appropriate capital structure, while balancing stakeholders needs.

The Manager intends to achieve the investment objective of Pavilion REIT through the following strategies:

- (i) **Actively pursuing acquisition opportunities in accordance with the authorised investments, as permitted for under the REIT's Guidelines ("Authorised Investments"), of Pavilion REIT**
 - acquire yield accretive income-producing properties
 - explore repositioning opportunities
- (ii) **Pursuing an efficient capital management strategy**
 - diversify sources of debt funding
 - maintaining a reasonable level of debt service capability
 - securing favourable terms of funding
 - managing financial obligations
 - managing the exposures arising from adverse market interest rates through appropriate hedging strategies.
 - actively managing the range of maturities to reduce refinancing risk and optimise the cost of capital
- (iii) **Improving overall quality of assets through regular asset enhancement initiatives ("AEIs")**
 - Implementing other energy efficiency initiatives including replacing existing metal halide lighting with LED;
 - Upgrading existing security cameras and panic button system;
 - Upgrading existing chiller system; and
 - Enhancing other physical attributes of the mall building such as refurbishment of toilets and other public facilities including replacement of part/controllers of the lifts/escalators.

I: INVESTING STRATEGICALLY

cont'd

A New Green Horizon

As a continuous effort from the previous year, Pavilion REIT remains committed to implement and improve sustainability measures after asset acquisitions. The Manager continues to be on the look-out for green building designs during the due diligence process and prioritise buildings with green features such as installation of rainwater harvesting tanks, LED lights and/or solar panels. Apart from that, public transportation network and accessibility, risk of flooding, potential hazards from adjacent properties or lands are among the criteria that are being reviewed and deliberated prior to any acquisition.

Moving forward, Pavilion REIT hopes to expand the ESG-related investment criteria by expanding the due diligence checklist and processes. The Manager is looking to incorporate some of the ESG criteria, such as waste management and water consumption by current tenants, into its acquisition feasibility review in the future.

PROCUREMENT AND SUPPLY CHAIN

At Pavilion REIT, the Manager understands the importance to ensure ethical and transparent behaviour and responsible dealings with vendor by promoting best practices. This year, the Manager plans to embark on the journey to increase ESG awareness and include ESG consideration in its vendor evaluation process as part of the strategic plan to create sustainable impact. The approach applies to all business partners that contributes to Pavilion REIT's business and maintenance of its assets, including vendors who offer services such as property management, building maintenance, landscaping, security, marketing and promotions of products or services.

Pavilion REIT has established the Vendor Code of Conduct which outlines its expectation to ensure business integrity and ethics as well as responsibility towards the environment, health, safety and labour practices. Vendors are expected to maintain ethical and professional conduct in all business dealings with integrity, honesty, transparency and accountability for the services provided.

The Manager also strive to promote best practices and maintain a zero-tolerance approach against all forms of bribery and corruption. All Pavilion REIT vendors are required to comply with Pavilion REIT's Anti-Bribery and Corruption Standard Operating Procedure and Policy by acknowledging on "Declaration of Integrity". Vendors are also encouraged to report all misconduct through an independent platform operated by a third party.

In FY2022, there are zero (0) cases of non-compliance incidents recorded resulting from Vendor Code of Conduct.

Vendor Evaluation

In line with the effort to enhance transparency in vendor selection and to ensure a sustainable value chain, the Manager is considering the inclusion of ESG related factors as part of the overall assessment of existing and new vendors. All contractors would be required to undergo a pre-evaluation process and 'know your customer' background check to evaluate their financial stability and ensure ethical business conducts.

Due diligence has been conducted based on the following criteria:

1. Quality & compliance – technical expertise and specifications requirements, product certification
2. Price – competitiveness of price, potential cost variations
3. Prompt delivery – prompt and reliable delivery
4. Service – requirements and suitability, past experiences and track record
5. Support – product and service delivery, capability to provide support
6. ESG factors – vendors who are aligned to Pavilion REIT's requirements/expectations on ESG-related factors such as climate change, labour practices, data privacy and community development will be preferred.

Assessment of existing vendors' will be conducted once every 2 years. Vendors who failed the evaluation (with a score of less than 50 marks) will either be suspended or removed from the approved vendor list.

I: INVESTING STRATEGICALLY

cont'd

Local Procurement

Pavilion REIT is committed to supporting local companies as part of its efforts to contribute to a stable local economy and establishing good relations with the local business community through local procurement. In FY2022, more than 99% of its vendor services are procured locally, with the remaining spent on international service providers for information technology, marketing and promotional purposes. The proportion of spending on local suppliers is similar to last year.

Total procurement from local suppliers

Proportion of spending on local suppliers

>99 % since FY2019




Moving forward, Pavilion REIT will continue to engage its business partners to improve commitment towards a sustainable supply chain by setting up policies and procedures for vendors/suppliers/contractors declare their commitment related to ESG initiative program. Pavilion REIT will also monitor new and existing suppliers from an ESG perspective and prioritize suppliers with best practices during the vendor evaluation assessment.

M: MAINTAINING GOOD GOVERNANCE

BUSINESS ETHICS AND COMPLIANCE

The Manager recognises that upholding strong governance, ethics and integrity is critical to Pavilion REIT’s long-term success, which is founded on building and safeguarding the trust that the unitholders and stakeholders have placed in Pavilion REIT. Whilst complying with the applicable laws and regulations, Pavilion REIT is committed to high standards of governance, ethics, and integrity, as well as adopt a zero-tolerance stance on bribery, corruption, and fraud. Hence, the Manager has developed and implemented relevant policies throughout Pavilion REIT.

As part of our commitments, the Manager prohibits all forms of bribery, corruption and facilitation payments to or from third parties. Communication is crucial in creating awareness of the policies amongst employees, third parties and business acquaintances. Anti-Bribery & Corruption Policy, Whistleblowing Policy and Code of Conduct & Ethics are made publicly available and appropriately communicated to all parties, which are also available on Pavilion REIT’s website, i.e. www.pavilion-reit.com.

 <p>Anti-bribery & Corruption Policy</p>	 <p>Whistleblowing Policy</p>	 <p>Code of Conduct & Ethics</p>
<ul style="list-style-type: none"> sets out relevant statements against bribery and corrupt practices which extends to the board of directors, employees, tenants, vendors, and suppliers. The policy shall be reviewed at least once every 3 years 	<ul style="list-style-type: none"> provides a proper avenue and mechanism for stakeholders to raise concerns about improper conduct. in cases that require further investigation, the Manager will ensure the reporting stakeholder will be protected from retaliation or subsequent discrimination for whistleblowing in good faith. 	<ul style="list-style-type: none"> serves as guidance for all parties when dealing with Pavilion REIT. promotes and guides the Manager’s Directors, management and employees in embracing our objectives.

Reducing Our Exposure to Bribery and Corruption Risks

Every quarter, the Manager will identify and assess its exposure to any emerging bribery and corruption risks. The outcome of this assessment will be documented in Pavilion REIT’s enterprise risk register. Any occurrence of bribery or corruption will be documented with the corresponding corruption risk assessment, alongside the impacts, root causes, gaps and rectification measures to prevent a recurrence.

The Manager will not enter any business dealings with parties which are suspected to be engaging in improper business practices. Prior to entering a business relationship with Pavilion REIT, due diligence is conducted to verify their identity/ background and to assess their bribery and corruption risks.

To ensure that all employees understand Pavilion REIT’s policies and procedures, training materials and trainings were given in both English and Bahasa Malaysia. The Manager also considers various means to communicate the Anti-Bribery & Corruption Policy and procedures to employees through annual training:

- Communicating issues on bribery and corruption including any relevant laws and regulations;
- Publicizing “lessons learned” out of bribery and corruption cases prosecuted by the authorities;
- Sharing of information on the common bribery and corruption modus operandi (mode of operating)

M: MAINTAINING GOOD GOVERNANCE

cont'd

During the reporting year, training sessions on anti-corruption were conducted with 100% of the Manager's Board and 89% of its employees completed the trainings. There are zero (0) reported incidence of corruption since FY2020, i.e. the inception year of the policy and procedure.

Communication and training about anti-corruption policy and procedure		
		2022
1. For the Board	Number	12
	%	100
2. For the employees	Number of trainings	Once every 2 years
	%	89

The Manager will regularly review and enhance the policy and procedure to ensure compliance with the Malaysian Anti-Corruption Commission Act 2009.

DATA PRIVACY AND CYBER SECURITY

Businesses have been focusing on Data Privacy and Cyber Security as digitalisation has become an integral part of any business to adapt to the ever-changing world. An increasingly connected global economy coupled with the rapid advancement of digital technology has also amplified concerns around the risk of cyber security threats as well as security of data information processed by the organisation.

With the aim to protect Pavilion REIT's business and stakeholder's data and information against cyber-attacks, the Manager is working towards strengthening the in-house cyber security system and procedures through enhancement or development of policies on areas such as data classification and retention, webinar policy, equipment refreshment policy and procedures, etc. The Manager understands that the key to protecting data privacy and cyber security is through good cyber security governance and strong IT infrastructure.

IT Infrastructure and information systems are the heart of Pavilion REIT's operations. The IT department ensures that in-house IT equipment, systems and data are well managed and secured. All employee is responsible for protecting Pavilion REIT against cyber security risks. All employees are not allowed to expose confidential information to external parties without authorisation. Additionally, vendors who wish to make changes to any IT aspects and system parts should come from certified and professional entities with an authorisation given by Pavilion REIT.

Key Initiatives to Protect Pavilion REIT's Data

The Manager strives to enhance Pavilion REIT's information security system to safeguard its data against cyber threats. Hence, the Manager has conducted periodic review of system and user access, or privileges of information system and IT infrastructure to ensure technology in-use are secured and managed by authorised personnel to ensure the efficient running of the IT system. System patches are also applied onto most IT servers and computers to improve the security and to mitigate all possible security gaps.

The Manager foresees the importance of IT security awareness to staffs across all levels. Hence training programmes or seminars on cyber security are to be organised annually. As Pavilion REIT encourages the use of digital copies for viewing, approving and digital signing of working documents, IT will ensure that the training programmes should foster a strong cyber security awareness among employees which can prevent any potential data privacy breach. Currently, knowledge sharing articles are send out all year round to keep all employees updated on any in-trend topics about cyber security and new technology.

Through understanding about the existence of new technologies and the benefits of the IT tools helps the organization in streamlining its business processes to achieve better productivity.

M: MAINTAINING GOOD GOVERNANCE

cont'd

Protecting Against the Rising Cyber Risks

As the COVID-19 pandemic has accelerated the digitalisation of businesses, the risks of cyber security threats are unprecedentedly high. It is essential that the Manager acts strongly in mitigating these risks. Therefore, the Manager has envisioned numerous plans across short, medium and long-term:

Short-term plan (1 to 2 years)	Medium-term plan (2 to 5 years)	Long-term plan (More than 5 years)
<ul style="list-style-type: none"> ■ Review, update and strengthen IT security policies, physical security & end-point protection solution to reflect current business adoption ■ Conduct penetration testing exercises ■ Conduct cyber security awareness training to educate employees on importance of cyber security ■ To have a centralized and standardized data governance practice ■ To explore the implementation of network management solution for better IT overview and management 	<ul style="list-style-type: none"> ■ To apply more of multi-factor authentication (MFA) or two-factor authentication (2FA) methods to most core information systems for security tightening. ■ Explore and plan to implement more e-Services for better productivity. ■ To maintain continuous improvement on cyber security portion to meet audit compliances. 	<ul style="list-style-type: none"> ■ To gradually migrate enterprise-based system to cloud ■ To create a paperless business environment ■ To lower Pavilion REIT's IT assets ownerships

P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

CLIMATE CHANGE

The Manager is aware on how climate change continues to impact livelihoods of people in Malaysia as torrential rainfalls, heatwaves and flooding are becoming more frequent and intense. At the COP27, Malaysia has reaffirmed its efforts to fight climate change and is currently planning and reviewing Long-Term Low Emissions Development Strategy (LT-LEDS) to determine net-zero emission targets and sustainability goals for the country by year 2050.

The Manager is committed to play its part in helping Malaysia achieve its sustainability goals. Hence, the Manager has formed a Sustainability Committee at the Board level where bi-annual meetings are to be held to discuss and review ESG initiatives and implementations. The Manager continues its efforts to minimize any adverse impact on the environment by adopting sustainable and environmentally practices within Pavilion REIT as well as explore new avenues to reduce carbon emissions, consumption of energy, water and generation of waste at Pavilion REIT's properties.

In recent years, Malaysia has been experiencing severe flooding across the country because of climate change. Pavilion REIT has standard operating procedures (SOPs) for handling flooding incidents in the event of a flash flood around its properties. In the event of a flash flood, the ground staffs will close the floodgate at certain identified car park ramp at the properties (e.g. at Pavilion Kuala Lumpur Mall and DA MEN Mall), vacuum and flush the flood water inside the properties. Where required, sandbags will be placed at the affected mall entrances to prevent further flood water from entering the mall. The ground staffs will guide patrons to evacuate via the nearest car park exit if the situation deteriorates.

Upholding Our Commitments Towards Climate Change

The Manager is proactively developing initiatives and implementing them to enhance Pavilion REIT's commitments to reduce its carbon footprints. The following are the initiatives that the Manager has implemented during the year:

Implementing flood mitigation mechanism and installing flood defense equipment such as sump pump drainage system at the properties
Providing regular training for ground staffs on flood mitigation and control measures, which include use of floodgate, sand bag and flood boom/stop/socks
Subscribing to Tenaga Nasional Berhad's (TNB) Green Energy Tariff (GET) scheme for Pavilion Kuala Lumpur Mall to pivot towards green energy
Replacing 2 chiller systems with more efficient systems at Pavilion Kuala Lumpur Mall to reduce energy consumption

During the year under review, Pavilion REIT has recorded a decrease in the total Scope 2 emissions as compared to FY2019. The Manager continues to intensify its effort in reducing Scope 2 emission through initiatives in energy management.

Scope 2 GHG emission (tCO₂eq/MWh)

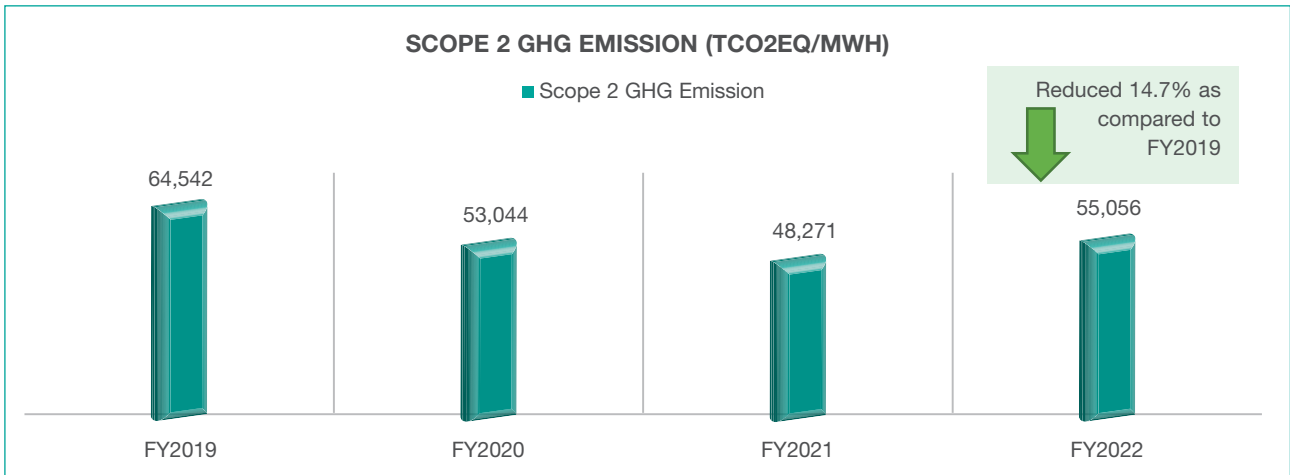
Scope 2 GHG emission (tCO ₂ eq/MWh)	FY2019	FY2020	FY2021	FY2022
Total Scope 2 GHG Emission	64,542	53,044	48,271	55,056

Note:

- The emission factor used for Scope 2 GHG emission (purchased electricity) is 0.585, which are derived from 2017 CDM Electricity Baseline by Malaysia from Malaysia Green Technology Corporation (MGTC).
- The total of scope 2 emission includes emission across common areas of Pavilion Kuala Lumpur Mall, Elite Pavilion Mall, Pavilion Tower, Intermark Mall and DA MEN Mall.

P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP cont'd

Scope 2 GHG Emission Chart



GHG Emission Intensity experienced an increase in FY2022 when compared to FY2021 as business activities resume post COVID-19 pandemic.

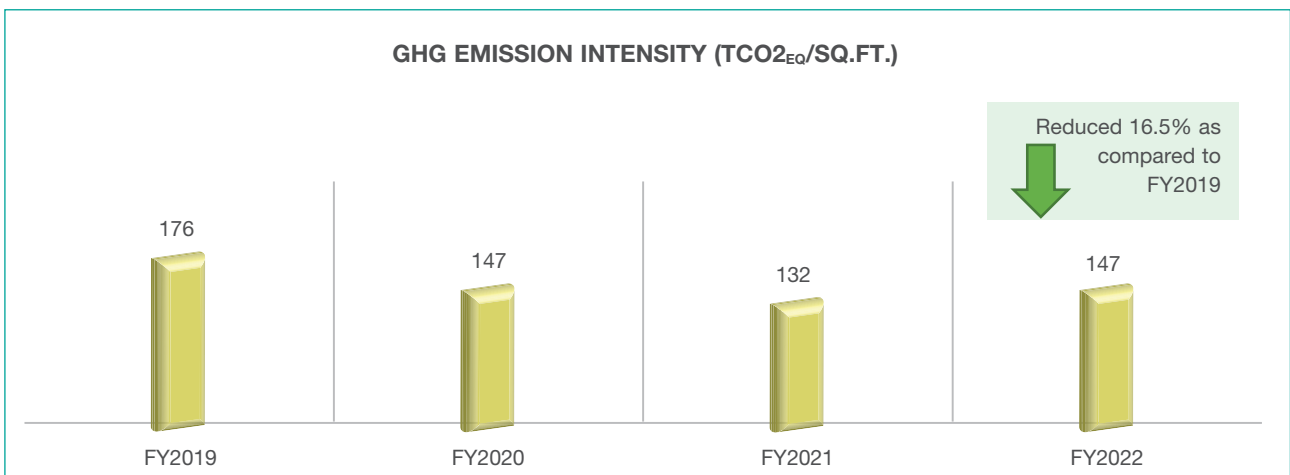
GHG Emission Intensity (tCO2eq/sq.ft.)

Total GHG Emission Intensity (tCO2eq/sq.ft.)	FY2019	FY2020	FY2021	FY2022
Total GHG Emission Intensity	176	147	132	147

Note:

1. GHG emission intensity is calculated from Scope 2 emission across the common areas of Pavilion Kuala Lumpur Mall, Elite Pavilion Mall, Pavilion Tower, Intermark Mall and DA MEN Mall.

GHG Emission Intensity Chart



Intensifying Our Climate Change Efforts In the Near Future

The Manager has envisioned short-term climate change initiatives for Pavilion REIT to adopt more green measures at its properties to reduce carbon footprint and Greenhouse Gases (GHG) emissions with a current focus on green energy. This includes subscribing up to 50% of the GET scheme quota for Pavilion Kuala Lumpur Mall, Pavilion Tower, and Intermark Mall. The Manager is also exploring the feasibility of Electric Vehicle (EV) carparks bays at Pavilion REIT’s properties which allows them to pivot to the use of renewable energy while encouraging shoppers to reduce their carbon footprint and GHG emissions.

P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

ENERGY MANAGEMENT

Pavilion REIT's properties are proactively working towards operating sustainably in line with the Manager's sustainability commitments which include minimizing any adverse impact on the environment by adopting sustainable energy management measures to reduce energy consumption and use green energy as an energy source.

The facilities management under the Manager have implemented operational procedures to ensure the energy consumption of Pavilion REIT properties are managed efficiently and comply to the relevant regulations.

1 Measure and Inspect

Pavilion REIT conduct regular inspections, tests and calibration of electrical installations to ensure they are operating efficiently and smoothly. Energy consumption at each property is measured and monitored on a regular basis for any anomaly. In the effort to prevent excessive energy losses involving piping insulation and duct system insulation and to prevent condensation under certain conditions, random inspections are conducted to ensure there are no air leakage and water leakage under any circumstances. These procedures ensure optimum usage and reduce any impact to environment due to wastage of resources.

2 Fix and Maintain

Upon detection of any anomaly, they will be investigated and corrective action will be promptly taken to resolve any issues. Energy maintenance have been implemented, which is maintenance of all systems that uses or affect energy usage. The energy maintenance includes routine maintenance tasks such as yearly chiller oil change, using thermography infrared for electrical installation as well as cleaning and servicing of electrical components.

3 Monitor

Building Automation System (BAS) is used to monitor system performance for air conditioning system efficiency. BAS also monitors the sub-metering of building systems to track energy consumption of major equipment and other end use application, for example, by categorizing load into building systems such as chillers, tenant and landlord.

4 Compliance

Pavilion REIT ensures all electrical installations are compliant with the Electricity Supply Act 1990 (Act 447), Electricity Regulations 1994 with relevant certificates and licenses for their operation. Regular inspections are conducted at each property by an independent Certified Supervising Engineer who is registered with Energy Commission. All properties are managed by certified Chargeman and Energy Manager which is required in accordance with the Electricity Supply Act 1990 (Act 447).

Key Initiative related to Energy Management

The Manager is proactively exploring viable energy efficient applications and initiatives for implementation. To date, Pavilion Kuala Lumpur Mall has replaced two (2) units of chillers with more energy efficient chillers including new supporting cooling towers which reduces energy consumption and keeps operating cost at an optimum level.

Through the Green Electricity Tariff (GET) scheme, Pavilion REIT source 20% of its electricity usage at Pavilion Kuala Lumpur Mall from renewable energy sources. A target has been set to procure up to 50% of the GET quota for Pavilion Kuala Lumpur Mall, Pavilion Tower and Intermark Mall upon availability of more GET quotas.

P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP cont'd

Currently, the malls are using electric lighting control system for all perimeter zones across the properties to centralize lighting which optimises energy efficiency.

Investment have also been made into the installation of Ultraviolet Germination Irradiation (UVGI) system across all the AHUs at Pavilion Kuala Lumpur Mall, Pavilion Tower, and Intermark Mall. These installations provide sterilisation of the outdoor air, hence improving the quality of the indoor air of the properties. Moreover, it improves the heat transfer efficiency of the AHUs which reduces energy consumption.

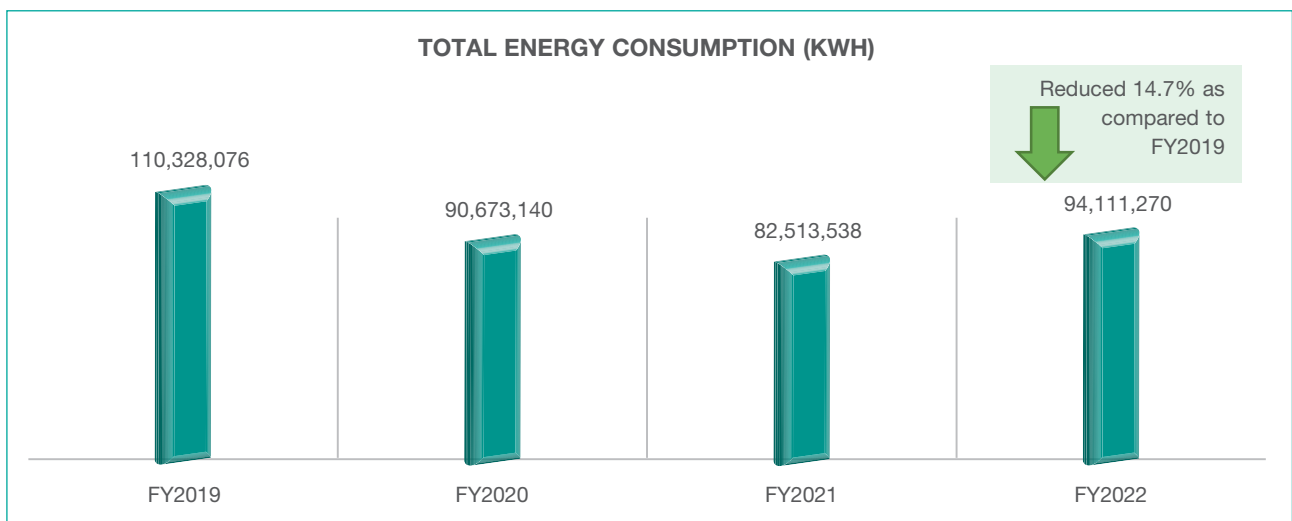
During the reporting year, the overall energy consumption across all properties shows a downward trend of 14.7%, as compared to pre-pandemic position. The notable decrease in both FY2020 and FY2021 were due to the lockdown restrictions. The Manager is pleased to disclose that even after the lifting of those restrictions, the properties have continued to reduce energy consumption through effective management and implementation of energy efficient appliances.

Energy Consumption Data

Total Energy Consumption (kWh)	FY2019	FY2020	FY2021	FY2022	Target of reduction
Total Energy Consumption	110,328,076	90,673,140	82,513,538	94,111,270	Reduce energy consumption by 3% per annum over the next 3 years based on pre-pandemic position
Total (Energy Intensity)	3,235	2,696	2,435	2,709	

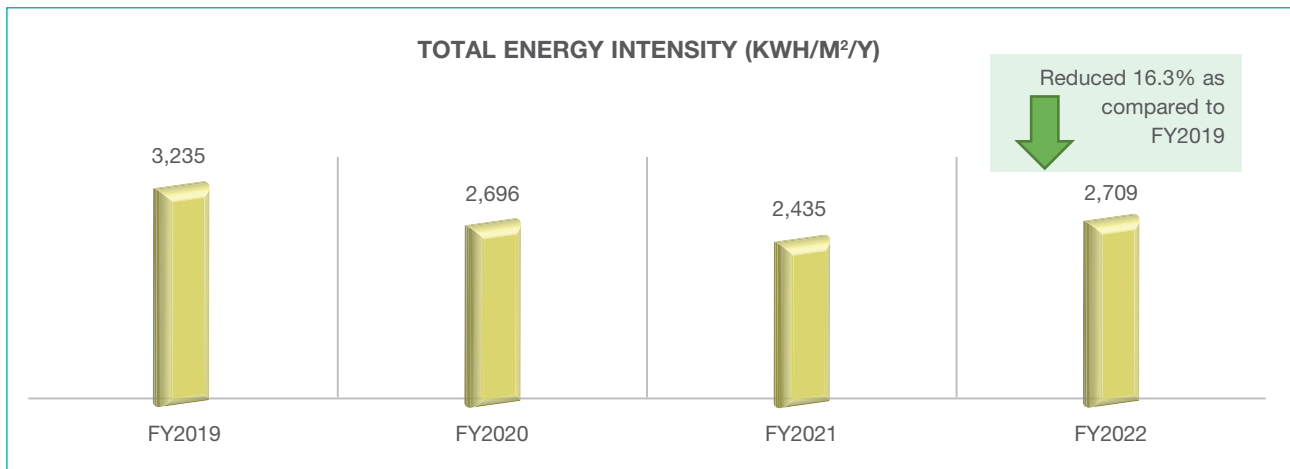
Notes:

1. Percentage of reduction is calculated based on the comparison with pre-pandemic position – FY2019 to allow a full set of data which is complete and representative without being affected by COVID-19 pandemic.
2. The total energy consumption includes electricity consumption across common areas of Pavilion Kuala Lumpur Mall, Elite Pavilion Mall, Pavilion Tower, Intermark Mall and DA MEN Mall.



P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd



Our Energy Reduction Target

Despite the lockdown restrictions, the Manager have successfully achieved electricity consumption target in FY2020, FY2021 and FY2022 with reduction of more than 3% per annum as compared to pre-pandemic position. Moving forward, the Manager is committed to accomplish further energy reduction by another 3% per annum over the next 3 years, across all Pavilion REIT's properties. The Manager will continue to monitor energy consumption levels and trends to ensure the target is achieved.

WATER MANAGEMENT

The Manager understands the significance of scarcity of water supply in Malaysia especially after water disruptions caused by water shortages, dry seasons and river pollution had affected its operations. Water plays a critical role in daily operations to ensure all properties are functional and meet the health and safety regulations as well.

Efficient water management is one of the many sustainable strategies that the Manager is committed to implement within Pavilion REIT properties to reduce any form of water wastage and minimize impacts on the environment.

The Manager has procedures to ensure strong effective water management is in place to optimize water usage and minimize environmental impact due to water wastage, as well as to detect any potential pollutant inside the water pipes or reservoir.

Operations monitors water consumption at each property for any anomaly daily. If any anomaly is detected, an investigation will be launched and corrective action will be promptly taken to address the anomaly.

Current initiative is to reduce water consumption across all properties. During the progressive toilets refurbishment works at Pavilion Tower, water-efficient fittings, such as sensor activated sink faucet, have been installed to further reduce water wastage and water consumption among tenants.

The Manager has started adopting different approach towards optimizing water usage and minimizing water disruptions within Pavilion REIT. The installation of rainwater harvesting system at Pavilion Kuala Lumpur Mall, Pavilion Tower and Intermark Mall is the one of the two new initiatives that the Manager has implemented. The other initiative is the installation of air handling unit (AHU) condensate water recycling system at Pavilion Kuala Lumpur Mall and Intermark Mall. The Manager will continue to evaluate viability of these installations at the other properties.

P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

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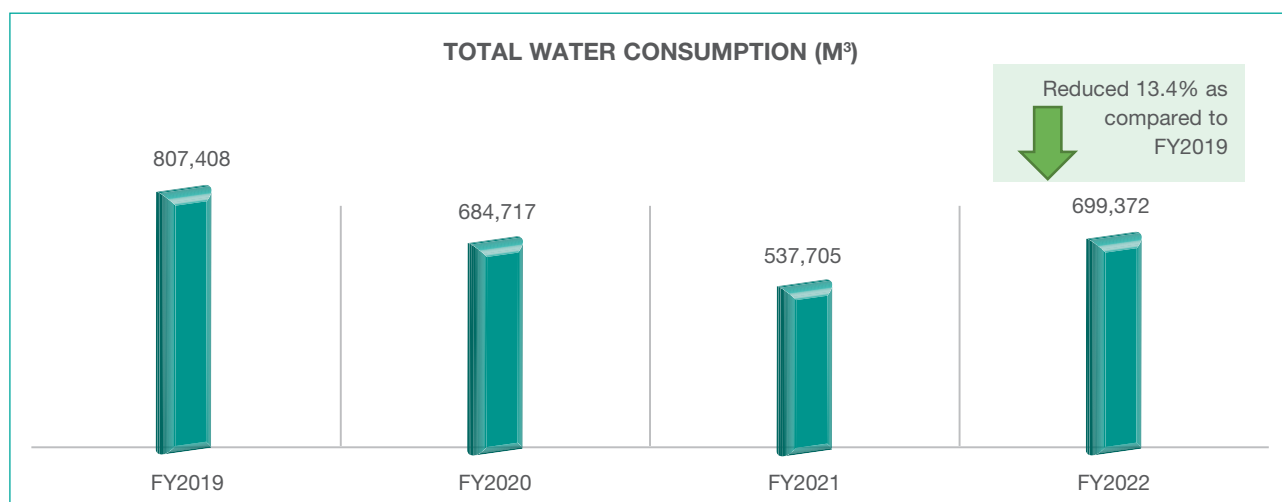
Water Management Data

Pavilion REIT's properties continue to see a downward trend on the total water consumption across all properties based on pre-pandemic position including the years which the lockdown restrictions were in effect. The Manager addresses this increment with the implementation of rainwater harvesting system at Pavilion Kuala Lumpur Mall.

	Water consumption total (m ³)				Average Water Use Intensity	Target of Reduction
	FY2019	FY2020	FY2021	FY2022		
Total water consumption	807,408	684,717	537,705	699,372		Reduce its water consumption by 2% per annum over the next 3 years based on pre-pandemic position
Total water intensity	22	20	15	19	19	

*Note:

1. Percentage of reduction is calculated based on the comparison with pre-pandemic position – FY2019 to allow a full set of data which is complete and representative without being affected by COVID-19 pandemic.
2. The total water consumption and water intensity covers across common areas of Pavilion Kuala Lumpur Mall, Elite Pavilion Mall, Pavilion Tower, Intermark Mall and DA MEN Mall.



The Manager started the water recycling initiative for Pavilion REIT in FY2020 and it has seen a steady increase in FY2021. The current records for FY2022 indicated that Pavilion REIT is on track to increase amount of water recycled.

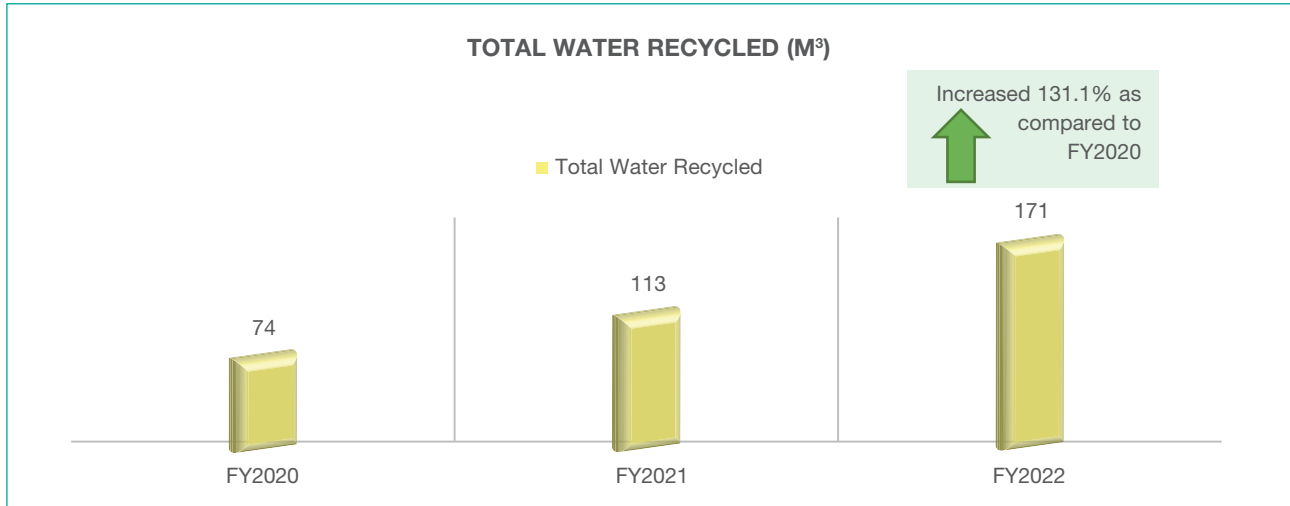
Total	Total Water Recycled (m ³)			
	FY2019	FY2020	FY2021	FY2022
Total Water Recycled	N.A	74	113	171

*Note:

1. Percentage of increment is calculated based on the comparison of current financial year against base year – FY2020.
2. There is a contingency Syabas water supply from Pavilion Hotel connected to the suction tank of Pavilion Kuala Lumpur Mall.
3. The total water recycled covers common areas of Pavilion Kuala Lumpur Mall only.

P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd



Our Water Reduction Target

Pavilion REIT's properties have recorded 13.4% reduction in FY2022, achieving its target of reducing water consumption by 2% per annum as compared to FY2019. The Manager has set a target to increase the water consumption reduction rate by another 2% per annum over the next three (3) years. The Manager hopes that the target will be achieved with the installation of rainwater harvesting and AHU condensate water recycling system at DA MEN Mall in FY2023 which will further decrease the total water consumption and reliance on freshwater sources.

There has been no fine or sanction imposed on Pavilion REIT for any non-compliance with the local environmental laws and regulations during the reporting year.

The Manager will continue its efforts to review and explore new technologies and methods to enhance water management efficiency and reduce water consumption at all properties.

WASTE MANAGEMENT

According to research conducted by Solid Waste Corporation, Malaysia produced an estimate of 38,427 metric tonnes of waste per day in FY2021 of which 82.5% ends up in landfills. Only 30.67% of waste are recycled which is lower than other developed Asian countries. The 12th Malaysia Plan, a five-year development roadmap from FY2021 to FY2025 by the Malaysian government, includes advancement of green growth that comprises holistic and sustainable waste management and reinforced 3Rs (Reduce, Reuse, Recycle) initiatives.

Playing our part in reducing waste

The Manager continues to improve its waste management efforts across all properties to play its part in reducing waste in Malaysia such as maintaining proper waste management workflow and setting up of recycle bins across its malls.

The Manager continues to engage with authorized waste contractor to collect and transport waste to the designated landfill approved by the relevant authorities.

P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

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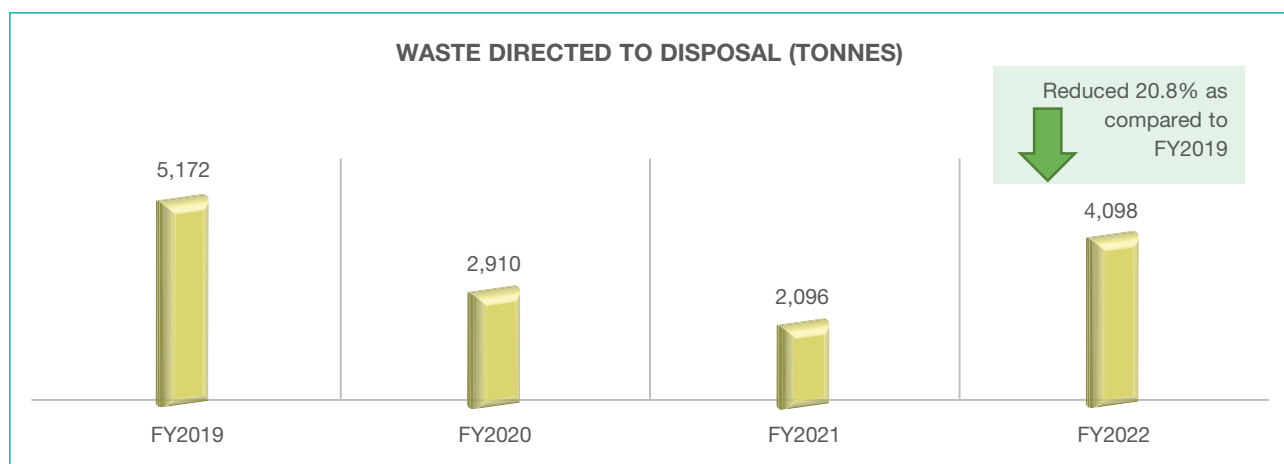
Waste Disposal Data

Pavilion REIT has consistently reduced its waste generated along with reduction on the waste directed to disposal at all their properties. However, the amount of waste diverted from landfill has been on a downward trend due to waste reduction during MCO period. The Manager plans to increase the waste diverted from landfill, which includes the recycling of food waste.

	Weight of waste (tonnes)			
	FY2019	FY2020	FY2021	FY2022
Waste generated	6,709	3,031	2,519	4,474
Waste directed to disposal	5,172	2,910	2,096	4,098
Waste diverted from disposal	1,537	121	424	376

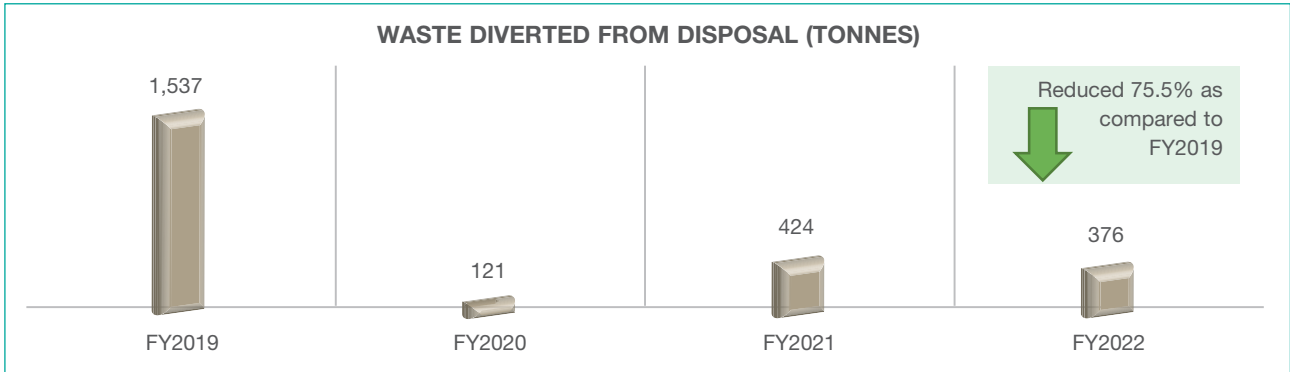
Notes:

1. Percentage of reduction is calculated based on the comparison with pre-pandemic position – FY2019 to allow a full set of data which is complete and representative without being affected by COVID-19 pandemic.
2. Waste generated are inclusive of non-hazardous waste (general waste) and hazardous waste (scheduled waste).
3. Waste directed to disposal are disposed to landfill by licensed waste contractor.
4. Data on waste diverted from disposal are extracted from the weight of hazardous waste and non-hazardous waste recovered for re-use and recycling purposes.
5. Data stated in the table above covers Pavilion Malls only.



P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

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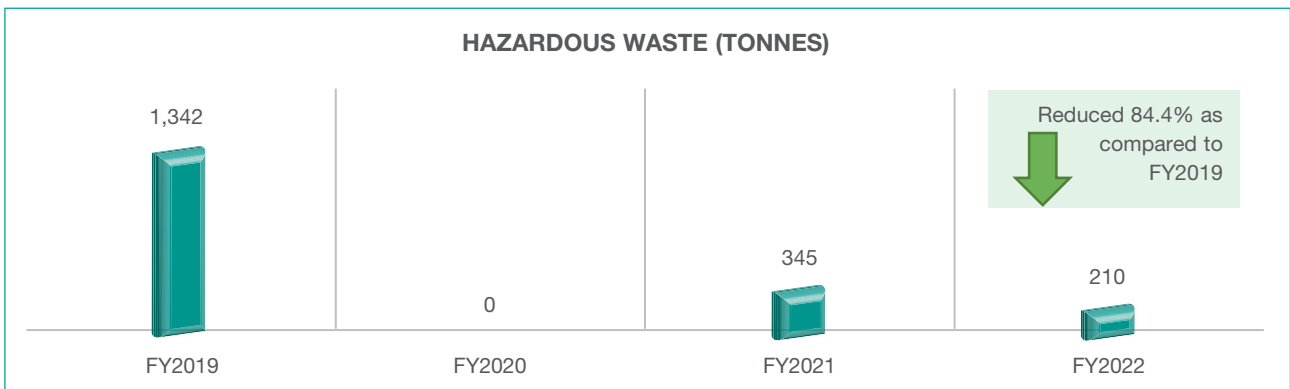
The Manager engages DOE-licensed contractors as and when required for the disposal of scheduled waste to authorized recycling and/or disposal facilities in accordance with the Environmental Quality (Scheduled Waste) Regulations enforced by the Department of Environment (DOE), Malaysia.

Hazardous Waste

Recovery operations	Weight of hazardous waste (tonnes)			
	FY2019	FY2020	FY2021	FY2022
Other recovery operations	1,342	0	345	210

Notes:

1. Percentage of reduction is calculated based on the comparison with pre-pandemic position – FY2019 to allow a full set of data which is complete and representative without being affected by COVID-19 pandemic.
2. The weight of hazardous waste stated in the table above covers Pavilion Malls only.



P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP cont'd

Total Waste Recycled

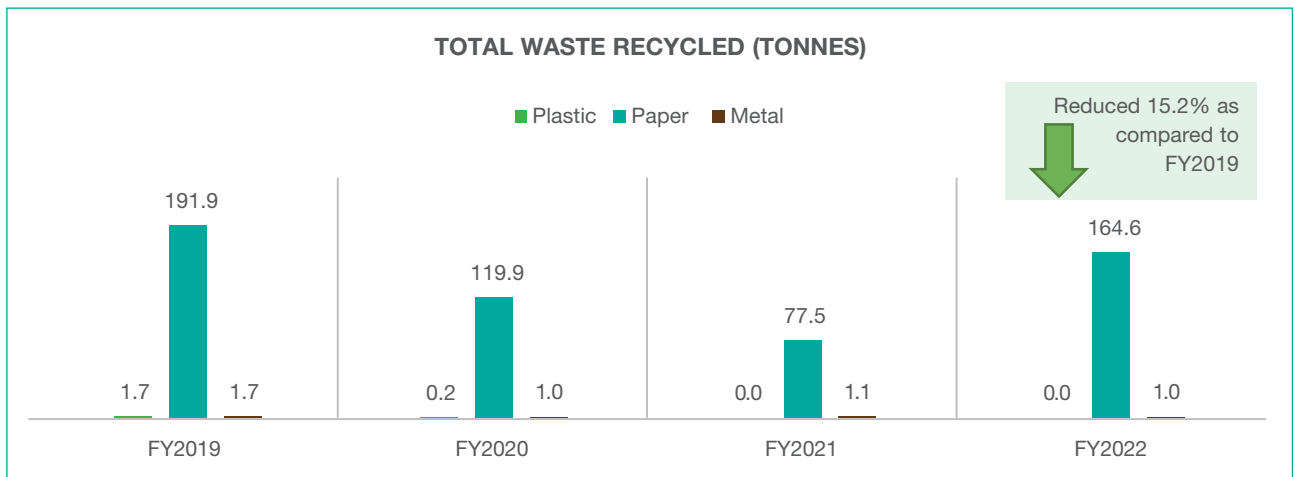
Recovery operations	Weight of non-hazardous waste (tonnes)			
	FY2019	FY2020	FY2021	FY2022
Plastic	1.7	0.2	0	0
Recycling				
Paper	191.9	119.9	77.5	164.6
Metal	1.7	1.0	1.1	1.0
Total Waste Recycled	195.3	121.1	78.6	165.6

Notes:

1. Percentage of reduction is calculated based on the comparison with pre-pandemic position – FY2019 to allow a full set of data which is complete and representative without being affected by COVID-19 pandemic.
2. The total waste recycled stated in the table above covers Pavilion Malls only.

Paper recycling volume has increased significantly whereas metal recycling volume has declined slightly at Pavilion Malls.

Total Waste Recycled Chart



Our Future Plans for Reducing Waste

The Manager plans to launch food waste recycling treatment in FY2023 to reduce food wastage at the malls with a target of reducing between 100 kg to 300 kg of food waste to landfill per month progressively.

**Short-term plan
(1 - 2 years)**

- Diversion of 5% waste from landfills
- Proposal on rental / purchase 1000kg food waste digester machine

**Medium-term plan
(2 - 5 years)**

- Diversion of 30% waste from landfills
- Outsource to off-site food waste digester treatment service provider

**Long-term plan
(More than 5 years)**

- Diversion of 50% waste from landfills

A: ACCLAIMING TRUSTED BRAND REPUTATION

BRAND VALUE AND TENANT SATISFACTION

The Manager is committed to be a responsible corporate citizen and pledge commitment towards fulfilling United Nations Sustainable Development Goals (UNSDGs), with the aim to increase brand value and recognition within the REIT industry and lead to higher tenant engagement and unitholder investment.

In 2022, Pavilion REIT has incurred more than RM10 million in marketing expenses to organise innovative marketing campaigns, collaborations and partnerships to drive footfall and sales to Pavilion REIT malls. More than RM1 million of cash, venue and product sponsorships have augmented Pavilion REIT's brand value and reputation and increased trust and confidence amongst of its stakeholders.

The Manager believes that extensive marketing activities will strengthen Pavilion Malls' positioning as Malaysia's premier shopping destination for fashion, dining, and urban leisure. To date, Pavilion Kuala Lumpur Mall has achieved 51 accolades from both local and international councils or associations.

Our initiatives in promoting tourism and community development

As an active committee member of the Malaysian REIT Managers Association and a member of Persatuan Pengurusan Kompleks Malaysia ("PPKM") (also known as Malaysia Shopping Malls Association) as well as BBKLCC Tourism Association, the Manager works with the associations to strengthen efforts towards economic growth, environmental conservation, good corporate governance and community development.

The Manager also maintains good relationship with local and international retail associations such as Malaysia Retailers Association (MRA), Malaysia Retail Chain Association (MRCA) and International Council of Shopping Centers (ICSC) through the exchange of trade information, education and training and pooling of resources and expertise. Community messaging, sharing updates and dialogues with associations are undertaken to discuss matters of importance for the benefit of stakeholders.

On top of that, the Manager also works closely with federal government agencies (e.g., Tourism Malaysia, Ministry of Domestic Trade and Consumer Affairs (KPDNHEP) and Ministry of Tourism, Arts & Culture (MOTAC)), local authorities (e.g., Dewan Bandaraya Kuala Lumpur (DBKL)) and foreign embassies for various marketing campaigns and initiatives to boost Pavilion REIT's brand recognition locally as well as internationally. Some of these marketing activities include Hari Raya festive campaign and Kebudayaan & Muzik Orang Ulu Sarawak 2022 at Pavilion Kuala Lumpur Mall. These partnerships are also in line with Malaysian government's objective to promote Malaysia as an outstanding tourist destination by showcasing the unique culture of our nation.

In FY2022, Pavilion Kuala Lumpur Mall has rolled out various marketing efforts through international partnerships, festive and thematic campaigns to boost footfall and sales of its tenants. Multiple physical and digital marketing tools have also been deployed to continue enhancing marketing and branding efforts. Apart from year-long festive and thematic campaigns, the mall continues to harness on the cutting-edge technology such as 3D LED Display to bring more immersive experiences to shoppers and build loyalty with shoppers via a multi-tiered loyalty programme that boosts shopper retention. Customer experience has also been further enhanced through mobile application and the establishment of lounge and membership centre at Pavilion Kuala Lumpur Mall.

Intermark Mall supported and promoted Malaysian artisanal goods by hosting Artisan Fairs selling clothes, jewelleryes and handcrafted goods. Inspired by traditional Malaysian art and games, 'Meriah Raya' campaign was incepted in collaboration with Karyaneka, a subsidiary under Kraftangan Malaysia, and Wak Long Music & Art Centre to celebrate Hari Raya. The mall continues the success with 'Amazing Borneo', co-organised with Borneo Street KL to offer a unique and authentic experience of East Malaysian heritage. Such festive campaigns and bazaars complement the mall's tenant mix and are well received by the community of expats and working executives.

DA MEN Mall being a community-friendly mall in the heart of Subang engages its shopper profile by driving holistic and inclusive marketing activities in collaboration with the local council, educational institutions in the vicinity and various NGOS in the community to drive purposeful and loyal footfall.

The Manager's priority is to build strong brand value and recognition that enable the business to attract diversified tenants and customers and increase confidence from financiers for funding support which will help in achieving sustainable economic performance.

C: CARING FOR LOCAL COMMUNITY

COMMUNITY ENGAGEMENT

As one of the largest retail concentrated REIT in Malaysia, the Manager believes on the long-lasting positive impact that can be generated for the local communities in where Pavilion REIT properties operate. Its malls have actively engaged with the local communities to gauge their needs and organise various events to promote social advancement of our communities.

The Manager is committed in building mutually beneficial relationship with the local communities to ensure sustainable development of Pavilion REIT's business. The initiatives conducted are designed to maximise positive impact to the communities around its properties and align with Pavilion REIT's positioning of becoming the premier shopping destination.

Engaging with our local communities

In FY2022, the Manager has conducted multiple initiatives to engage with local communities which include CSR programmes during festive season, art and cultural events as well as events to raise local awareness on social topics. In FY2022, Pavilion REIT has invested a total of RM0.2 million under community investment. The community initiatives hosted by Pavilion REIT malls are as follow:

CSR programmes during festive season

Types of Community Initiatives (FY2022)	Details	Outcome	Target Group
Pavilion REIT - Hari Raya 2022 CSR Programme	To express utmost gratitude and appreciation to food delivery riders and delivery service providers for continuing to serve our valued tenants and shoppers during the month of Ramadhan	250 complimentary buka puasa meals from Grandmama's	<ul style="list-style-type: none"> Food delivery riders and delivery service providers
Pavilion KL - Merdeka 2022 ('Juang' Movie Special Screenings for Frontliners)	To show appreciation to frontliners in fighting the pandemic during the National Day month.	830 movie tickets given out to frontliners	<ul style="list-style-type: none"> Frontliners
Hari Raya Open House with Majlis Bandaraya Subang Jaya (MPSJ)	To celebrate Raya with the Subang community and spreading cheer to the B40 community.	Donation of RM3,000 for Duit Raya	<ul style="list-style-type: none"> Majlis Bandaraya Subang Jaya (MPSJ) Local community B40 community
Muhibbah Merdeka Celebration with Pusat Aktiviti Warga Emas (PAWE) supported by MBSJ	To collaborate with PAWE to stage an inclusive community Merdeka celebration.	Venue sponsorship and packed food sponsorship for 1,000 pax	<ul style="list-style-type: none"> Members of PAWE Subang community

C: CARING FOR LOCAL COMMUNITY

cont'd

Art and Cultural Events

Types of Community Initiatives (FY2022)	Details	Outcome	Target Group
Colours of Malaysia Photo-essay exhibition by SEGi University	An exhibition by the students and Faculty of Psychology.	Venue sponsorship	<ul style="list-style-type: none"> SEGi University students
Taylor's University My Malaysia, My Heritage	A cultural bazaar to promote and preserve activities.	Venue sponsorship	<ul style="list-style-type: none"> Taylor's University students
INTI Centre of Art and Design (ICAD)	An art exhibition to capture post-pandemic emotions.	Venue sponsorship	<ul style="list-style-type: none"> INTI University students
Lantern Parade in collaboration with YB Wong Chen and YB Michelle Ng	In conjunction with the Mid-Autumn festival, we hosted a lantern parade and a street food bazaar jointly organized by MP and ADUN Subang.	Venue and door gift sponsorship. 1,500 pax turnout.	<ul style="list-style-type: none"> Subang community

Raising Awareness on Social Issues

Types of Community Initiatives (FY2022)	Details	Outcome	Target Group
Seven Pound Organ Donation by UKM	To support UKM to raise awareness, close stigmas, and drive sign-ups for organ donation.	Venue sponsorship. More than 400 signatures were collected and 80 pledged.	<ul style="list-style-type: none"> Residents of Subang and UKM-invited guests
International Women's Day with MBSJ Subang Zon 4 MPP	To showcase and spotlight achievements of women in the local community. Along with the event was a bazaar to support female entrepreneurs.	Venue sponsorship	<ul style="list-style-type: none"> Local community
SEDAR Autism Talk with Puan Nori Abdullah and Dr Ann Yuri	To raise awareness on the challenges that children with autism spectrum disorder (ASD) encounters during puberty by new NGO – SEDAR.	Venue sponsorship	<ul style="list-style-type: none"> Local community Parents with ASD children
Taylor's University Treasure Hunt Fundraiser	To host Taylor's University students on driving autism awareness and raising funds for Autism Café Project.	Venue sponsorship	<ul style="list-style-type: none"> Taylor's University students SMEs in Subang
Healthy Lifestyle in the COVID-19 Endemic Stage – Mental Health Counselling by MMU	A counselling project by MMU students from the faculty of Psychology to help Malaysians cope with the new normal.	Venue sponsorship	<ul style="list-style-type: none"> Local community MMU invited guests

C: CARING FOR LOCAL COMMUNITY

cont'd

Types of Community Initiatives (FY2022)	Details	Outcome	Target Group
STEM Science Fair	To collaborate with tenant, STEM 4 All Makerspace to execute the IR4.0 STEM Fest supported by MOSTI and MACRI.	Venue sponsorship	<ul style="list-style-type: none"> Schools and tertiary institutions in Subang and greater Subang STEM-related organizations i.e., MRANTI
Merdeka Fun Ride with Rukun Tetangga USJ2 supported by MBSJ	To host a community sports event to encourage healthy lifestyle and mental well-being.	Sponsored medals and t-shirts for 500 participants.	<ul style="list-style-type: none"> Cycling-enthusiasts Local community
Pedals of Love	To promote safe-cycling and road-safety to young cyclists in collaboration with tenant City Cycle.	Venue sponsorship	<ul style="list-style-type: none"> Subang community
Christmas Give and Take (Xmas Book Exchange campaign)	To encourage swapping or donate of pre-loved books to promote a circular economy	Received more than 2,300 books from BookXcess and collected through book swapping by local community	<ul style="list-style-type: none"> Local community
Flood Aid 3.0	To host Play Unlimited to collect child-friendly essentials to aid flood victims nationwide.	Venue sponsorship worth RM14,000 and donated more than 2,300 books (collected from Xmas Book Exchange campaign)	<ul style="list-style-type: none"> Corporates Local Community

T: TRANSFORMING TALENT MANAGEMENT

TALENT ATTRACTION AND RETENTION

At the Manager, employees are the people who enabled the company to grow into what it is today. The Manager views talent attraction and retention as a key indicator in driving a healthy high-performance working culture. The Manager maintains its commitment to develop values that attract exceptional talents as well as to provide new benefits for the employees to ensure a fair working environment and a healthy work-life balance for all.

This year, Pavilion REIT has recorded an employee retention percentage of 90.9% which it believes can be further increased. Hence, the Manager is proactively developing strategies to increase the retention percentage. For talent attraction strategy, hiring process is based on merit and credibility of the candidate while being compliant with all local employment laws and regulations.

The Manager ensures all employees are well informed of their employment rights and of any changes to its policies. Any amendments pertaining to the policies or those relating to employment laws are communicated to all employees via email and briefings through their respective managers.

All amendments about employment are updated and communicated in the new employee’s orientation, employee handbook and/or letter of appointment.

Stepping Up for Our Employees

Employee benefits are crucial to an employee’s wellbeing and the Manager wants its employees to know that they are well taken of. The Manager is proactively improving the current employee-related benefits to ensure the employees are well appreciated.

Benefits
Free medical and life insurance coverage for all employees
Pre-employment health screening for all new employees
Employee Health Screening annually (for Senior Management)
COVID-19 Care Kit
Monthly employee treats
Sports and recreational activities
Company trips
Festive gatherings/dinners
Meal allowance for all employees
<ul style="list-style-type: none"> ● Annual leave ● Maternity leave ● Paternity leave ● Medical/Hospitalization leave ● Compassionate leave ● Marriage leave ● Examination leave

Improving Our Benefits

The Manager is proactively reviewing salary structures, employee benefits and company best practices against industry peers. There has been a proposal to increase the salaries of entry-level position, review the salaries of employees with a particular focus on non-executives and senior executives and review the performance increment to meet the rising cost of living.

T: TRANSFORMING TALENT MANAGEMENT

cont'd

The Manager is also looking into several initiatives to support the employees in their career growth while fostering a community.

Increase employee engagement activities

Chart career development action plans to retain talents over the long term and to prepare them for future roles

Succession planning for key/leadership/critical roles

TRAINING AND EDUCATION

Talent development is a crucial aspect of high-performance work culture. The Manager is committed to developing its employees' talents and maximising their potential by creating a work environment that informs, educates, and inspires employees to achieve their professional and personal goals and aspirations. The Manager embrace a culture that actively supports participation in learning and upskilling activities and acquiring new knowledge and skills on the job.

Our Training and Education initiatives

This year, the Manager has provided learning & development programmes that involve reskilling and upskilling programmes for employees to ensure they are well prepared for any challenges that may arise. The employees are also given training in areas where necessary to ensure there is continued compliance with revised or new government regulations.

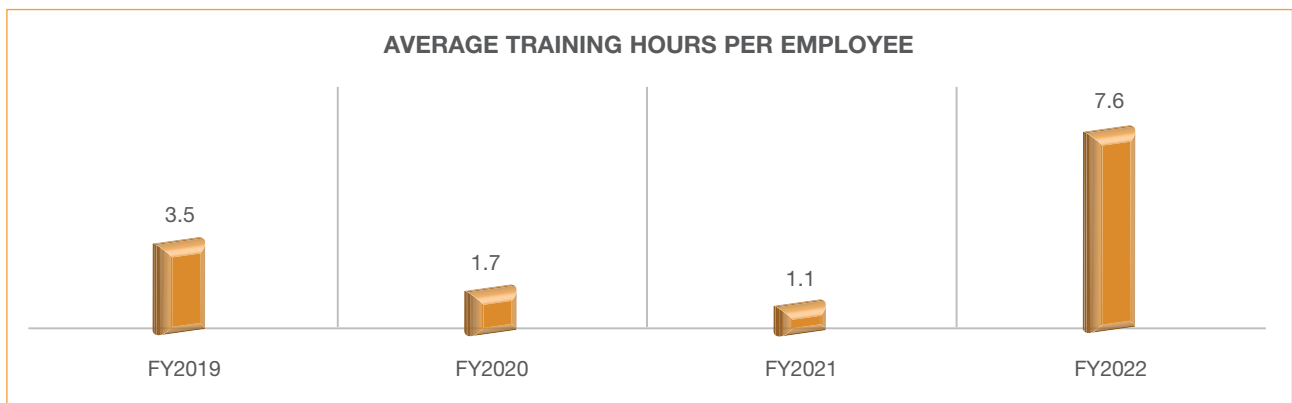
The following trainings have been held to ensure its employees are well informed and educated:

Trainings

-
- Cyber Security
-
- CTOS Know-Your-Customer (KYC)
-
- Anti-Money Laundering & Counter Financing of Terrorism
-
- Anti-Bribery and Corruption (“ABD”) Refresher
-
- Important Industrial and High Court Decisions of 2021
-
- Managing The Latest Amendments to Malaysian Employment Act
-
- Anti-Bribery and Corruption Policies
-
- Orientation

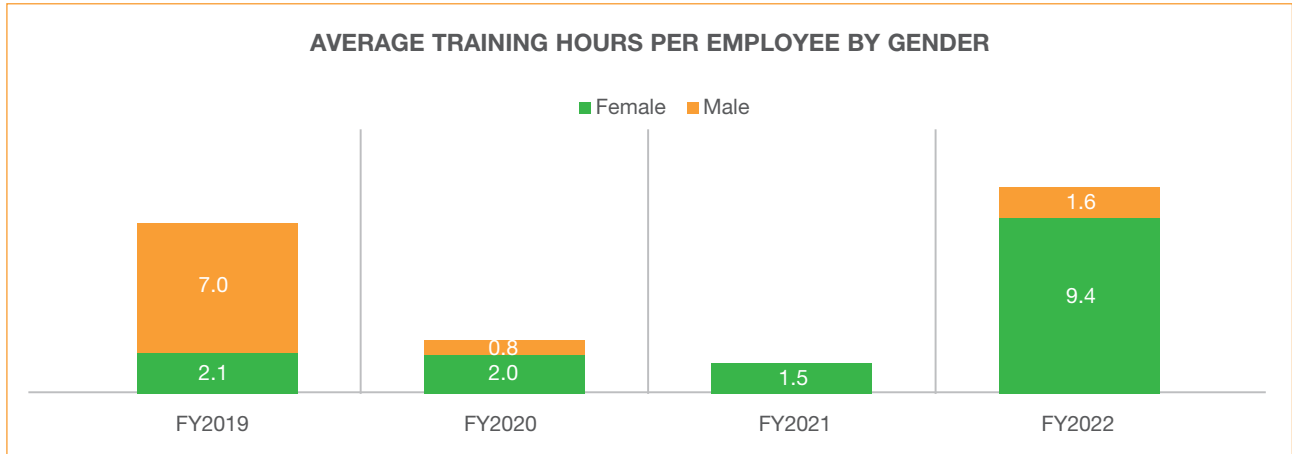
Training and Education Data

After the lifting of the lockdown restrictions, the Manager has gradually increased the number of trainings for all employees regardless of their position as seen in the increase of the average training hours in FY2022. The Manager will continue its support in providing trainings.

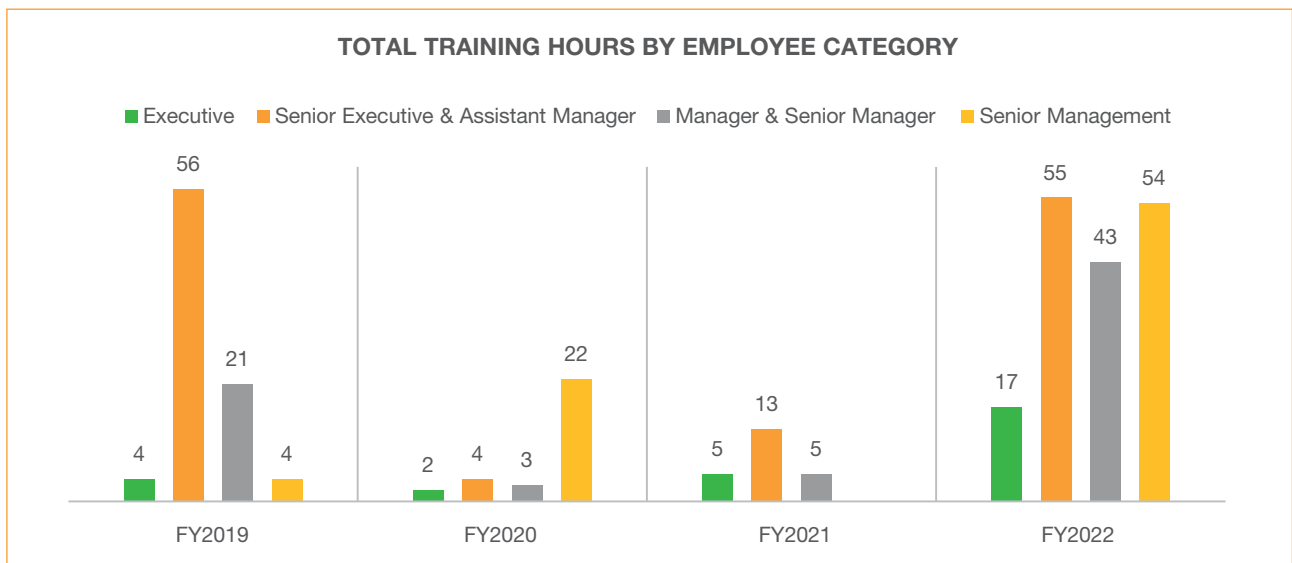


T: TRANSFORMING TALENT MANAGEMENT

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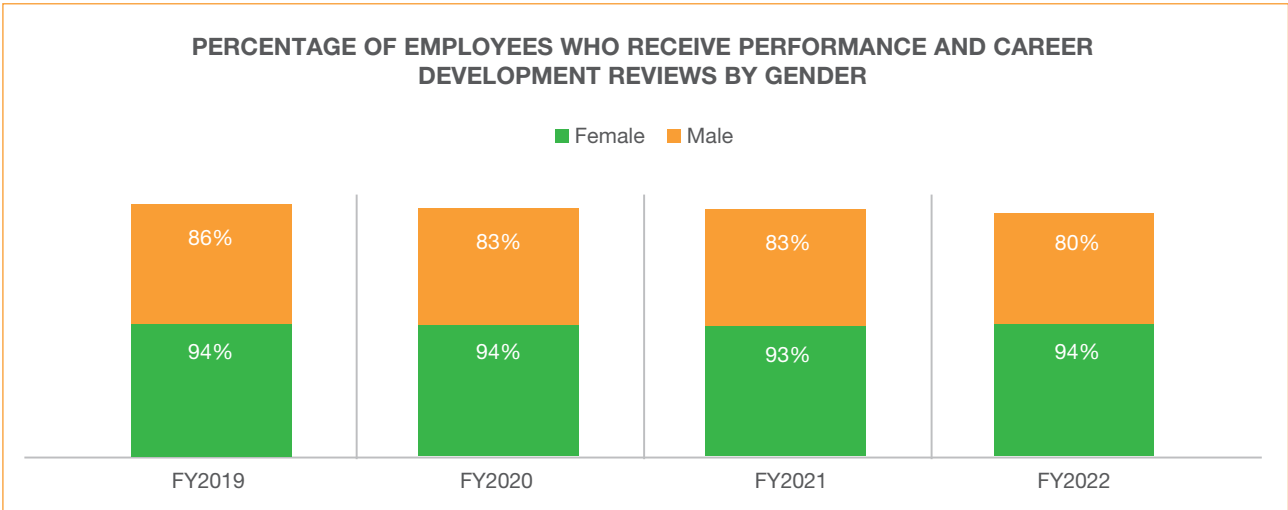
The training hours have tripled for executive levels and quadrupled for senior executive levels and above this year due to the addition of more new joiners in 2022. As some of the trainings were related to statutory changes (e.g., the Employment Act 1955) and new policy implementation (i.e. CTOS), employee will need to equip themselves with the latest changes and knowledge.



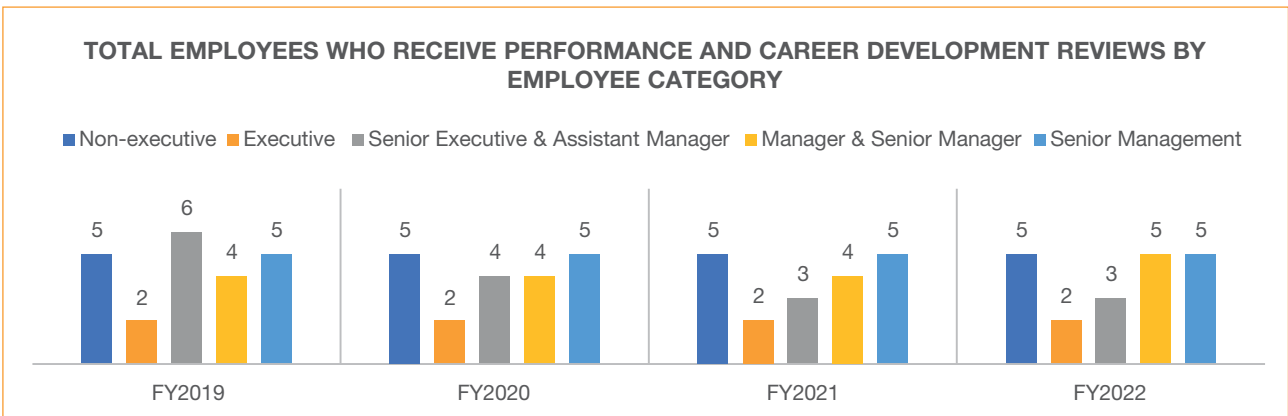
Annual Performance and Career Development Reviews

Most of the employees have received their annual performance and career development reviews, in which management provides feedback on the performances and areas of improvement. The annual performance review helps the Manager in understanding and meeting the needs of employees, whilst creating an environment that promotes growth and efficiency, which in turn help improving its business operations.


T: TRANSFORMING TALENT MANAGEMENT cont'd



The number of employees receiving performance and career development reviews have been consistent since FY2019 particularly the senior management level.



The Manager plans to increase the number of Learning & Development programmes and to focus on development of new skills acquisition programmes for all employees.



Short term plan
(1 - 2 years)

- Learning and development programmes for enhancement of employees' performances
- Support employees' career growth and progression



Medium term plan
(2 - 5 years)

- Focus on new development and new skills acquisition programmes

T: TRANSFORMING TALENT MANAGEMENT

cont'd

DIVERSITY AND EQUAL OPPORTUNITY

In today’s workplace, diversity and inclusion play a huge role in fostering a positive and inclusive work environment for employees. Research has shown that diversity and inclusion has led to better performances and higher revenue growth. The Manager recognizes the importance of diversity and inclusion and is looking to incorporate more diversity and inclusion practices into Pavilion REIT.

The Manager complies with the following laws to ensure its employees are well protected:

Malaysia Employment Act 1955	Industrial Relations Act 1967	Occupational Safety and Health Act (OSHA) 1994
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The Manager also complies with the Malaysia Employment Act Amendment 2022 which states that an employee cannot work more than 45 hours in a week and the Malaysian Minimum Wages Order 2022 which increases the new minimum wage to RM1,500 per month. It practices equal wage ratio and maintain equal opportunity regardless of gender. The Manager has recorded equal gender ratio of 1:1 for all degree holders since FY2019.

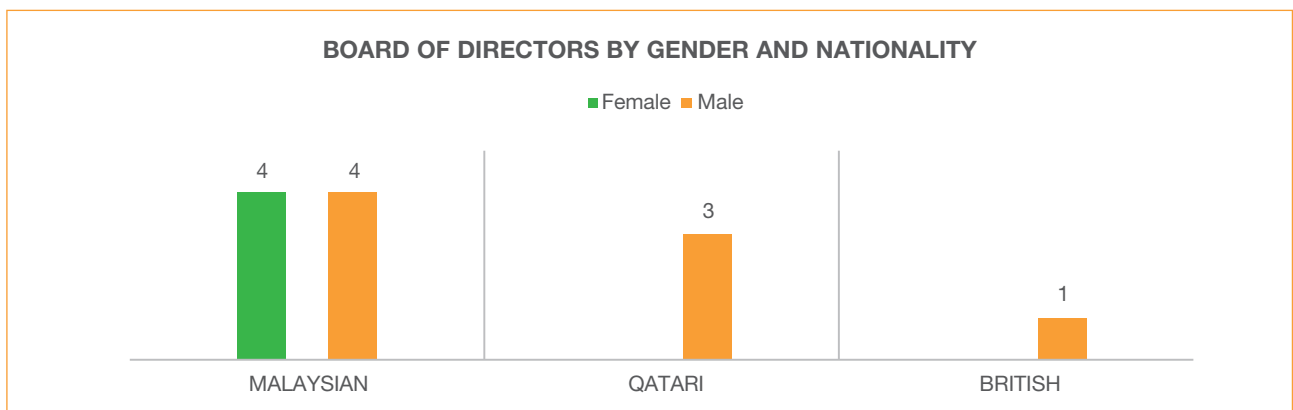
The Manager is also committed in prioritising local employment and embrace merit-based employment policies and promote diversity and equality at work regardless of gender, race, and ethnicity, religion, political opinion or social origin. The Manager does not discriminate those from underprivileged groups including differently-abled people, low-income families or people with no formal education qualifications. Code of Conduct and Ethics govern the Manager’s employees to ensure they maintain the highest standard of conduct when dealing with internal and external parties and most importantly, they treat their colleagues with equal respect.

This year, the Manager has enforced a Whistleblowing Policy for its employees to report on any unethical practices, discrimination, and harassments. This policy provides a safe avenue for employees to have their voices heard.

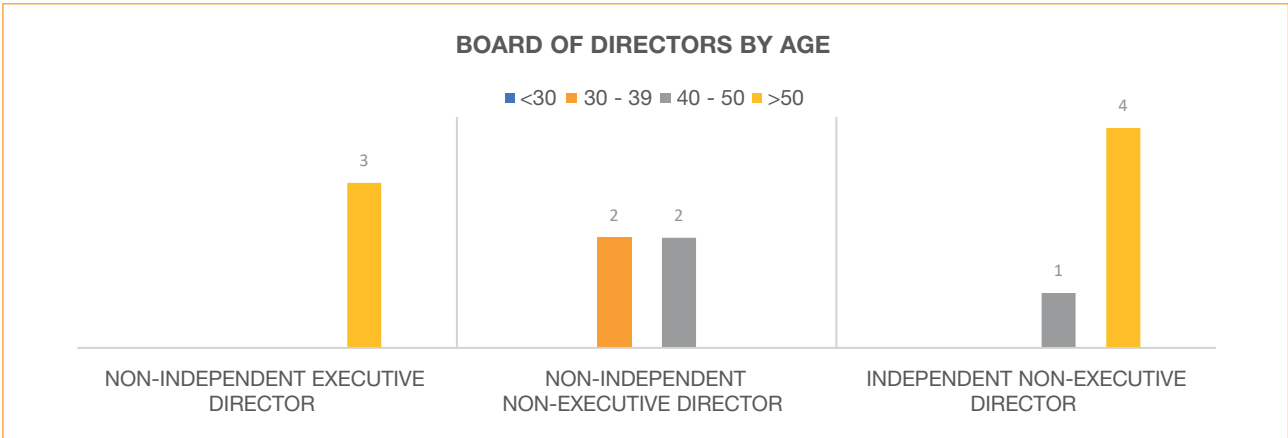
Diversity of Our Board of Directors and Our Employees

Board of Directors Distribution Data

The Board consists of a total of eight (8) men and four (4) women. The percentage of women board member is at 33%, which is above the recommendations of Malaysian Code on Corporate Governance 2021 which states that the board members should comprise of at least 30% women.



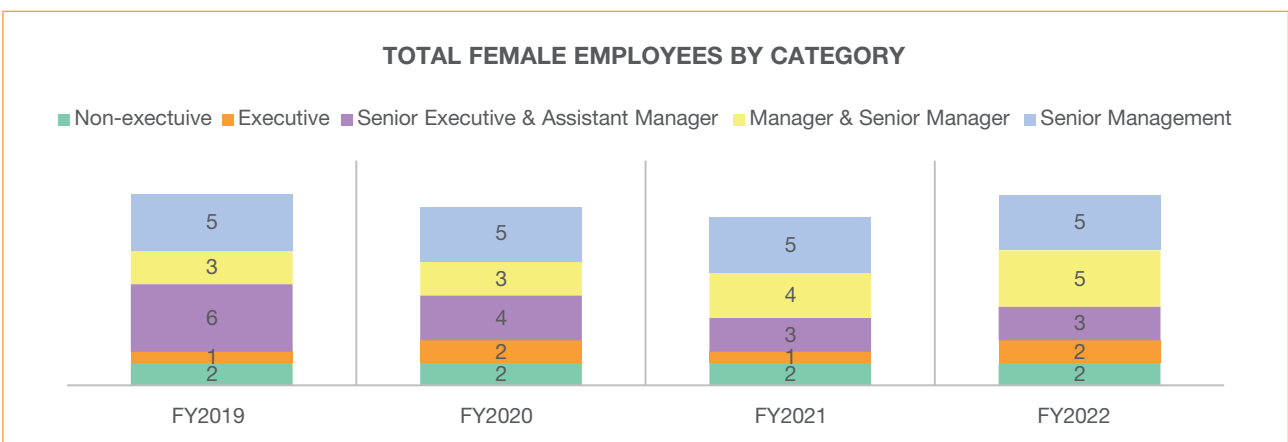
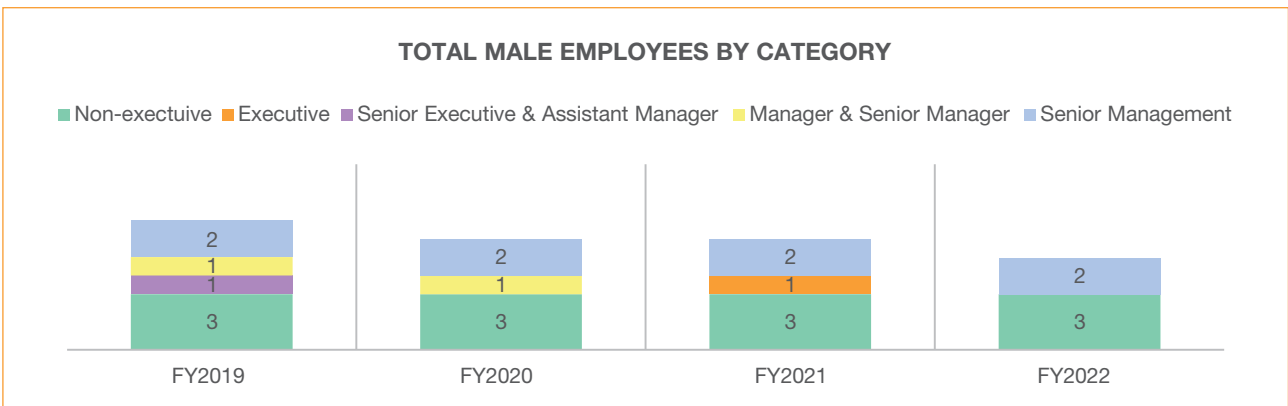
T: TRANSFORMING TALENT MANAGEMENT cont'd



Employee Distribution Data

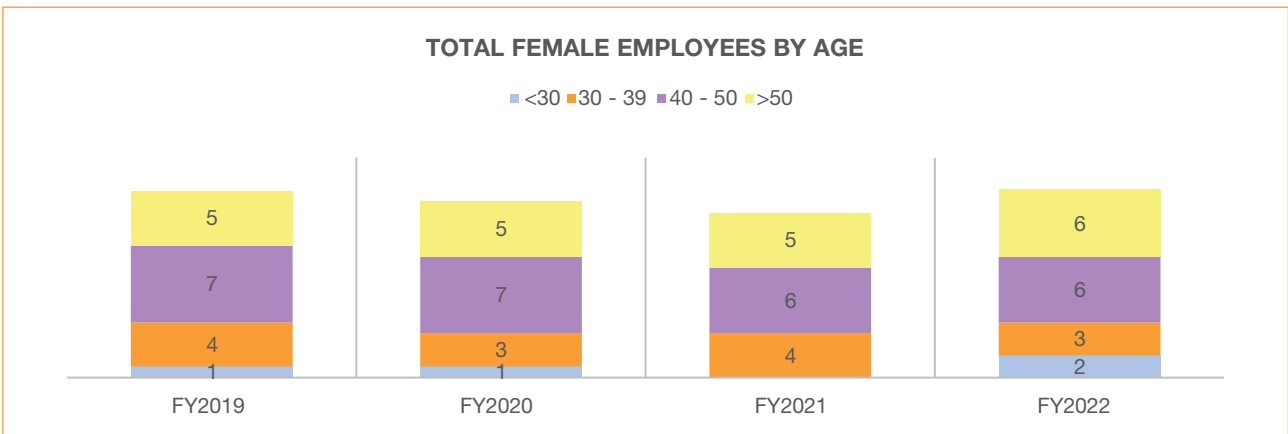
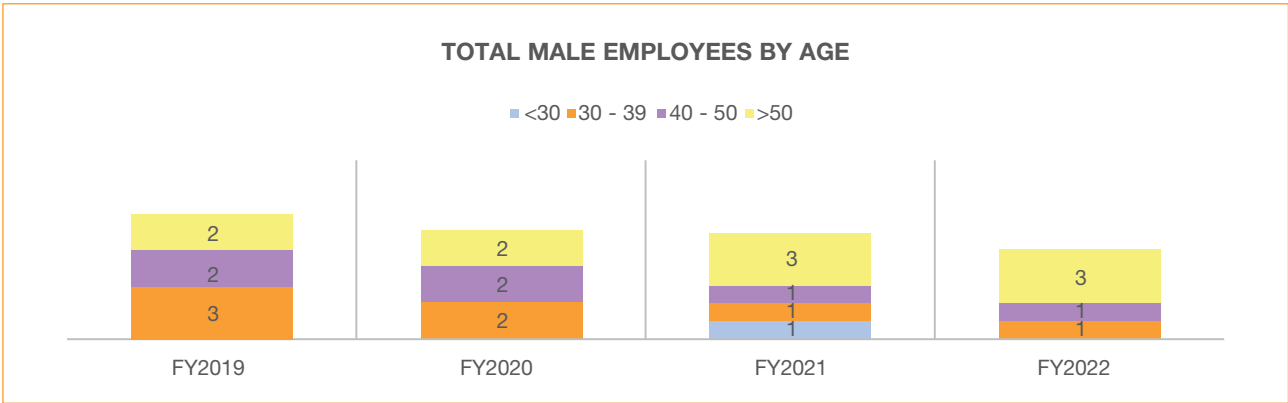
Employee Gender and Age

The Manager promotes inclusivity and employs a diverse range of people that bring different experiences and knowledge to Pavilion REIT, regardless of gender and age.

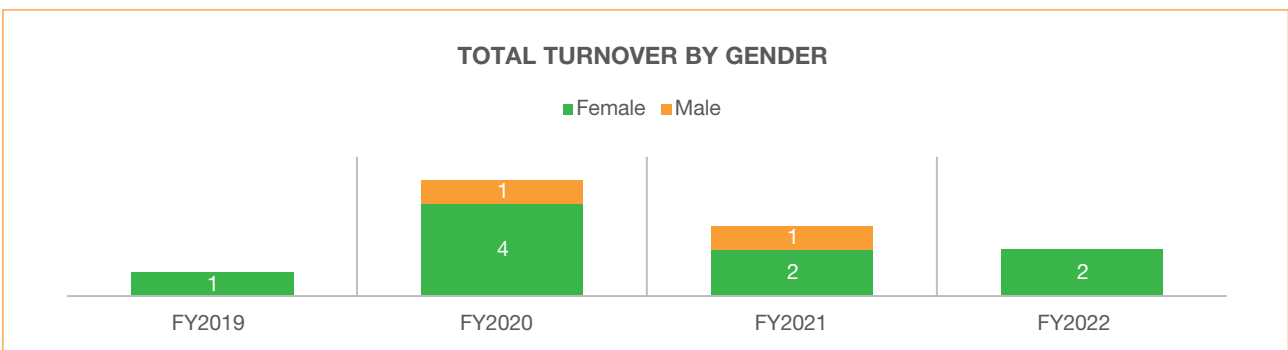


T: TRANSFORMING TALENT MANAGEMENT

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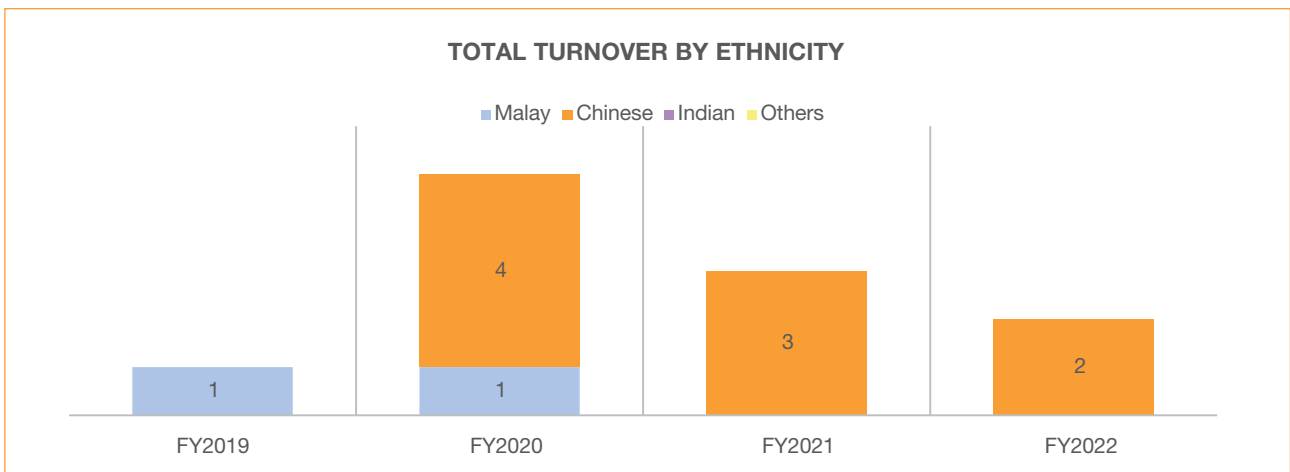
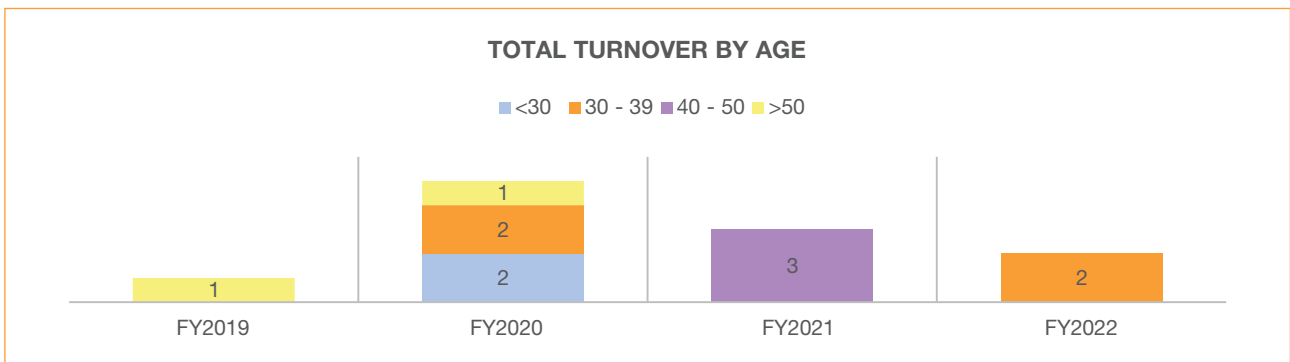
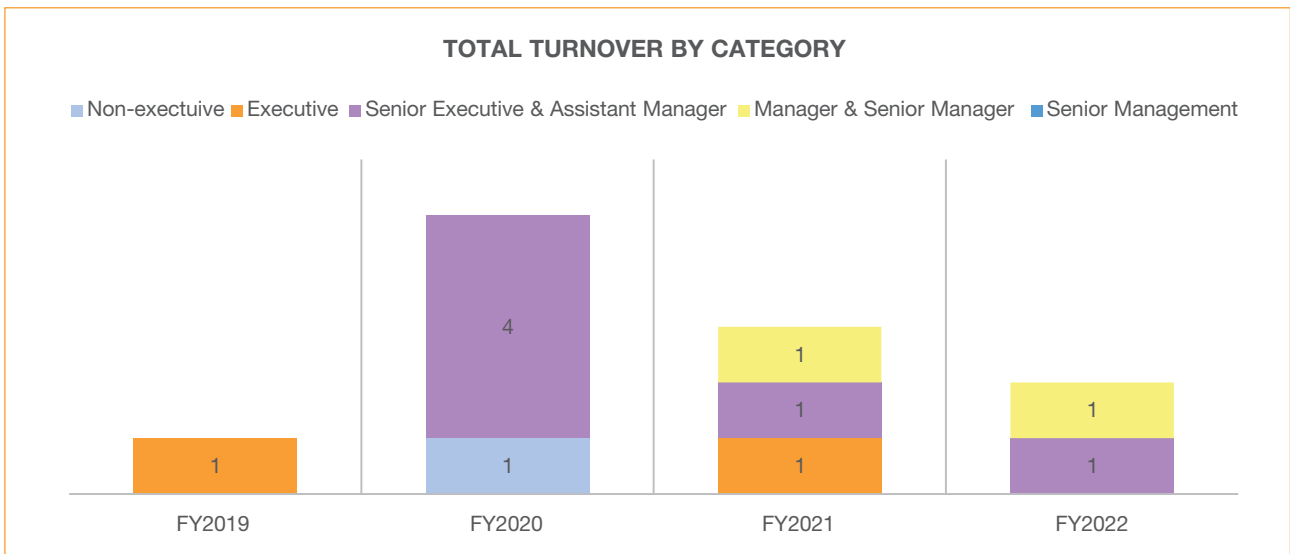


Employee New Hires and Turnover



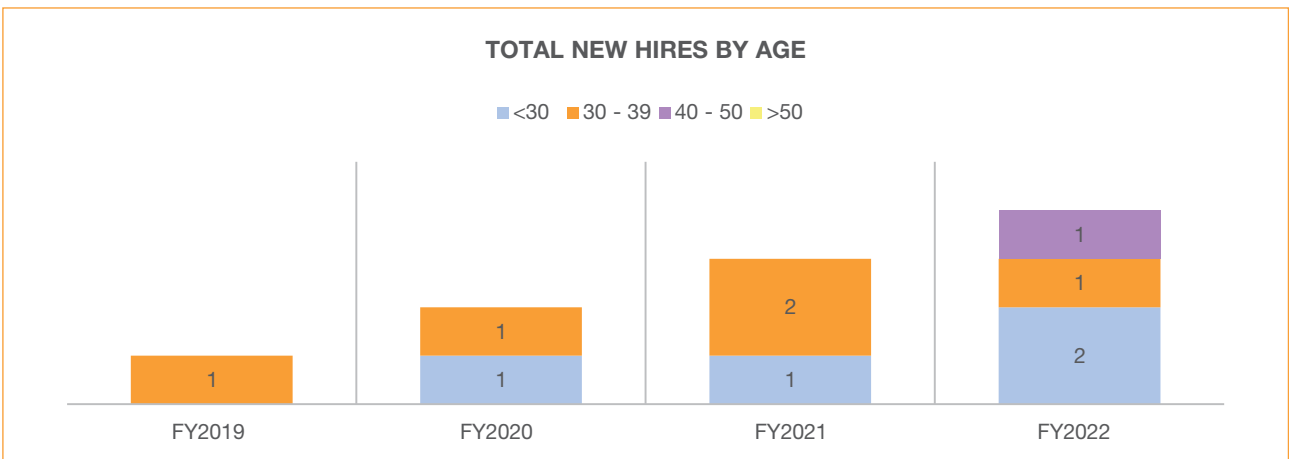
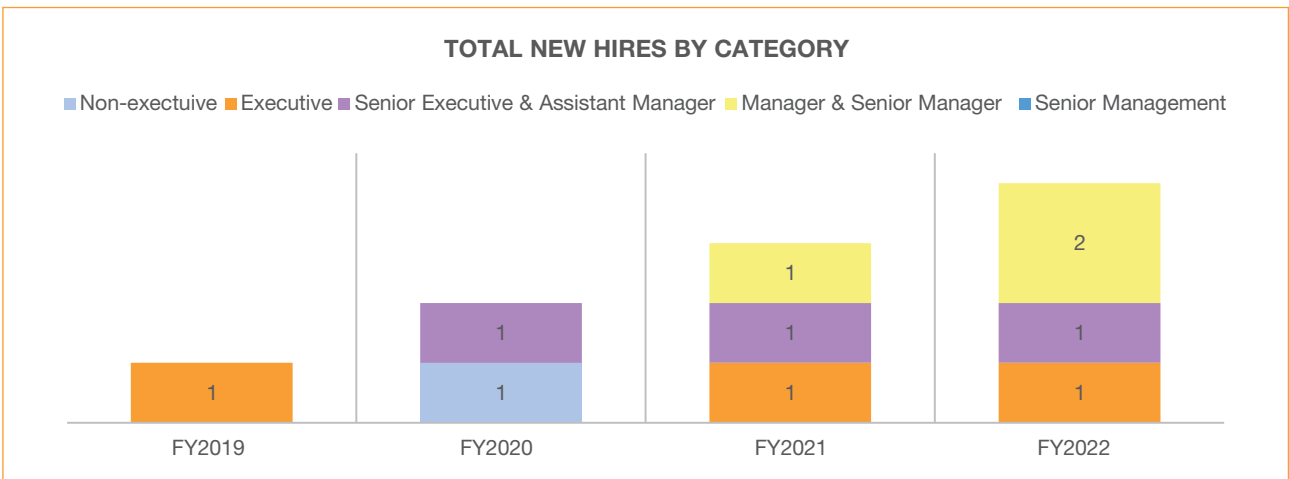
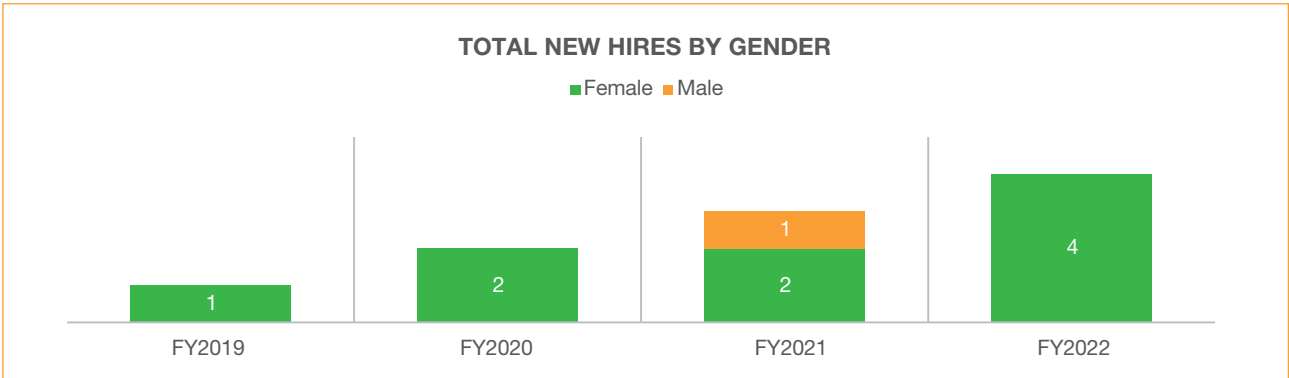
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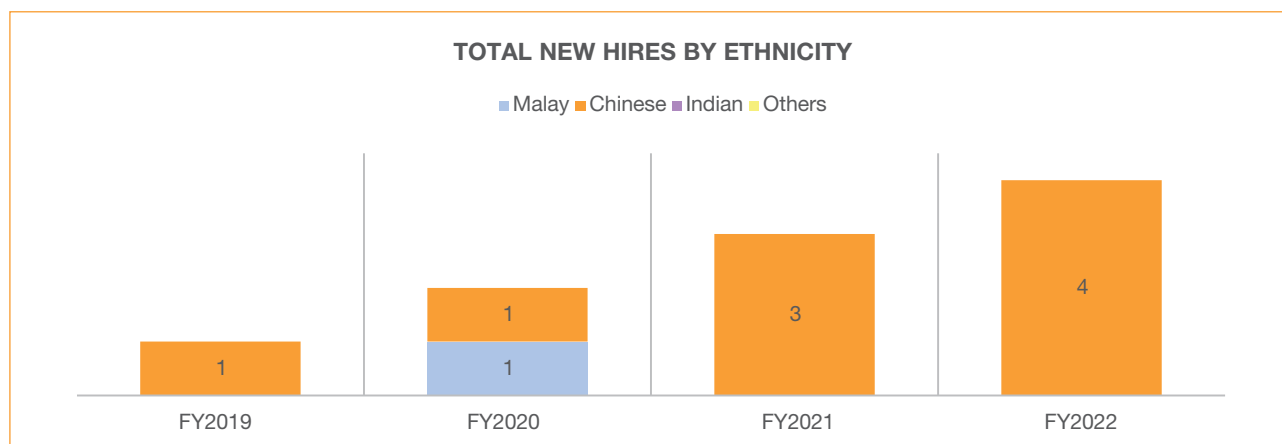
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T: TRANSFORMING TALENT MANAGEMENT

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Parental Leave

There was one (1) employee who took maternity leave during the reporting year.

Number of Maternity leave application	1
Number of Paternity leave application	0
Number of days applied for Maternity leave	60
Number of days applied for Paternity leave	0
Total number of female employees that returned to work after maternity leave	1
Total number of male employees that returned to work after paternity leave	N/A
Total number of female employees that returned to work after maternity leave, and still employed	1
Total number of male employees that returned to work after paternity leave, and still employed	N/A

HUMAN RIGHTS MANAGEMENT

Human rights are fundamental rights that every human being has regardless of background. The Manager recognises the importance of human rights' values within an organization/company to ensure everyone who works directly or indirectly is treated with respect and dignity, regardless of gender, seniority level, etc. Poor condition of workers' accommodation was one of the major cluster outbreaks which claimed many lives in FY2021. The outbreak highlighted the urgency to address human rights practices among companies that provide accommodation for workers.

Since FY2021, the Manager has implemented new initiatives to increase its efforts in upholding human rights principles within Pavilion REIT properties.

Since last year, the Manager has conducted quarterly human rights audits at the foreign workers' accommodation of outsource security and cleaning service providers. This initiative is to ensure there is proper welfare for all foreign workers who work at Pavilion REIT properties. Some of the social and human rights audit checklist includes:

- No overcrowding;
- Provision of proper facilities/amenities;
- Proper fire safety measures in place;
- Hygienic and safe living conditions;
- Provision of first aid kit;
- Evacuation route.

T: TRANSFORMING TALENT MANAGEMENT

cont'd

Due to shortage of manpower, Pavilion REIT service providers required their workers to work additional hours or over time. The Manager has taken measures to ensure that these service providers are in compliance with requirements without exceeding the maximum statutory over time hours. The Manager also require Pavilion REIT service providers (of cleaning and security) to report their respective workers' working hours during their daily roll call. The Manager conducts verifications with the service providers to ensure that these workers are being paid the minimum wage as per the latest government regulations.

HEALTH AND SAFETY

Health and safety are important aspects of Pavilion REIT that the Manager takes every effort to ensure the well beings of all employees, ground staffs, mall patrons and other stakeholders are well taken care of. Although Malaysia is currently in an endemic phase for COVID-19, strict health and safety measures are still being enforced to prevent any possible outbreak of other diseases.

Incidents at work are a possibility that cannot be ruled out. To prevent or minimise such possibility, there are training programmes held for both employees and non-employees to educate them on safe conduct when working. The Manager is committed in providing a safe working environment for everyone at the properties regardless of their roles.

Pavilion REIT's Environmental, Safety and Health (EHS) policy governs the safe conduct when carrying out business activities across all of its properties to prevent any possible incident or injury from occurring during the business activities. The EHS policy comprises of prevention and continuous improvement measures as well as the duties of employees to ensure all employees adhere to the occupational health and safety (OHS) requirements at work.

This year, the Safety & Health Committee meetings and the bi-weekly Operations meetings included discussion of occupational safety & health matters to improve current efforts. The Manager also held quarterly meetings to discuss and review potential risks and their ratings under the ERM process.

The Environment, Health and Safety ("EHS") committee works closely with the Emergency Response Team ("ERT") to ensure the efforts of the Manager is in full compliance with government regulations such as OSHA 1994, Fire Services Act 1988, and Electricity Supply Act 1990.

The EHS committee oversees all safety aspects of all malls under Pavilion REIT. There are three (3) areas that EHS oversee:

Office	<ul style="list-style-type: none"> Conduct safety checks for any potential hazards in the office premises
Tenant operation	<ul style="list-style-type: none"> Conduct periodic/ad-hoc safety checks on gas and fire safety at the tenants' premises
External contractor	<ul style="list-style-type: none"> Review contractors' applications for work permits Ensure safety compliance for those working in high risk work e.g., hot work, lifting operations and work at height

The EHS department is led by a manager who works closely with the EHS committee to review SOPs and conduct trainings for the workers to be educated and informed on health and safety protocols. The main functions are as follows:

SOPs	<ul style="list-style-type: none"> Review and update when required to keep updated on the current operations requirements
Training	<ul style="list-style-type: none"> Plan and conduct annual training programmes for non-employees to ensure they are updated and well trained to attend and handle any situation

T: TRANSFORMING TALENT MANAGEMENT

cont'd

Keeping our Employees safe

Pavilion REIT continues its initiatives from previous years while implementing new ones to further enhance safety measures. This reporting year, more trainings focusing on OHS regulations have been given to non-employees to minimize work-related hazards and educate them on the health and safety measures.



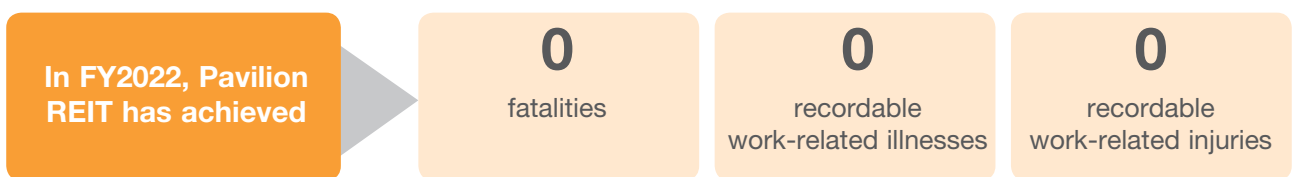
Besides the training programmes, the Manager has incorporated Enterprise Risk Management (“ERM”) process into Pavilion REIT’s business operation to address any health and safety related matters, identify and mitigate any potential risks. The ERM process covers all workers at all properties of Pavilion REIT as the Manager is committed in eliminating any possible hazard and minimizing any risks involving all workers.

The Manager has also instituted the Hazard Identification, Risk Assessment and Risk Control (HIRARC) into Pavilion REIT’s business operations where HIRARC assessments are conducted by all departments at each property to identify and mitigate any risk. Pavilion REIT conducted trainings to equip non-employees with knowledge on how to work at height, how to handle chemicals and how to handle first aid cases in the malls.

Health and Safety Data

Work-related injuries and illnesses

The Manager recorded no cases of fatalities or work-related illness of its employees for the fourth consecutive year since FY2019. There was no case of recordable work-related injuries in FY2022. One incident of lost time injury involving a non-employee was reported in FY2021. However, Pavilion REIT has shown improvement with zero LTIFR recorded in FY2022.



Lost Time Injury Frequency Rate (LTIFR)	Lost Time Injury Frequency Rate (LTIFR)	Number of Hours worked:	
FY2021	FY2022	FY2021	
0.3	0	Employees	Non-Employees
Non-employee	Non-employee	44,512 Hours	663,104 Hours
		FY2022	
		Employees	Non-Employees
		46,592 Hours	657,280 Hours

Notes:

1. Non-employee refers to Kuala Lumpur Pavilion Sdn Bhd’s staff stationed in Pavilion Malls.
2. The high-consequence work-related injury and lost time injury frequency rate are calculated based on 200,000 man-hours worked

Moving forward, the Manager plans to continue pre-pandemic efforts such as training staff on OHS procedures and training tenants on the use of fire extinguisher to reduce any potential work-related accidents and injuries.



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BOARD OF DIRECTORS' PROFILE

BOARD OF DIRECTORS OF THE MANAGER
<i>Chairman and Non-Independent Executive Director</i> Tan Sri Lim Siew Choon
<i>Non-Independent Executive Director</i> Puan Sri Tan Kewi Yong Dato' Lee Tuck Fook
<i>Non-Independent Non-Executive Director</i> Ahmed Ali H A Al-Hammadi Ahmad Mohammed F Q Al-Khanji Mohd Abdulrazzaq A A Al-Hashmi Navid Chamdia
<i>Independent Non-Executive Director</i> Dato' Mohzani bin Abdul Wahab Dato' Maznah binti Abdul Jalil Dato' Choo Chuo Siong Dato' Mearia @ Massahariah binti Hamzah Bajleet Kaur Grewal A/P Jaswant Singh

Tan Sri Lim Siew Choon
Chairman and Non-Independent Executive Director
(Malaysian, Male, age 62)

Tan Sri Lim Siew Choon holds a Bachelor of Business Administration degree (majoring in Finance) from the University of Central Oklahoma in the United States.

He has more than 40 years of management experience in property development, construction, retail design, retail development as well as corporate management.

He was appointed to the Board of the Manager on 7 April 2011 and subsequently appointed the Chairman of the Manager on 11 August 2011. He is also an Executive Chairman of WCT Holdings Berhad and also the Non-Independent Non-Executive Chairman of Malton Berhad. His spouse, Puan Sri Tan Kewi Yong is an Executive Director and a major unitholder of Pavilion REIT.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

Puan Sri Tan Kewi Yong
Non-Independent Executive Director
(Malaysian, Female, age 66)

Puan Sri Tan Kewi Yong pursued her tertiary education in the United Kingdom majoring in Business and Marketing Studies.

She was instrumental in setting up various successful business ventures since her initial foray into trading and distribution businesses. Having acquired knowledge in diverse range of business and industry sectors she possesses experience ranging from retail, marketing, finance and strategic management. She continues to extend her scope of experience, having been involved actively in the property development and real estate investment sectors.

She was appointed to the Board of the Manager on 7 April 2011. She is currently an Executive Director of Malton Berhad. She is the spouse of Tan Sri Lim Siew Choon.

She has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. She has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

cont'd

Dato' Lee Tuck Fook

*Non-Independent Executive Director
(Malaysian, Male, age 68)*

Dato' Lee Tuck Fook is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He also holds a master's degree in Business Administration from the International Management Centre, Buckingham.

He began his career with KPMG in 1974 under articleship, was subsequently admitted as a partner in 1985 until he left the practice in 1990. From 1990 to 1992, he was appointed the Vice President of Samling Group in Sarawak. He later joined the Renong Berhad group as the Managing Director of Renong Overseas Corporation. Between 1994 and 2000, he was the Chairman of the Executive Committee of the board of Peremba-Kentz Ltd. He was the Managing Director of Cement Industries of Malaysia Bhd from 2001 to 2002.

From 2002 to 2006, he was Managing Director of Paracorp Berhad. In 2003 he was appointed the Executive Director of Malton Berhad and was re-designated as its Managing Director in December 2003. He resigned from the board of Malton Berhad in 2009. On 27 August 2020, he resigned as an Independent Non-Executive Director of SAM Engineering & Equipment (M) Berhad.

He was appointed to the Board of the Manager on 29 July 2011 and a director of Pavilion REIT Bond Capital Berhad. He is also the Independent Non-Executive Chairman of Pesona Metro Holdings Berhad. On 2 November 2016 he was appointed the Non-Independent Non-Executive Director of WCT Holdings Berhad and subsequently re-designated as Group Managing Director on 3 April 2017.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

Ahmed Ali H A Al-Hammadi

*Non-Independent Non-Executive Director
(Qatari, Male, age 41)*

Ahmed Ali H A Al-Hammadi, graduated with a Bachelor of Science in Economics (Finance and Accounting) from University of Pennsylvania – The Wharton School in Philadelphia, United States of America and Master in Business Administration from Harvard Business School from Boston, United States of America.

He is currently Chief Investment Officer for Europe, Russia, and Turkey, overseeing the QIA's investments in the region.

From 2008 – 2010, he was the Vice President – Asset Management of EFG-Hermes Qatar where he was in charge of the asset management business in Qatar. Prior to that, he was an associate with Booz Allen Hamilton and worked on the restructuring and strategy recommendation for several financial service firms in the Middle East and was a financial reporting analyst from 2003 and 2005.

He was appointed to the Board of the Manager on 14 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

cont'd

Ahmad Mohammed F Q Al-Khanji
Non-Independent Non-Executive Director
(Qatari, Male, age 38)

Ahmad Mohammed F Q Al-Khanji, graduated with a Bachelor of Law (LLB) with honors from Oxford Brookes University, Oxford United Kingdom and he hold a Master in Business Administration (MBA) from London Business School, London United Kingdom. He is admitted to practice in New York.

He is currently the General Counsel of Qatar Investment Authority (QIA).

He was the Head of M&A (Legal) – (QIA) from March 2014 to September 2018 where he led and monitored the execution of new acquisitions and ensured adequate protections for QIA, and relationship management with external parties. From 2006 – 2010, he was an assistant legal counsel of Qatargas Operating Company Limited and was seconded to the project finance team of Allen & Overy LLP in London from September 2008 to March 2009.

He was appointed to the Board of the Manager on 14 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

Mohd Abdulrazzaq A A Al-Hashmi
Non-Independent Non-Executive Director
(Qatari, Male, age 34)

Mohd Abdulrazzaq A A Al-Hashmi, graduated from Qatar University with a major degree in Finance and minor degree in Marketing. He is a Chartered Financial Analyst level 3 candidate.

He is currently the Post Acquisition Director of the Real Estate Department at Qatar Investment Authority (QIA) responsible for the asset management of the real estate portfolio with focus on preserving the capital investments and creating value through value added opportunities by conducting asset valuation, market research, analyzing macro and micro drivers of the economy. He also manages QIA properties and asset managers actively and grows the relationship with existing partners.

He was appointed to the Board of the Manager on 14 June 2016. He was also appointed as a member of the Manager's Nominating Committee on 28 June 2016 and a member of the Manager's Risk Management Committee and Sustainability Committee on 20 May 2022. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

cont'd

Navid Chamdia

*Non-Independent Non-Executive Director
(British, Male, age 49)*

Navid Chamdia, graduated from University College London with a first class honours degree in Economics. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants from England and Wales. He is also a Chartered Financial Analyst charter holder.

He is currently head of real estate investments at Qatar Investment Authority, focusing primarily on direct acquisitions, joint ventures and co-investments in Europe, the United States and emerging markets. Navid is also responsible for real estate fund investments made by the Qatar Investment Authority.

Prior to joining Qatar Investment Authority in 2005, he spent 12 years at Ernst & Young's Project Finance division in London advising on the financing and delivery of global real estate and infrastructure projects.

He was appointed to the Board of the Manager on 10 August 2011. He was appointed as a member of the Audit Committee of the Manager on 28 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

Dato' Mohzani bin Abdul Wahab

*Independent Non-Executive Director
(Malaysian, Male, age 69)*

Dato' Mohzani bin Abdul Wahab graduated with a Bachelor degree in Economics from the University of Malaya, Kuala Lumpur.

He was a former Chairman of Hong Leong Investment Bank Berhad and a director of Boustead Plantations Berhad. He served as the Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd from 2001 and 2005 respectively until his retirement at the end of 2009. He has years of experience in various senior management positions in Shell's Downstream Oil Products sector. Prior to that, he was a Non-Independent Non-Executive Director of Shell Refining Company (FOM) Berhad for eight years and was a board member of Brunei Shell Marketing. His board experience includes serving on Shell Oman Marketing Plc and the joint venture companies between Petronas and Exxon/Mobil, PS Pipeline and PS Terminal, and other Shell downstream subsidiaries. He also served as a director of a multiparty loyalty program company, Bonuskad Loyalty Sdn Bhd.

Currently he is the Chairman of Chubb Insurance Malaysia Berhad and Merchantrade Asia Sdn Bhd. He also sits on the board of Boustead Petroleum Marketing Sdn Bhd as a Non-Independent Director.

He was appointed to the Board of the Manager on 29 July 2011. He is the Chairman of the Manager's Audit Committee and a member of the Nominating Committee. He was also appointed a member of Manager's Risk Management Committee and Sustainability Committee on 20 May 2022.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

cont'd

Dato' Maznah binti Abdul Jalil
Independent Non-Executive Director
(Malaysian, Female, age 69)

Dato' Maznah binti Abdul Jalil graduated with a Bachelor of Science from Northern Illinois University and Master of Science degree in Business Administration (Finance) from Central Michigan University.

Currently, she is a board member of Malayan Flour Mills Bhd, InNature Berhad and Cahya Mata Sarawak Berhad and other non-listed companies such as Opus Asset Management Sdn Bhd, Chairman of SCS Global Advisory Sdn Bhd and the Chairman of the Investment Panel of Lembaga Tabung Angkatan Tentera ("LTAT").

Her experience spans over 30 years in the investment and commercial banking and insurance industry. She started her career as investment banker with Amanah Merchant Bank Bhd in 1979. She joined Master-Carriage (Malaysia) Sdn Bhd as Director of Corporate Affairs in 1992. In 1997 she was appointed as Vice President of DRB-HICOM Berhad Group of Companies. She was formerly Chairman of Uni.Asia General Insurance Berhad and Uni.Asia Life Assurance Berhad. She has also previously served on the Board of UOB Bank (Malaysia) Berhad, Edaran Otomobil Nasional Berhad, EON Capital Berhad, EON Bank Berhad, Gadek (Malaysia) Berhad, HICOM Holdings Berhad, Horsedale Development Berhad, Labuan Reinsurance (L) Ltd, Malaysian International Merchant Bankers Berhad and several private limited companies under DRB-HICOM. Thereafter, she joined Hong Leong Financial Group Berhad as Executive Vice President, Corporate Finance & Principal Investment prior to her appointment as Executive Vice President, Investment Banking at Kenanga Investment Bank Berhad. In 2013, she was the Executive Director and Chief Financial Officer of Sona Petroleum Berhad, (a SPAC) a company which was voluntarily dissolved by court order.

She was formerly a board member of Felcra Berhad and Boustead Heavy Industries Corporation Bhd. She was also appointed to the Board of Universiti Teknologi Mara (UiTM) from 1996 until 2016 and a former board member of LTAT.

She was appointed to the Board of the Manager on 29 July 2011. She is a member of the Manager's Audit Committee and the Chairperson of the Nominating Committee, Risk Management Committee and Sustainability Committee.

She has no conflict of interest with Pavilion REIT. She has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

Dato' Choo Chuo Siong
Independent Non-Executive Director
(Malaysian, Male, age 57)

Dato' Choo Chuo Siong, graduated from the London School of Economics, UK with a Bachelor of Science in Economics (Honours).

He is currently the managing director of the Xiao En Group, a family business specialises as a service provider in memorial parks, memorial centre and bereavement care services in Malaysia. He supervises, moderates the Group's daily management and operations personally, and as the chief decision maker in the daily operations of the Group, including corporate master planning.

Apart from the above, he serves as one of the council members of the Best Wishes Foundation and the INXO Arts & Culture (L) Foundation. He is also a Justice of Peace in the State of Malacca.

Apart from actively involving in the bereavement care services, he has also ventured himself into the field of aged care and has vast experience in the field of property development projects ranging from both commercial and residential properties.

He was appointed to the Board of the Manager on 19 June 2012. He is a member of the Manager's Audit Committee and Nominating Committee. He was also appointed a member of Manager's Risk Management Committee and Sustainability Committee on 20 May 2022. He also holds directorship in Xiao En Memorial Park Bhd and Memorial Venture Berhad.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

cont'd

Dato' Mearia @ Massahariah binti Hamzah

Independent Non-Executive Director

(Malaysian, Female, age 58)

Dato' Mearia @ Massahariah binti Hamzah, graduated from University of New Haven, USA with Master of Business Administration (Accounting and Finance) and a Bachelor of Science degree (Accounting) from the State University of New York, USA.

She has an extensive career spanning over 3 decades in banking, finance and corporate services space, focusing on areas of strategy, transformation, digital payments and Islamic finance.

The last 8 years, she has helmed the role of Senior Vice President at both Bank Muamalat Malaysia Berhad (BMMB) and Bank Simpanan Nasional (BSN), where she drove two (2) key national financial agendas with the successful implementation and promotion of digital payments for retail consumers, as well as a comprehensive financial inclusion initiative in providing basic financial and payment services for the underserved and unserved communities across Malaysia. She had also served as a member of the Management Committee at BSN.

As the Chief Operating Officer (COO) at Pos Malaysia Berhad for 10 years from 2004 until 2014, she had successfully implemented multiple new business models in the financial services sphere, which were in partnership with numerous financial service providers. There she also spearheaded a number of transformation initiatives towards the modernization of Pos Malaysia Berhad and served as a Board member of one of Pos Malaysia's financial service subsidiary.

She had helmed over a 9-year period from 1995 until 2004 key positions at several prominent listed companies, namely Land & General Berhad, CSM Corporation Berhad and Malton Berhad, which were involved in the development, investment and management of properties in Malaysia and abroad. There, her roles were in strategy and corporate planning, financial management and investor relations.

During the initial years of her career from 1988 until 1995, she gained valuable experience working as an auditor with Arthur Andersen & Co. and Sime Darby Berhad, prior to taking up a role as a corporate banker with Bank of Commerce (M) Berhad.

She was appointed to the Board of the Manager on 3 January 2023. She was also appointed as a member of the Manager's Audit Committee, Risk Management Committee and Sustainability Committee on the same date. She does not hold any directorship in any public or public listed company.

She has no conflict of interest with Pavilion REIT. She has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

cont'd

Baljeet Kaur Grewal A/P Jaswant Singh*Independent Non-Executive Director**(Malaysian, Female, age 46)*

Baljeet Kaur Grewal A/P Jaswant Singh, graduated from University of Cambridge, United Kingdom with Executive Master in Business Administration and BA International Economics (first class honours) from University of Hertfordshire, United Kingdom.

She was a senior investment banking and strategy professional with experiences interalia in investment banking, direct investment portfolio management, Islamic finance and credit research.

She had previously worked as a Management Associate of Deutsche Morgan Grenfell, Kuala Lumpur. In June 2000, she was an Associate Director, Corporate Planning & Strategy (Asia) of ABN AMRO Bank Asia.

In July 2002, she was the Head, Capital Market Research (Fixed Income) of Maybank Investment Bank, Malaysia (Aseambankers) before appointed as the Managing Directors & Vice Chairman / KFH Research Limited, Kuwait Finance House, Kuwait in September 2006.

In 2015, she served as an advisory and finance specialist (West Asian Economic Mission) for Asian Development Bank (ADB) in Turkey and appointed as the Managing Director, Strategy & Portfolio Investments / Samruk-Kazyna Sovereign Wealth Fund of Kazakhstan.

She also served as member of the management board and a non-independent director of KazMunayGas National Oil Company, Kazakhstan.

She was appointed to the Board of the Manager on 14 September 2022. She was also appointed as a member of the Manager's Audit Committee, Risk Management Committee and Sustainability Committee on 12 October 2022. She does not hold any directorship in any public or public listed company.

She has no conflict of interest with Pavilion REIT. She has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

KEY MANAGEMENT PROFILE

**Dato' Philip Ho
Yew Hong**
*Chief Executive
Officer (CEO)*

Dato' Philip Ho, age 56, a Malaysian male, holds a Master of Business Administration from University of Strathclyde, United Kingdom and a Bachelor of Business in Accounting from Chisholm Institute of Technology, Australia. He is currently a member of the Malaysian Institute of Accountants and is a registered property manager in Malaysia.

He has over 34 years of experience in corporate planning, mergers & acquisitions, finance, audit, operations management, property development and construction.

Prior to joining Pavilion REIT Management Sdn Bhd, he was the Chief Financial Officer of Urusharta Cemerlang Sdn Bhd, where he was involved in the establishment of Pavilion REIT. During this period, he was also involved in the finance, operations and property investment functions for Urusharta Cemerlang Sdn Bhd's group of companies. Prior to this, he was Chief Operations Officer and Finance Director of Kuala Lumpur Pavilion Sdn Bhd (KLP) during the development and construction stage of the Pavilion Kuala Lumpur Project in 2002.

He was appointed as Chief Executive Officer on 1 December 2011 and has no directorship in other public companies and listed issuers, nor does he have any conviction for offences within the past 5 years, public sanction or penalty imposed by relevant regulatory bodies during the financial year, other than traffic offences, if any.

He has no conflict of interest with Pavilion REIT, save for the interest in Pavilion REIT as disclosed in the analysis of unitholdings. He also does not have any family relationship with any director of Pavilion REIT Management Sdn Bhd and/or major unitholder of Pavilion REIT.

**Dato' Joyce Yap
Soh Ching**
*Asset Manager
(Retail)*

A Malaysian female, age 65, she was appointed to the position of Asset Manager (Retail) of the Manager on 1 December 2011. She holds a Bachelor of Arts (Hons) in Business Studies from North East London Polytechnic, London, a Certificate in Centre Management from PPKM and is a registered property manager in Malaysia.

During her 41 years working experience, she has held key positions and handled a variety of responsibilities in the areas of development, sales and marketing, leasing of various types of property development and asset management.

In her role as Chief Executive Officer – Retail of KLP, her key responsibility is to formulate, articulate and prioritise departmental goals in line with KLP's strategic objectives which included mall operations, leasing, marketing and human resources. Her role also involves developing and maintaining effective networking relationships with local, regional and international retailers. Besides being a past president and current advisor of Malaysia Shopping Malls Association, she was also the past Chairman of Malaysia Tourism Committee and Associated Chinese Chambers of Commerce and Industry of Malaysia as well as a member of International Council of Shopping Centre Asia Pacific Advisory Board.

Prior to joining KLP, she worked with Gestetner Manufacturing Co., London, General Corporation Bhd, Lion Properties Sdn Bhd, MBf Properties Sdn Bhd, Berjaya Ditan Sdn Bhd and Sunway Pyramid Sdn Bhd.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

KEY MANAGEMENT PROFILE

cont'd

Lovell Ho Wai Hoong
Asset Manager (Leasing)

A Malaysian male, age 54, he was appointed to the position of Asset Manager (Leasing) of the Manager on 1 December 2011. He holds a Bachelor of Business in Marketing from the Royal Melbourne Institute of Technology, Melbourne, Australia. He is also a Certified Marketing Manager by PPKM and a member of PPKM.

He has over 29 years' experiences in shopping mall management particularly in the areas of retail development, leasing and marketing. In the retail industry, he possesses a wide network of both local and international retailers from renowned local brands to international luxury brands and has successfully secured and enhanced the required tenant mix over the years.

He joined KLP in 2002 as Senior Leasing Manager, was promoted to General Manager in 2005 with promotion to Director of Leasing in 2010 and appointment of Senior Director, Retail & Leasing in 2017.

Prior to joining KLP, he was the Marketing Manager of Sunway Pyramid Sdn Bhd and was responsible for setting the strategic marketing plans and implementing marketing and communication plans for the mall. He began his career with the Shopping Centre Management Division of The Lion Group. During his tenure with The Lion Group, he was involved in the overall leasing and marketing functions for the Lion Group Parade of Shopping Centres throughout the country.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), he also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

Kung Suan Ai
Asset Manager (Marketing)

A Malaysian female, aged 51, she was appointed to the position of Asset Manager (Marketing) of the Manager on 1 December 2011. She holds a Bachelor of Arts (Hons) in Communications from Universiti Kebangsaan Malaysia.

She joined KLP in 2008 as the General Manager of Marketing before being appointed as the Director of Marketing in 2010. Her previous work experience included the integrated Mid Valley City from 2001 to 2008 and Sunway Pyramid from 1996 to 2001.

In leading the Marketing Department of Pavilion REIT retail malls, she implements strategic marketing and communication plans to increase the brand equity, in addition to driving both consumer and corporate traffic to the malls.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

KEY MANAGEMENT PROFILE

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Francis Ong Heng Khai

*Asset Manager
(Facilities
Management)*

A Singaporean male, age 54, he was appointed to the position of Asset Manager (Facilities Management) of the Manager on 1 December 2011. He holds a Bachelor of Business (Property) from the University of South Australia, Australia and a Diploma in Building Management from Ngee Ann Polytechnic, Singapore.

He has over 29 years of experience in property management covering residential, commercial and industrial properties.

Prior to joining KLP, he was with CapitaMall Asia Ltd for close to seven years and managed one of their shopping malls, Plaza Singapura which is situated in Singapore's shopping belt along Orchard Road. He was seconded to a new development, ION Orchard in 2008 as Head of Facilities. While with ION Orchard, he was involved in the operations planning and recruitment of the facilities team for the new mall, pre-opening preparations and post-opening operations. He was responsible for the daily operations of the mall, preparation of the operations and maintenance budget, implementation of standard operating procedures and was also involved in asset enhancement initiatives of the respective malls that he had managed.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), he also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

Ong Hui Ling

*Head of Corporate
Planning*

A Malaysian female, age 53, she was appointed to the position of Head of Corporate Planning of the Manager on 1 January 2012. She holds a Master of Business Administration from Victoria University, Melbourne, Australia.

Involved in treasury and investor relation functions, she has over 32 years of experience, mainly in finance of service, manufacturing, construction, development and retail industries. She was attached Urusharta Cemerlang Sdn Bhd, the developer of Pavilion Kuala Lumpur, as its Head of Finance overseeing finance, credit control and treasury function prior to being part of the team that was involved in setting up Pavilion REIT.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

Lim Mian Nyee

*General Manager
(Finance)*

A Malaysian female, age 47, she was appointed to the position of General Manager (Finance) on 1 January 2022. She is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

Prior to joining Pavilion REIT Management Sdn Bhd on 1 December 2011 as its Finance Manager and thereafter being promoted as Senior Manager (Finance) and Assistant General Manager (Finance), she was the Finance Manager at The Nomad Hotel Management Sdn Bhd, a subsidiary of The Nomad Group Berhad. She oversaw the finance department for the service residences within the The Nomad Group Berhad with main responsibilities in financial reporting, budgeting and planning.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

KEY MANAGEMENT PROFILE

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Cheah Cher Yin
Senior Manager
(Legal and Compliance)

A Malaysian female, age 33, she holds a Bachelor of Laws (Hons) from the University of Oxford Brookes, and has obtained Certifications in Regulatory Compliance and Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) from the Asian Institute of Chartered Bankers and International Compliance Association.

Prior to joining the Manager on 11 October 2021 to oversee the area of legal and compliance, she was the Head of Policy, Compliance and Operation Risk in Pac Lease Berhad (a wholly-owned subsidiary of OCBC Capital (Malaysia) Sdn Bhd) overseeing regulatory compliance issues.

She started her career as a paralegal in a reputable law firm handling various litigation matters. Subsequently, she joined the Advocates & Solicitors Disciplinary Board as a legal officer supervising and monitoring works related to disciplinary actions against advocates and solicitors.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and/or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

Ng Zee Wan
Senior Manager
(Investment)

A Malaysian female, aged 37, she holds a Bachelor of Commerce in Finance and Financial Planning from Deakin University, Australia.

Prior to joining the Manager on 14 March 2022, she was a Manager in the Corporate Strategy & Planning department of UEM Edgenta Berhad garnering experience in portfolio management as well as planning and leading strategic engagement with stakeholders.

She started her career as an Executive in RHB Investment Bank Berhad. Subsequently, she joined Eastern & Oriental Berhad as a Manager, where she was involved in acquisition and funding transactions as well as joint venture partnerships and a proposed initial public offering.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Pavilion REIT Management Sdn Bhd (“Manager”), which is the Manager of Pavilion Real Estate Investment Trust (“Pavilion REIT” or “Fund”), was set-up to manage and administer Pavilion REIT. Licensed by the Securities Commission under the Capital Market Services Act, the Manager, in carrying out its responsibilities, advocates good corporate governance to retain high values of clarity, responsibility, and honesty and be subjected to provisions of the Deed, Listed REIT Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Malaysian Code on Corporate Governance and any other relevant laws.

The Manager shall, in managing Pavilion REIT, undertake primary management activities in relation to Pavilion REIT, including but not limited to overall strategy, risk management strategy, new acquisition and disposal analysis, marketing and communications, individual asset performance and business planning, market performance analysis and other activities as provided under the Deed with proper, diligent and efficient manner with acceptable and efficacious business practices in the real estate investment industry.

Principal A : Board Leadership and Effectiveness

The Board of Directors (“Board”) members, with their wide, varied range of expertise, skills and experiences have adopted the primary responsibilities as listed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance 2021, all of which is to steward Pavilion REIT’s business and facilitate the discharge of the Manager’s responsibilities with a view to enhance unitholders value and interest and maintaining high standards of transparency, accountability and integrity. The Board Charter was formally approved and adopted by the Board on 1 November 2012.

The Board meets at least once every quarter and focuses on principal matters such as strategic issues and planning, including performance reviews and promoting business sustainability, setting the risk appetite, acquisitions and disposals, financial performance and advocating ethical standards through a code of conduct.

Notices, agenda, and meeting papers are circulated to the Board members in a timely manner to ensure that they have sufficient time to review the matters under consideration. All members of the Board have access to the advices and services of the company secretary and the compliance officer and are entitled to obtain independent professional advice in discharging their duties.

Members of the Board consists of twelve members, of which three (3) are non-independent executive directors, four (4) non-independent non-executive directors and five (5) independent non-executive directors.

Although the Chairman is an executive director with about 42% of its Board being independent non-executive directors, the Board believes that the Chairman, who has significant interest in Pavilion REIT will act in the best interest of the Fund’s unitholders.

The Chairman carries out a leadership role in the conduct of the Board and is primarily responsible for ensuring the adequacy and integrity of the governance process besides guiding and mediating the Board’s action and maintaining regular dialogues with the CEO.

The CEO, whose position is held separately by a different person, is responsible to ensure the effective implementation of strategic plans and policies established by the Board to manage the daily conduct of Pavilion REIT’s business to ensure smooth operations, clear supervision, and effective management. The approved policies and standard operating procedures for level of authority for transactions, maintenance and operations of Pavilion REIT’s properties as well as acquisitions and divestments of investments procedures will continuously be reviewed, enhanced and updated in line with changes in the operating environment.

The Board has updated its independence and gender diversity in compliance with the recommendation under the latest Malaysian Code on Corporate Governance to have at least 30% women board members. To date, the Board comprise of 33% women board members.

Audit Committee and Nominating Committees, comprising mainly of independent directors, have also been setup to assist the Board in discharging its duties and responsibilities via terms and reference approved by the Board members. The Committee members would meet to discuss on matters within their scope and thereafter the Committee Chairman would recommend them to the Board for decision. All Committee and Board meetings are minuted. More details are available under the section of Audit Committee Report and Nominating Report respectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

Any board member that has any interest, whether directly or indirectly, in a contract or proposed contract would have to declare his or her interest and not participate in deliberations and shall abstain from casting his or her votes in any matter arising therefrom. Should there be an actual, potential, or perceived conflict of interest or a related corporate and a director, or an associate of a director as a spouse or other family members, the director involved shall make full disclosure and act honestly in the best interest of Pavilion REIT. The Audit Committee is responsible to review any related party transactions or conflict of interest situations and the Manager will ensure compliance with the Deed and any other regulatory guidelines.

The Board members shall devote sufficient time to carry out their responsibilities. The Board will obtain this commitment from its members at the time of appointment. The Board members shall notify the Chairman before accepting any new directorships and the notification shall provide for an indication of time that will be spent on the new appointment. The remuneration or fees due to its Board members are paid by the Manager and not Pavilion REIT.

The Board has met five (5) times during the financial year ended 31 December 2022 with details of attendance as stated below:

Name of Directors	Designation	Number of meetings attended
Tan Sri Lim Siew Choon	Chairman and Non-Independent Executive Director	5/5
Puan Sri Tan Kewi Yong	Non-Independent Executive Director	5/5
Dato' Lee Tuck Fook	Non-Independent Executive Director	5/5
Ahmed Ali H A Al-Hammadi	Non-Independent Non-Executive Director	4/5
Ahmad Mohammed F Q Al-Khanji	Non-Independent Non-Executive Director	4/5
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	5/5
Navid Chamdia	Non-Independent Non-Executive Director	5/5
Ooi Ah Heong ¹	Non-Independent Non-Executive Director	5/5
Dato' Mohzani bin Abdul Wahab	Independent Non-Executive Director	5/5
Dato' Maznah binti Abdul Jalil	Independent Non-Executive Director	5/5
Dato' Choo Chuo Siong	Independent Non-Executive Director	5/5
Syed Mohd Fareed bin Shaikh Alhabshi ²	Independent Non-Executive Director	2/2
Baljeet Kaur Grewal A/P Jaswant Singh ³	Independent Non-Executive Director	2/2

¹ resigned as director on 3 January 2023

² resigned as director on 8 July 2022

³ appointed as director on 14 September 2022

During the financial year under review, the Board members had attended various programmes to enhance their knowledge and expertise as well as to keep abreast with the relevant changes in law, regulations and business environment.

Training programmes attended by the Board members during the financial year were:

- (i) 2022 International SPAC Summit – Kuala Lumpur Edition
- (ii) 3rd Annual Malaysian REIT Forum 2022 : M-REITs & The Road Ahead
- (iii) Advocacy Session for Directors and Senior Management of Main Market Listed Issuers
- (iv) Corporate Governance and Growth
- (v) CHK004: Digital Leadership for Sustainable Business in Industry 4.0
- (vi) ESG Corporate Summit "Driving Sustainability and Sustainable Transformation"
- (vii) KSY312: Investment Opportunities in a Post COVID-19 Pandemic World
- (viii) PKJ772: Rethinking Business Strategies in Driving the ESG and Sustainability Agenda
- (ix) Mandatory Accreditation Programme
- (x) SSM National Conference 2022 on Corporate Governance and Sustainability : Needed Now More Than Ever

The Nominating Committee have reviewed and assessed each Board member and concluded that their performance is satisfactory with performance level and qualifications being met and in compliance with requirements. Independent directors are autonomous and can deliver objective judgement for the Board's deliberation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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Sustainability Committee (“SC”) and Risk Management Committee (“RMC”) have also being established in May 2022 to affirm the Board’s commitments towards sustainability and strengthen risk management processes to ensure Pavilion REIT is in a position to mitigate any potential risk.

Sustainability Committee

Name of Directors	Designation	Number of Meetings Attended
Dato’ Maznah binti Abdul Jalil (<i>Chairman</i>)	Independent Non-Executive Director	2/2
Dato’ Mohzani bin Abdul Wahab	Independent Non-Executive Director	2/2
Dato’ Choo Chuo Siong	Independent Non-Executive Director	2/2
Baljeet Kaur Grewal A/P Jaswant Singh ¹	Independent Non-Executive Director	1/1
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	2/2

¹ appointed as Sustainability Committee member on 12 October 2022

Risk Management Committee

Name of Directors	Designation	Number of Meetings Attended
Dato’ Maznah binti Abdul Jalil (<i>Chairman</i>)	Independent Non-Executive Director	2/2
Dato’ Mohzani bin Abdul Wahab	Independent Non-Executive Director	2/2
Dato’ Choo Chuo Siong	Independent Non-Executive Director	2/2
Baljeet Kaur Grewal A/P Jaswant Singh ¹	Independent Non-Executive Director	1/1
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	2/2

¹ appointed as Risk Management Committee member on 12 October 2022

Principal B : Effective Audit and Risk Management

Audit Committee members, comprising mainly of independent directors, are responsible to evaluate risks, review financial reporting, gauge internal and external audit processes as well as to review related party transactions and conflict of interest situations. Additional information is available under the section of Audit Committee Report and Statement of Risk Management and Internal Control.

The Nominating Committee have determined that Audit Committee and its members have discharged their duties effectively and in accordance with their terms and reference.

Principal C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The Board acknowledges that providing prompt and accurate disclosure of information to unitholders is critical. Therefore, disclosures are made via annual report and announcements on Bursa Malaysia, corporate website, roadshows, and conferences. Consistent engagement ensures that Pavilion REIT’s information are transmitted on a timely basis. Annual general meeting is also another platform for unitholders to engage with the Manager to seek clarification, updates, and feedback.

The CEO, as the official spokesperson for the Fund, meets with analyst and fund managers to provide them with updates or upon request, besides attending investors’ roadshows and seminars. Besides timely announcements and disclosures to Bursa Malaysia, its website, www.pavilion-reit.com is also regularly being updated. Please refer to Investors Relation and Fund Performance section for details of roadshows or seminars attended.

The Manager will continue to enhance its communication channels to ensure its unitholders, fund managers and stakeholders obtain information that are timely and relevant.

NOMINATING COMMITTEE REPORT

The Nominating Committee has been established on 24 April 2013 and it comprises exclusively of 5 Non-Executive Directors with a majority of independent directors:-

Name of Directors	Designation	Number of Meetings Attended
Dato' Maznah binti Abdul Jalil (<i>Chairman</i>)	Independent Non –Executive Director	3/3
Dato' Mohzani bin Abdul Wahab	Independent Non-Executive Director	3/3
Dato' Choo Chuo Siong	Independent Non-Executive Director	3/3
Ooi Ah Heong ¹	Non-Independent Non-Executive Director	3/3
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	3/3

¹ resigned as director and ceased as Nominating Committee member on 3 January 2023

The Nominating Committee is responsible to assess, make recommendations and consider candidates for appointment to the Board. The scope of responsibilities of the Nominating Committee also covers the assessment of the performance and effectiveness of the Board and Board Committees, as well as the performance of each Board member and each of the Audit Committee member.

During the financial year ended 31 December 2022, the Board had approved the Directors' Fit and Proper Policy which set out the fit and proper criteria for appointment and re-election of the Directors. This policy serves as a guide for the Nominating Committee and the Board in their review and assessment of candidates proposed for appointment to the Board and Board members who are seeking for re-election and periodic/annual assessments.

The performance evaluation was based on the fit and proper criteria stated in the Directors' Fit and Proper Policy which includes character, integrity, experience, competence, time, and commitment. Consideration is also given to the required size and board composition to ensure that the Board and Board Committees are functioning effectively and efficiently to enable the Board to make effective business decisions and recommendations. For the independent directors, they are assessed based on their independence and abilities to discharge their responsibilities and functions with objective judgement.

For the financial year ended 31 December 2022, the Nominating Committee had assessed and reviewed the following:

- the performance of the Board and Board Committees, contribution of each Board member, independence of the Independent Non-Executive Directors and the term of office, performance of Audit Committee and each of its members;
- the retention of the Independent Non-Executive Directors whose tenure as Independent Director have exceeded 9 years;
- to recommend those Board members retiring be nominated for re-election; and
- to recommend candidates for appointment as Independent Non-Executive Directors.

The Nominating Committee is satisfied with the performance of the Board, Board Committees, and contribution of each of the Board members. The Independent Non-Executive Directors have maintained their independence and are competent to continue serving as the independent directors. The Audit Committee and its members have discharged their duties effectively and in accordance with their terms of reference.

The performance, the fitness and propriety of those Directors subjected to re-election were assessed and the Nominating Committee had recommended to the Board for tabling the resolution on the re-election of Directors for shareholders' approval.

For appointment of Independent Non-Executive Directors, apart from the fitness and propriety of the candidates, the Nominating Committee also reviewed the relationship of the candidates with the existing Directors, senior management and major unitholders to assess the independency and the ability to discharge the duties of an independent director. The Nominating Committee recommended to the Board for consideration on their appointment.

AUDIT COMMITTEE REPORT

The Audit Committee, formed on 24 October 2012 comprising of 5 Board members has been entrusted to assess the risks and control environment, oversee financial reporting, evaluate the internal and external audit process as well as to review conflict of interest situations and related party transactions.

Name of Directors	Designation	Number of Meetings Attended
Dato' Mohzani bin Abdul Wahab (<i>Chairman</i>)	Independent Non-Executive Director	5/5
Dato' Maznah binti Abdul Jalil	Independent Non-Executive Director	5/5
Dato' Choo Chuo Siong	Independent Non-Executive Director	5/5
Navid Chamdia ¹	Non-Independent Non-Executive Director	4/5
Baljeet Kaur Grewal A/P Jaswant Singh ²	Independent Non-Executive Director	2/2

1 Navid Chamdia did not attend the meeting held on 22 November 2022 pertaining to the acquisition of Pavilion Bukit Jalil together with the related assets and rights as he is deemed interested in the acquisition.

2 appointed as Audit Committee member on 12 October 2022

Summary of work undertaken by Audit Committee during the year under review are as listed below :-

- (a) reviewed and deliberated with the Manager's management on the quarterly financial results to recommend to the Board for approval and release to Bursa Malaysia. Consideration was given by Audit Committee to understand financial results of each property with close attention given to update under "Prospects"
- (b) reviewed list of related party transactions every quarter to determine whether there has been any material change as compared to the previous quarter and whether the transactions have been established under normal commercial terms that are no less favourable than those arranged with independent parties
- (c) reviewed the internal control plan prepared by BDO Governance Advisory Sdn Bhd ("BDO GA")
- (d) on 27 October 2022, a meeting was held by Audit Committee with BDO to assess the internal control review report prepared by them. BDO gave explanation on findings of review, proposed recommendations, and corresponding Manager's responses, which were noted by the Audit Committee
- (e) reviewed audit plan with external auditor, KPMG PLT by understanding its audit methodology, significant risk areas and accounting policies / disclosures and timing. KPMG PLT were also asked of its succession planning of its key personnel leading the audit and sufficiency of resources.
- (f) on 31 January 2023, the Audit Committee was briefed privately by KPMG PLT (without presence of the Manager's management) on status of its audit
- (g) reviewed and commented on the audit committee report and statement of risk management and internal control for inclusion into the annual report
- (h) evaluated the work scope, approach and fees to outsourced internal auditor and recommended for their engagement
- (i) evaluated the approach and fees of external auditor and recommended for their engagement for the following year

For the year under review, BDO GA had been engaged to perform internal audit review for Pavilion REIT covering tenancy management to collection of rentals. They also reviewed remedial actions taken with regards to measures to mitigate money laundering or financing of terrorism risks and enhancement to supervision by reviewing Pavilion REIT's risk management policy, procedures, operational risks identified as well as its risk map.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Manager realises the significance of establishing a sufficient and effective risk management and internal control system and has attended to this under the Pavilion REIT Operation Manual approved by the Board. Such process has been in place for the past years under review, including up to the date of approval of this statement for inclusion in the annual report.

There is a policy in place pertaining to the level of authority required for transactions and standard operating procedures pertaining to operations and maintenance of Pavilion REIT's properties as well as acquisition and divestment of property.

The Audit Committee and the Board meet at least once every quarter to review the financial performance of Pavilion REIT against the approved budget. The Board also reviews the business risk of Pavilion REIT, where identified by the CEO, internal auditor and external auditor and acts accordingly, where deemed appropriate. Board's approval is required for any proposed acquisition or disposal of investment property, which would be evaluated from the aspect of economic, environment, financial and risks relevant to the property industry or sector. Risk Management Committee also meets quarterly to review the risk map and risk register of Pavilion REIT based on policy and procedure adopted.

Anti-bribery and corruption policy was also enhanced during the year with assessment conducted prior to engaging new tenant or renewing expired tenants. Measure to mitigate money laundering / combating the financing of terrorism was also formalized with training provided. As we continue to leverage on information technology for business operation as well as continuous concern on breach of data security and privacy protection, training was provided to remind and update staff on awareness of security, analyze tool output for network mapping as well as to explore different data protection principles.

BDO Governance Advisory Sdn Bhd ("BDO GA") had been appointed as internal auditor whereby they had performed internal control review on tenancy management to collection of rentals. The objectives of the review are as follows :-

- to assess the adequacy and integrity of the system of internal controls
- to assess compliance with policies and procedures and recommend best practices; and
- to identify any potential areas for improvement in the effectiveness and efficiency of the processes, if any

The execution strategies that BDO GA adopts are one that are risk-based and process life cycle focused. Risk-based approach allows for prioritisation of audit on functions or processes that are of the highest concern, or which will have significant impact to Pavilion REIT in the event of control failures.

A process life cycle approach allows for :

- i) understanding and evaluation of business processes and related business controls from a risk perspective along the entire life cycle;
- ii) identification of control inadequacies within the processes and recommend feasible or best practices; and
- iii) consideration of the effectiveness and efficiency of processes and controls, i.e. not just in terms of integrity but also in terms of process improvement opportunities

The Audit Committee has reviewed the findings presented by BDO GA during the year. Recommendations made have been rectified and adhered to and the Audit Committee and Board will continue to monitor the recommendations on an on-going basis.

The Board has received assurance from the CEO that the risk management and internal control system is operating sufficiently and effectively, in all material aspects.

The Board is of the view that the risk management and internal control system in place for the year under review is adequate and effective. Nevertheless, it will always be reviewed and improved in line with changes in the operating environment.

Due to inherent restrictions as well as the ever-changing risk landscape, the controls which are employed are intended to cope with and are not expected to eliminate all risks of failure to achieve business objectives. Established controls can only provide realistic and not total assurance against material misstatement of management and financial information or against financial losses and fraud.

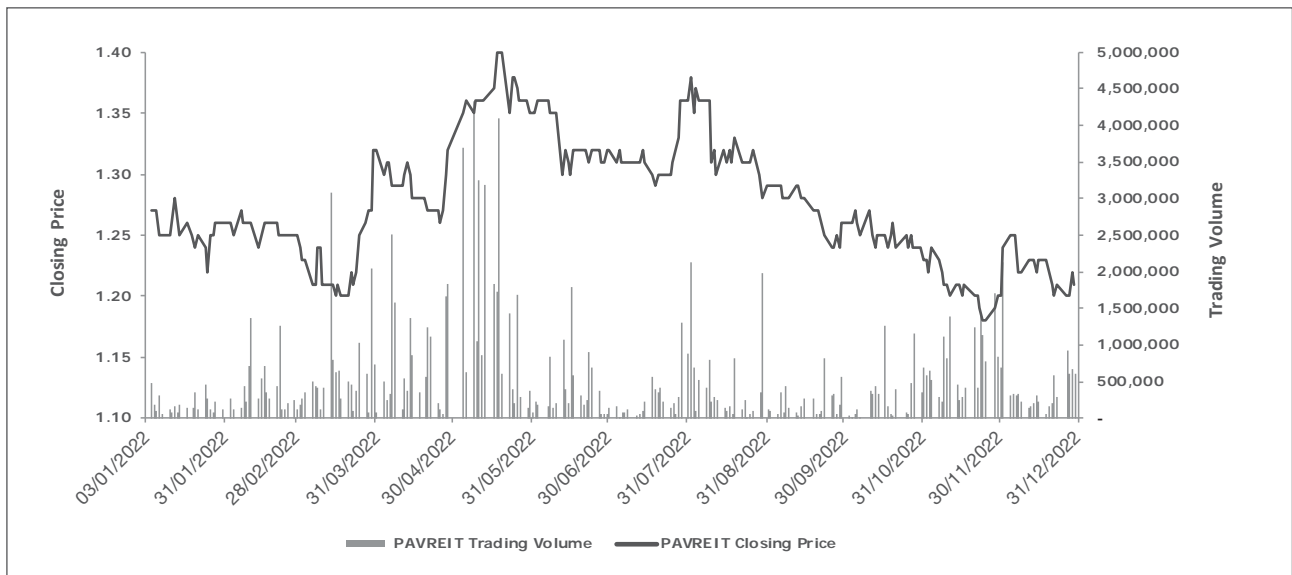
INVESTOR RELATIONS REPORT

Investors Relation and Fund Management

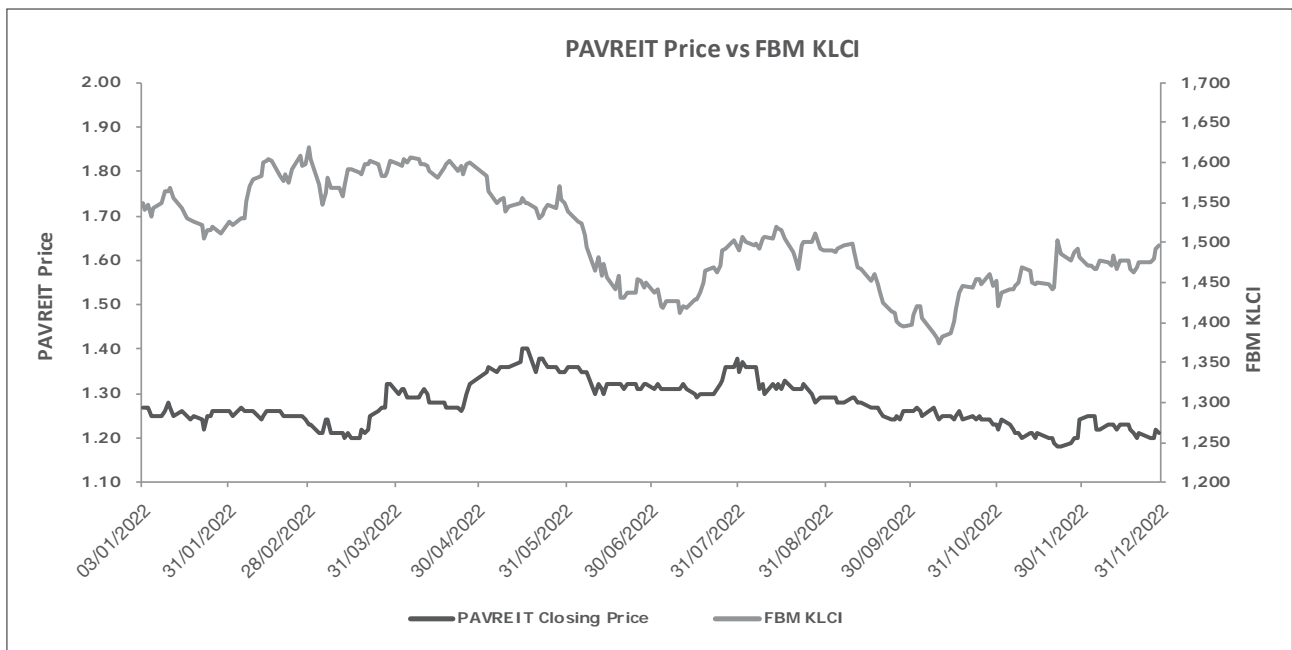
With gathering and travel restrictions imposed due to COVID-19, there was no participation to investors roadshow. However, regular contacts were maintained with analysts and fund managers to keep them abreast with happenings in retail environment.

Pavilion REIT’s 10th annual general meeting was held virtually on 30 March 2022 whereby its unitholders were updated on the performance of Pavilion REIT for the financial year ended 31 December 2021.

Pavilion REIT’s Monthly Trading Performance



Pavilion REIT’s Unit Price Performance against FBM KLCI



INVESTOR RELATIONS REPORT

cont'd

Trading Summary	FY2018	FY2019	FY2020	FY2021	FY2022
Net Asset Value per Unit (RM)					
- As at 31 December	1.31	1.31	1.27	1.27	1.33
- Lowest during the year	1.28	1.29	1.27	1.25	1.26
- Highest during the year	1.31	1.31	1.28	1.27	1.33
Closing unit price (RM) as at 31 December	1.64	1.74	1.50	1.25	1.21
Highest traded price during the year (RM)	1.78	1.92	1.82	1.53	1.41
Lowest traded price during the year (RM)	1.32	1.61	1.35	1.19	1.18
Capital appreciation / (depreciation) (%) ¹	1.86	6.10	(13.79)	(16.67)	(3.20)
Annual total return (%) ²	7.21	10.98	(11.04)	(13.14)	3.72
Average total return over 3 years (%)	8.00	2.68	2.38	(4.40)	(6.82)
Average total return over 5 years (%)	10.99	9.29	4.79	(3.23)	(0.45)
Units in circulation ('000)	3,036,705	3,041,090	3,045,307	3,050,059	3,055,722
Market capitalisation (RM'000)	4,980,196	5,291,497	4,567,961	3,812,574	3,697,423

¹ Capital appreciation/(depreciation) is calculated based on the difference between opening and closing price for the relevant financial year.

² Annual total return refers to total of capital appreciation and distribution yield.



Section 7: Financials

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Section 7.1 Manager's Report
Section 7.2 Financial Statements

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MANAGER'S REPORT

The Manager is pleased to present its report together with the audited financial statement of Pavilion REIT for the financial year ended 31 December 2022.

Pavilion REIT is a Malaysia-domiciled real estate investment trust constituted pursuant to the Deed and was formally admitted to the Main Market of Bursa Malaysia Securities Berhad on 7 December 2011.

There is no change in the strategy or direction of Pavilion REIT's intention of investing, directly and indirectly in a diversified portfolio of income producing real estate used solely or predominantly for retail purposes with the primary objective to provide the unitholders with regular and stable distributions to achieve long-term growth in NAV per unit and maintaining an appropriate capital structure, whilst balancing other stakeholders needs.

Directors

Directors of the Manager who served during the financial year until the date of this report are:

Tan Sri Lim Siew Choon
 Puan Sri Tan Kewi Yong
 Dato' Lee Tuck Fook
 Ahmed Ali H A Al-Hammadi
 Ahmad Mohammed F Q Al-Khanji
 Mohd Abdulrazzaq A A Al-Hashmi
 Navid Chamdia
 Dato' Mohzani Bin Abdul Wahab
 Dato' Maznah Binti Abdul Jalil
 Dato' Choo Chuo Siong
 Dato' Mearia @ Massahariah Binti Hamzah (appointed on 03.01.2023)
 Baljeet Kaur Grewal A/P Jaswant Singh (appointed on 14.09.2022)
 Syed Mohd Fareed Bin Shaikh Alhabshi (resigned on 08.07.2022)
 Ooi Ah Heong (resigned on 03.01.2023)

Directors' Interests in Shares

The interests in the unitholdings of a real estate investment trust managed by the Manager and the shareholdings in the Manager and of its related corporations of those who were Directors at the financial year end are as follows:

	Number of units			At 31.12.2022
	At 1.1.2022	Bought	Sold	
Direct unitholdings in Pavilion REIT:				
Tan Sri Lim Siew Choon	845,425,000	-	-	845,425,000
Puan Sri Tan Kewi Yong	281,875,000	-	-	281,875,000
Dato' Lee Tuck Fook	100,000	-	-	100,000
Navid Chamdia	100,000	-	-	100,000
Dato' Maznah Binti Abdul Jalil	100,000	-	-	100,000

MANAGER'S REPORT

cont'd

	Number of ordinary shares			At 31.12.2022
	At 1.1.2022	Bought	Sold	
Direct interest in the ultimate holding corporation, Pavilion Pacific Ltd:				
Tan Sri Lim Siew Choon	75	-	-	75
Puan Sri Tan Kewi Yong	25	-	-	25
Indirect interest in a related company, Urusharta Cemerlang Sdn Bhd:				
Tan Sri Lim Siew Choon	113,730,000	-	-	113,730,000
Puan Sri Tan Kewi Yong	113,730,000	-	-	113,730,000
Indirect interest in the Manager:				
Tan Sri Lim Siew Choon	2,550,000	-	-	2,550,000
Puan Sri Tan Kewi Yong	2,550,000	-	-	2,550,000

By virtue of their interest in the shares of Pavilion Pacific Ltd, the ultimate holding corporation, Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong are deemed to have interest in the shares of the subsidiaries to the extent that the ultimate holding corporation has an interest.

Except as disclosed above, the other Directors holding office as at 31 December 2022 had no interest in the ordinary shares of the Manager and of its related companies during the financial year.

Directors' Benefit

For the year ended 31 December 2022, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by Pavilion REIT or a related corporation with the Director or with a firm which the Director is a member, or with a company in which the Director has substantial financial interest except as disclosed in the Financial Statements.

There were no arrangements during and at the end of the twelve months period which had the object of enabling Directors of the Manager to acquire benefits by means of acquisition of Units or debentures of Pavilion REIT or any other body corporate except as disclosed in the Financial Statements.

Soft Commission

There was no soft commission received by the Manager during the reporting financial year.

Manager's Fee

Pursuant to the Deed, the Manager is entitled to receive the following :-

- i) a base fee ("Base Fee") of up to 1.0% per annum of the total asset value of Pavilion REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- ii) a performance fee ("Performance Fee") of up to 5.0% per annum of net property income of Pavilion REIT.

MANAGER'S REPORT

cont'd

- iii) an incentive fee ("Incentive Fee") receivable as follows effective from the second full financial year in which Pavilion REIT has been established and in operation (subject to the relevant approval by Pavilion REIT's unitholders being obtained)

Fee Receivable (% per annum of the total asset value of Pavilion REIT)	Criteria – Provided that annual growth in the distributable income in a Financial Year (calculated before accounting for Incentive Fee in that Financial Year):
Up to 0.10%	Exceeds 7.5% and up to 10.0%
Up to 0.15%	Exceeds 10.0% and up to 12.5%
Up to 0.20%	Exceeds 12.5%

- iv) an acquisition fee ("Acquisition Fee") of 1.0% of transaction value in relation to an acquisition of any real estate and real estate related assets directly or indirectly acquired.
- v) a divestment fee ("Divestment Fee") of 0.5% of transaction value in relation to disposal of any real estate and real estate related assets directly or indirectly sold or divested.

The Base Fee, Performance Fee, Acquisition Fee and Divestment Fee shall be receivable in the form of cash, new Units of Pavilion REIT or a combination thereof at the sole discretion of the Manager. The Incentive Fee is receivable in Units only.

Fund management fees in cash are receivable within seven (7) days of the following events:

- i) in respect of the Base Fee and Performance Fee, monthly based on monthly management accounts of Pavilion REIT and be reconciled to quarterly and annual audited financial statements;
- ii) in respect of the Acquisition Fee and Divestment Fee, the completion of the relevant acquisition/divestment.

Fund management fees in units are receivable upon approval from the authority for the listing of and quotation of Pavilion REIT Units. Where approval cannot be obtained, the fees shall be receivable in cash.

Other Information

Before the statement of profit or loss and other comprehensive income and statement of financial position of Pavilion REIT were made out, the Manager took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in Pavilion REIT inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of Pavilion REIT misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of Pavilion REIT misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of Pavilion REIT misleading.

MANAGER'S REPORT

cont'd

At the date of this report, there does not exist:

- i) any charge on the assets of Pavilion REIT that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of Pavilion REIT that has arisen since the end of the financial year.

No contingent liability or other liability of Pavilion REIT has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Manager, will or may substantially affect the ability of Pavilion REIT to meet its obligations as and when they fall due.

In the opinion of the Manager, the financial performance of Pavilion REIT for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Material Litigation

There is no material litigation pending that is not disclosed in this report.

Auditor

The auditors of Pavilion REIT, Messrs KPMG PLT, have indicated their willingness to accept re-appointment.

For and on behalf of Pavilion REIT Management Sdn Bhd

TAN SRI LIM SIEW CHOON

Chairman

DATO' LEE TUCK FOOK

Non-Independent Executive Director

Kuala Lumpur
31 January 2023



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STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Plant and equipment	4	553	740
Investment properties	5	6,045,000	5,880,000
Total non-current assets		6,045,553	5,880,740
Current Assets			
Inventories		2,873	3,068
Trade and other receivables	6	42,410	42,656
Pledged deposits with licensed banks	7	59,425	58,226
Cash and cash equivalents	8	332,915	254,005
Total current assets		437,623	357,955
Total assets		6,483,176	6,238,695
Liabilities			
Borrowings	9	1,394,039	1,778,298
Payables and accruals	10	44,313	81,677
Total non-current liabilities		1,438,352	1,859,975
Current Liabilities			
Borrowings	9	800,000	395,000
Payables and accruals	10	184,817	125,267
Total current liabilities		984,817	520,267
Total liabilities		2,423,169	2,380,242
Net asset value		4,060,007	3,858,453
Financed by:			
Unitholders' fund			
Unitholders' capital	11	2,952,256	2,945,255
Accumulated income		1,107,751	913,198
Total unitholders' fund		4,060,007	3,858,453
Net asset value ("NAV")			
Before income distribution		4,060,007	3,858,453
After income distribution*		3,928,916	3,779,761
Number of units in circulation ('000 units)	11	3,055,722	3,050,059
NAV per unit (RM)			
Before income distribution		1.3287	1.2650
After income distribution*		1.2858	1.2392

* after proposed final income distribution of 4.29 sen per unit (2021: 2.58 sen per unit)

The notes on pages 119 to 155 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Rental income		498,914	447,857
Revenue from contract customers	12	55,867	31,468
Other income		14,910	9,266
Gross revenue		569,691	488,591
Utilities		(68,471)	(48,282)
Maintenance		(61,900)	(51,189)
Property taxes		(16,263)	(16,245)
Other operating expenses	6	(58,856)	(136,253)
Net property income		364,201	236,622
Net fair value changes on investment properties		151,381	(627)
Interest income		6,523	4,672
Net investment income		522,105	240,667
Manager's management fees	13	(30,375)	(25,815)
Trustee's fees	1(c)	(485)	(485)
Valuation fee		(504)	(413)
Other trust expenses	1(c)	(956)	(510)
Borrowing costs	14	(91,986)	(88,204)
Income before taxation		397,799	125,240
Tax expense	15	-	-
Income after taxation/Total comprehensive income attributable to unitholders		397,799	125,240
Income after taxation is made up as follows:			
Realised		246,418	125,867
Unrealised		151,381	(627)
		397,799	125,240
Basic/Diluted earnings per unit (sen)	16	13.03	4.11

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

cont'd

	Note	2022 RM'000	2021 RM'000
Total comprehensive income		397,799	125,240
Distribution adjustments	A	(141,988)	9,422
Distributable income		255,811	134,662
Distribution per unit (sen) - interim		4.08	1.83
Distribution per unit (sen) - final		4.29	2.58
Note A			
Distribution adjustments comprise:			
Amortisation of transaction costs		1,465	1,815
Depreciation	4	334	526
Net fair value changes on investment properties		(151,381)	627
Manager's management fees payable in units	13	7,594	6,454
		(141,988)	9,422

The notes on pages 119 to 155 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE

for the year ended 31 December 2022

	Note	Unitholders' capital RM'000	Accumulated income RM'000	Total funds RM'000
At 1 January 2021		2,938,844	920,473	3,859,317
Income after taxation/Total comprehensive income for the year attributable to unitholders		-	125,240	125,240
Unitholders' transactions				
<i>Contributions by and distributions to unitholders</i>				
Issue of new units		6,411	-	6,411
Distribution to unitholders	17	-	(132,515)	(132,515)
Increase/(Decrease) in net assets resulting from unitholders' transactions		6,411	(132,515)	(126,104)
Net assets at 31 December 2021/ 1 January 2022		2,945,255	913,198	3,858,453
Income after taxation/Total comprehensive income for the year attributable to unitholders		-	397,799	397,799
Unitholders' transactions				
<i>Contributions by and distributions to unitholders</i>				
Issue of new units		7,001	-	7,001
Distribution to unitholders	17	-	(203,246)	(203,246)
Increase/(Decrease) in net assets resulting from unitholders' transactions		7,001	(203,246)	(196,245)
Net assets at 31 December 2022		2,952,256	1,107,751	4,060,007

Note 11

STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Income before taxation		397,799	125,240
<i>Adjustments for:</i>			
Borrowing costs	14	91,986	88,204
Depreciation	4	334	526
Plant and equipment written off	4	3	-
Gain on disposal of plant and equipment	4	(1)	-
Impairment loss on trade receivables		4,778	2,458
Interest income		(6,523)	(4,672)
Net fair value changes on investment properties		(151,381)	627
Operating income before changes in working capital		336,995	212,383
Changes in inventories		195	(27)
Changes in receivables		(4,532)	(11,662)
Changes in payables		26,480	1,015
Changes in tenants' deposits		2,707	(6,978)
Net cash generated from operating activities		361,845	194,731
Cash flows from investing activities			
Interest received		6,523	4,672
Payment for enhancement of investment properties (Pledged)/Uplifted deposit		(13,619)	(17,627)
Purchase of plant and equipment		(153)	(94)
Proceed from disposal of plant and equipment		4	-
Net cash used in investing activities		(8,444)	(7,342)
Cash flows from financing activities			
Distribution to unitholders		(203,246)	(132,515)
Interest paid		(90,521)	(86,389)
Payment of financing expenses		(724)	(5,027)
Proceed from borrowings		190,000	420,000
Repayment of borrowings		(170,000)	(406,762)
Net cash used in financing activities		(274,491)	(210,693)
Net increase/(decrease) in cash and cash equivalents		78,910	(23,304)
Cash and cash equivalents at 1 January		254,005	277,309
Cash and cash equivalents at 31 December		332,915	254,005

The notes on pages 119 to 155 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Pavilion Real Estate Investment Trust (“Pavilion REIT”) is a Malaysia-domiciled real estate investment trust constituted pursuant to the First Amended and Restated Trust Deed dated 18 February 2019 (“the Deed”) between Pavilion REIT Management Sdn. Bhd. (“the Manager”) and MTrustee Berhad (“the Trustee”). The Deed is regulated by the Securities Commission Act 1993, the Securities Commission’s Guidelines on Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Pavilion REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 27 of the Deed. The addresses of the Manager’s registered office and principal place of business are as follows:

Registered office

6-2, Level 6, East Wing
Menara Goldstone
(Holiday Inn Express)
No. 84, Jalan Raja Chulan
50200 Kuala Lumpur

Principal place of business

Lot 10.00.00, Level 10
Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur

The financial statements of Pavilion REIT as at and for the financial year ended 31 December 2022 comprise Pavilion REIT and its wholly-owned special purpose companies, Pavilion REIT Venture Capital Sdn. Bhd. and Pavilion REIT Bond Capital Berhad, companies incorporated in Malaysia, of which their principal activities are to raise financing for and on behalf of Pavilion REIT.

Pavilion REIT is to invest, directly and indirectly in a diversified portfolio of income producing real estate used solely or predominantly for retail purposes with the primary objective to provide the unitholders with regular and stable distributions and achieve long-term growth in net assets value (“NAV”) (being the total unitholders’ fund) per unit, while maintaining an appropriate capital structure.

Pavilion REIT was formally admitted to the Main Market of Bursa Malaysia Securities Berhad on 7 December 2011.

The financial statements were approved by the Board of Directors of the Manager on 31 January 2023.

Pavilion REIT entered into several service agreements in relation to the management of Pavilion REIT and its property operations. The fee structure of these services is as follows:

(a) Property management fees

The Property Manager, Henry Butcher Malaysia Sdn. Bhd., is entitled to property management fee of RM380,000 (2021: RM380,000) per annum (excluding sales and services tax). In addition, the Property Manager is also entitled to full reimbursement of costs and expenses incurred in the operation, maintenance, management and marketing of the properties held by Pavilion REIT (including but not limited to the cost relating to the employment and remuneration of on-site staff provided) (“Permitted Expenses”) as well as fees and reimbursements for Permitted Expenses payable to its service providers.

(b) Manager’s management fees

Pursuant to the Deed, the Manager is entitled to receive the following fees from Pavilion REIT:

- (i) a base fee (“Base Fee”) of up to 1.0% per annum of the Total Asset Value of Pavilion REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- (ii) a performance fee (“Performance Fee”) of up to 5.0% per annum of Net Property Income.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. GENERAL (cont'd)

(b) Manager's management fees (cont'd)

- (iii) an incentive fee ("Incentive Fee") payable as follows effective from the second full financial year in which Pavilion REIT has been established and in operation (subject to the relevant approval by unitholders being obtained).

Fee Payable (% per annum of the Total Asset Value of Pavilion REIT)	Criteria – Provided that annual growth in the Distributable Income in a Financial Year (calculated before accounting for Incentive Fee in that Financial Year):
Up to 0.10%	Exceeds 7.5% and up to 10.0%
Up to 0.15%	Exceeds 10.0% and up to 12.5%
Up to 0.20%	Exceeds 12.5%

- (iv) an acquisition fee ("Acquisition Fee") of 1.0% of transaction value in relation to an acquisition of any real estate and real estate related assets directly or indirectly acquired.
- (v) a divestment fee ("Divestment Fee") of 0.5% of transaction value in relation to disposal of any real estate and real estate related assets directly or indirectly sold or divested.

The Manager shall be paid the Base Fee, Performance Fee, Acquisition Fee and Divestment Fee in the form of cash, new units or a combination thereof at the election of the Manager in its sole discretion. The Incentive Fee is payable in units only.

The payment of the Manager's management fee in the form of new units will be in accordance with the following formula:

$$\text{New Units to be issued as payment of the Manager's management fee} = \frac{\text{Manager's management fee payable in Units}}{\text{Market Price}}$$

For this purpose, "Market Price" means the volume weighted average market price of the Units for the last 5 Market Days preceding the following events:

- (i) in respect of the Base Fee and Performance Fee, the announcement of the relevant quarterly financial reports;
- (ii) in respect of the Incentive Fee, the announcement of the annual financial statements; or
- (iii) in respect of the Acquisition Fee and Divestment Fee, the completion of the relevant acquisition/divestment,

(each a "Trigger Event").

With reference to any book closing date, where the Trigger Event is before but the issuance of the new Units relating to such Trigger Event is after the said book closing date, the Market Price will be further adjusted for the entitlement relating to such book closing date.

The Manager will make an immediate announcement to Bursa Securities disclosing the number of new units to be issued and the issue price of the new units when new units are issued as payment for management fee. Payment of the management fees in units shall also be subjected to Pavilion REIT complying with the public spread requirements stated in the Main Market Listing Requirements and there being no adverse implications under the Malaysian Code on Take-Overs and Mergers 2016.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. GENERAL (cont'd)

(c) Trustee's fees

In accordance to the Deed, an annual trusteeship fee of up to 0.05% per annum of NAV, but limited to RM485,000 for the current financial year (2021: limited to RM485,000), is to be paid to the Trustee.

For the financial year, Pavilion REIT has incurred reimbursed expenses to the Trustee of RM657 (2021: RM1,166) which is part of other trust expenses.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of Pavilion REIT have been prepared in accordance with the provisions of the Deed, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by Pavilion REIT:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Pavilion REIT plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to Pavilion REIT.
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION (cont'd)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of Pavilion REIT. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 5 – investment properties and Note 15 – tax expense.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Pavilion REIT, unless otherwise stated:

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by Pavilion REIT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Pavilion REIT controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

Pavilion REIT also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to Pavilion REIT.

For new acquisitions, Pavilion REIT measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, Pavilion REIT elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that Pavilion REIT incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, Pavilion REIT derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If Pavilion REIT retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these financial statements.

(b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, Pavilion REIT becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Pavilion REIT categorises financial instruments as follows:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless Pavilion REIT changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impairment financial assets (see Note 3 (h)(i)) where the effective interest rate is applied to the amortised cost.

Financial liabilities

Financial liabilities at initial recognition are categorised as amortised cost and are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other operating expenses" respectively in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Plant and equipment (cont'd)

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Pavilion REIT, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Furniture and fittings	10 years
IT equipment and software	3 years
Motor vehicles	5 years
Renovation	10 years
Tools and office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the financial year, and adjusted as appropriate.

(d) Investment property

Investment property carried at fair value

Investment properties are properties which are owned or right-of-use held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The fair value of investment properties held by Pavilion REIT as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, Pavilion REIT added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the financial year in which the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Investment property (cont'd)

Investment property carried at fair value (cont'd)

External, independent valuation firm(s), having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Pavilion REIT's investment properties portfolio every year.

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Pavilion REIT assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, Pavilion REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which Pavilion REIT is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

Pavilion REIT recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Pavilion REIT's incremental borrowing rate. Generally, Pavilion REIT uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that Pavilion REIT is reasonably certain to exercise; and
- penalties for early termination of a lease unless Pavilion REIT is reasonably certain not to terminate early.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases (cont'd)

(ii) Recognition and initial measurement (cont'd)

(a) As a lessee (cont'd)

Pavilion REIT excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

Pavilion REIT has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Pavilion REIT recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When Pavilion REIT acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Pavilion REIT makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, Pavilion REIT applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

Pavilion REIT recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Pavilion REIT uses the interest rate implicit in the lease to measure the net investment in the lease.

When Pavilion REIT is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which Pavilion REIT applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in Pavilion REIT's estimate of the amount expected to be payable under a residual value guarantee, or if Pavilion REIT changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases (cont'd)

(iii) Subsequent measurement (cont'd)

(b) As a lessor

Pavilion REIT recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "rental income".

Pavilion REIT recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on Pavilion REIT's net investment in the lease. Pavilion REIT aims to allocate finance income over the lease term on a systematic and rational basis. Pavilion REIT applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments (see Note 3(h)(i)).

(f) Inventories

Inventories represent general supplies used in the daily operations of Pavilion REIT. Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in-first-out basis, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment

(i) Financial assets

Pavilion REIT recognises loss allowances for expected credit losses on financial assets measured at amortised costs. Expected credit losses are a probability-weighted estimate of credit losses.

Pavilion REIT measures loss allowances at an amount equal to lifetime expected credit loss except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, Pavilion REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Pavilion REIT's historical experience and informed credit assessment and including forward-looking information, where available.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, Pavilion REIT assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when Pavilion REIT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Pavilion REIT's procedures for recovery of amount due.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment (cont'd)

(ii) Other assets

The carrying amounts of other assets (except for inventories and investment properties that are measured at fair value) are reviewed at the end of each financial year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

(i) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of cost of those assets.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(k) Revenue and other income

(i) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(ii) Other income

Other income consists of provision of facilities and usage of space to customers and other miscellaneous income, and is recognised in profit or loss when (or as) the customers obtain control of the good or service.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Expenses

(i) Property expenses

Property expenses consist of property management fees, quit rents and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of Pavilion REIT.

Property management fees are recognised on an accrual basis.

(ii) Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(b).

(iii) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(c).

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the financial year, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the financial year.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(d), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each financial year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Earnings per unit

Pavilion REIT's earnings per unit ("EPU") is presented based on basic and diluted format.

Basic EPU is calculated by dividing the profit or loss attributable to unitholders of Pavilion REIT by the weighted average number of units outstanding during the year.

Diluted EPU is determined by adjusting the profit or loss attributable to unitholders and the weighted average number of units outstanding adjusted for the effects of all dilutive potential units.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Operating segments

An operating segment is a component of Pavilion REIT that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Pavilion REIT's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Manager of Pavilion REIT, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete segmental financial information is available.

(p) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, Pavilion REIT uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Pavilion REIT can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

Pavilion REIT recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

4. PLANT AND EQUIPMENT

	Furniture and fittings RM'000	IT equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Tools and office equipment RM'000	Total RM'000
Cost						
At 1 January 2021	1,466	1,401	105	415	2,767	6,154
Addition	-	94	-	-	-	94
At 31 December 2021/ 1 January 2022	1,466	1,495	105	415	2,767	6,248
Addition	-	153	-	-	-	153
Disposal	-	(5)	-	-	-	(5)
Write off	(2)	(5)	-	-	(122)	(129)
At 31 December 2022	1,464	1,638	105	415	2,645	6,267
Accumulated depreciation						
At 1 January 2021	1,226	993	70	172	2,521	4,982
Depreciation for the year	146	157	17	42	164	526
At 31 December 2021/ 1 January 2022	1,372	1,150	87	214	2,685	5,508
Depreciation for the year	15	193	17	42	67	334
Disposal	-	(2)	-	-	-	(2)
Write off	(2)	(2)	-	-	(122)	(126)
At 31 December 2022	1,385	1,339	104	256	2,630	5,714
Carrying amounts						
At 1 January 2021	240	408	35	243	246	1,172
At 31 December 2021/ 1 January 2022	94	345	18	201	82	740
At 31 December 2022	79	299	1	159	15	553

5. INVESTMENT PROPERTIES

	2022 RM'000	2021 RM'000
At 1 January	5,880,000	5,863,000
Enhancements/Capital expenditure	13,619	17,627
Change in fair values recognised in profit or loss	151,381	(627)
At 31 December	6,045,000	5,880,000

Investment properties are charged as securities for bank borrowings as disclosed in Note 9.

During the year, the variable lease income earned that does not depend on an index or a rate amounted to RM47,196,000 (2021: RM11,972,000).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

5. INVESTMENT PROPERTIES (cont'd)

Details of the investment properties are as follows:

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2022		Fair value as at 31.12.2022		Cost as at 31.12.2022		Percentage of fair value to NAV as at 31.12.2022
					%		RM'000	RM'000	RM'000	%	
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2022	Kuala Lumpur	Leasehold*	92		5,000,000		3,562,895		123
Pavilion Tower	7.12.2011	31.12.2022	Kuala Lumpur	Leasehold*	73		130,000		128,000		3
DA MEN Mall	25.3.2016	31.12.2022	Subang Jaya	Interest in perpetuity	64		180,000		511,264		4
Intermark Mall	25.3.2016	31.12.2022	Kuala Lumpur	Interest in perpetuity	87		185,000		164,191		5
Elite Pavilion Mall	27.4.2018	31.12.2022	Kuala Lumpur	Interest in perpetuity [#]	92		550,000		587,864		14
Investment properties							6,045,000		4,954,214		

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2021		Fair value as at 31.12.2021		Cost as at 31.12.2021		Percentage of fair value to NAV as at 31.12.2021
					%		RM'000	RM'000	RM'000	%	
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2021	Kuala Lumpur	Leasehold*	90		4,850,000		3,549,297		126
Pavilion Tower	7.12.2011	31.12.2021	Kuala Lumpur	Leasehold*	79		130,000		128,000		3
DA MEN Mall	25.3.2016	31.12.2021	Subang Jaya	Interest in perpetuity	62		180,000		511,243		5
Intermark Mall	25.3.2016	31.12.2021	Kuala Lumpur	Interest in perpetuity	84		180,000		164,191		5
Elite Pavilion Mall	27.4.2018	31.12.2021	Kuala Lumpur	Interest in perpetuity [#]	86		540,000		587,864		14
Investment properties							5,880,000		4,940,595		

* The lease has a period of 99 years expiring in 2109.

The extension-connection of the mall has a period of 99 years expiring in 2109.

NAV Net asset value

NOTES TO THE FINANCIAL STATEMENTS

cont'd

5. INVESTMENT PROPERTIES (cont'd)

5.1 Fair value information

All investment properties are categorised as Level 3 fair value.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
<u>Pavilion Kuala Lumpur Mall, Pavilion Tower, Elite Pavilion Mall and Intermark Mall</u>		
<p>The income approach by investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates to income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.</p>	<ul style="list-style-type: none"> • Risk-adjusted term capitalisation rates ranging from 6.00% to 6.75% (2021: 6.00% to 6.75%). • Risk-adjusted reversion capitalisation rate of 6.25% to 6.50% (2021: 6.25% to 6.50%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • risk-adjusted term capitalisation rates were lower (higher). • risk-adjusted reversion capitalisation rates were lower (higher).
<u>DA MEN Mall</u>		
<p>The income approach by discounted cash flow method uses the estimation of future annual cash flows over 10-year investment horizon from the valuation date by reference to expected revenue growth rates, operating expenses and terminal value. The present value of future cash flow is then determined by the application of an appropriate discount rate to derive a net present value of property.</p>	<ul style="list-style-type: none"> • Capitalisation rates of 6.50% (2021: 6.50%). • Discount rate of 8.00% (2021: 8.00%). • Average growth rate of rental per square feet over 10-year of 8.00% (2021: 10.00%). • Progressive increase of occupancy rate from 67% to 100% (2021: 69% to 100%) over 10 years. 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • capitalisation rates were lower (higher). • discount rate were lower (higher). • average growth rate of rental per square feet were higher (lower).

Level 3 fair value

Individual strata titles in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower have not been issued. The valuation is on the basis/assumption that individual strata titles in respect of the subject properties are forthcoming and when issued, will be free from all encumbrances and restrictive conditions over the respective strata floor areas, and Pavilion Kuala Lumpur Mall and Pavilion Tower will convey 99-year leasehold interest expiring in year 2109.

The transfers of the land titles in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower in favour of the Trustee are pending submission by respective land owners to the Land Office.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

5. INVESTMENT PROPERTIES (cont'd)

5.1 Fair value information (cont'd)

Valuation processes applied by the Manager for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of current market conditions.

Highest and best use

Pavilion REIT's investment properties comprise four retail malls and an office building. The properties on their own is the highest and best use, as three of the retail malls are on prime land in the city centre. The other retail mall is within a mix development which consists of residential and shop office. The office building annexed to a retail mall in the city centre has been refurbished in recent years, thus it is not cost effective to convert it to a retail mall at the moment. The office building also complements the retail mall by bringing human traffic to the retail mall, especially during lunch hours.

6. TRADE AND OTHER RECEIVABLES

	Note	2022 RM'000	2021 RM'000
Current			
Trade			
Trade receivables		50,739	53,076
Less: Impairment losses	6.1	(21,247)	(18,662)
		29,492	34,414
Non-trade			
Other receivables		8,137	3,999
Deposits		2,066	2,016
Prepayments		2,715	2,227
		12,918	8,242
		42,410	42,656

6.1 Included in the other operating expenses for the year ended 31 December 2021 were agreed rental waiver or rebates of RM92,643,000.

7. PLEDGE DEPOSITS WITH LICENSED BANKS

The pledge deposits with licensed banks are maintained in Debt Service Reserve Accounts with licensed banks to cover a minimum of six months interest for banking facilities granted to Pavilion REIT (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

8. CASH AND CASH EQUIVALENTS

	2022 RM'000	2021 RM'000
Cash and bank balances	215,802	18,306
Deposits placed with licensed banks	117,113	235,699
	332,915	254,005

9. BORROWINGS

	Note	2022 RM'000	2021 RM'000
Non-current			
Secured syndicated term loan	9.1	723,267	683,267
Unrated medium term notes	9.2	675,000	1,100,000
Less: Unamortised transaction costs		(4,228)	(4,969)
		1,394,039	1,778,298
Current			
Unrated medium term notes	9.2	800,000	395,000
		2,194,039	2,173,298
Average interest rate of borrowings		4.1%	4.0%
Gearing/Borrowings ratio		33.8%	34.8%

9.1 Secured syndicated credit facilities of RM815.9 million

Pavilion REIT entered into a facility agreement and its supplementary facility agreement dated 3 November 2011 and 23 November 2011 respectively ("Facility Agreements") through its wholly owned subsidiary, Pavilion REIT Venture Capital Sdn. Bhd. ("Borrower") for syndicated credit facilities ("Facilities") of up to RM815.9 million with licensed banks ("Lenders") comprising revolving term loan facilities and bank guarantee as follows:

- (i) RTL1 - a revolving term loan ("RTL") facility of up to RM705.9 million to part finance the acquisition of investment properties and future acquisitions by Pavilion REIT;
- (ii) RTL2 - a revolving term loan facility of up to RM100.0 million to finance general working capital of Pavilion REIT (including acquisition of assets); and
- (iii) BG/RTL3 - a bank guarantee ("BG") of up to RM10.0 million for the issuance of performance bonds, bank guarantees, indemnities or undertakings and a revolving term loan facility for the conversion of any amounts paid out under the performance bonds, bank guarantees, indemnities or undertakings issued under bank guarantee.

The financing facilities are secured by debenture incorporating fixed and floating charge over all present and future assets of Pavilion REIT Venture Capital Sdn. Bhd..

NOTES TO THE FINANCIAL STATEMENTS

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9. BORROWINGS (cont'd)

9.1 Secured syndicated credit facilities of RM815.9 million (cont'd)

The tenure of the syndicated credit facilities have been extended to another five years from 7 December 2021 up to a maturity date of 7 December 2026. The Lenders have the option to convert to a fixed interest rate at their sole discretion and subject to the consent of all Lenders from 7 December 2022 onwards.

The revolving credit borrowings are secured over Pavilion Kuala Lumpur Mall and Pavilion Tower as disclosed in Note 5 and an amount of RM23,202,000 (2021: RM22,722,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

9.2 Medium term notes of RM8.0 billion

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

The medium term notes are secured over Pavilion Kuala Lumpur Mall and Pavilion Tower as disclosed in Note 5 and an amount of RM36,223,000 (2021: RM35,504,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

9.3 Reconciliations of movement of liabilities to cash flows arising from financing activities

	At 1 January	Net changes from financing cash flows	Other changes	At 31 December
	RM'000	RM'000	RM'000	RM'000
2022				
Secured syndicated term loan	683,267	40,000	-	723,267
Unrated medium term notes	1,495,000	(20,000)	-	1,475,000
Less: Unamortised transaction costs	(4,969)	(724)	1,465	(4,228)
	2,173,298	19,276	1,465	2,194,039
2021				
Secured syndicated term loan	683,267	-	-	683,267
Secured term loan	406,762	(406,762)	-	-
Unrated medium term notes	1,075,000	420,000	-	1,495,000
Less: Unamortised transaction costs	(1,757)	(5,027)	1,815	(4,969)
	2,163,272	8,211	1,815	2,173,298

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10. PAYABLES AND ACCRUALS

	Note	2022 RM'000	2021 RM'000
Non-current			
Trade			
Tenants' deposits	10.1	44,313	81,677
Current			
Trade			
Trade payables		13,328	19,210
Tenants' deposits	10.1	72,271	32,200
		85,599	51,410
Non-trade			
Other payables and accrued expenses	10.2	99,218	73,857
		184,817	125,267
		229,130	206,944

10.1 Tenants' deposits are in respect of refundable deposits received from tenants for tenancy or marketing agreements. Tenancy agreements tenure are for period between one to three years. The amount is unsecured and interest free.

10.2 Included in other payables and accrued expenses are the following amounts due to:

	2022 RM'000	2021 RM'000
The Manager	6,160	5,099
Trustee	41	41
Urusharta Cemerlang (KL) Sdn. Bhd.	2,380	2,608
	8,581	7,748

Amounts due to the Manager and Trustee are unsecured, interest-free and payable monthly in arrears.

Amount due to Urusharta Cemerlang (KL) Sdn. Bhd., a related party (see Note 24) is the balance of purchase price for the acquisition of Elite Pavilion Mall and it is interest free. It is payable upon the electrical sub-station is constructed in accordance to all applicable planning permissions and approvals and specifications from and required by the appropriate authorities.

NOTES TO THE FINANCIAL STATEMENTS

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11. TOTAL UNITHOLDERS' FUNDS

11.1 Unitholders' capital

	2022 Number of units '000	2021 Number of units '000
Issued and fully paid with no par value		
At 1 January	3,050,059	3,045,307
Manager's management fees paid in units	5,663	4,752
At 31 December	3,055,722	3,050,059
	2022 RM'000	2021 RM'000
Issued and fully paid with no par value		
At 1 January	2,945,255	2,938,844
Manager's management fees paid in units	7,001	6,411
At 31 December	2,952,256	2,945,255

11.2 Unitholdings of substantial unitholders, the Manager and the Manager's Directors

The Manager was issued units in Pavilion REIT as part settlement of Manager's management fees, details of which are as follows:

	Number of units '000	Amount RM'000
2022		
Issued at:		
i) RM1.2113 per unit for entitlement for the 6 months ended 31 December 2021	2,751	3,332
ii) RM1.2599 per unit for entitlement for the 6 months ended 30 June 2022	2,912	3,669
Total Manager's fees paid in units and RM	5,663	7,001
2021		
Issued at:		
i) RM1.3618 per unit for entitlement for the 6 months ended 31 December 2020	2,416	3,290
ii) RM1.3366 per unit for entitlement for the 6 months ended 30 June 2021	2,336	3,121
Total Manager's fees paid in units and RM	4,752	6,411

NOTES TO THE FINANCIAL STATEMENTS

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11. TOTAL UNITHOLDERS' FUNDS (cont'd)

11.2 Unitholdings of substantial unitholders, the Manager and the Manager's Directors (cont'd)

Pavilion REIT's substantial unitholders, the Manager and the Manager's Directors' direct unitholdings in Pavilion REIT are as follows:

	2022		2021	
	Number of units	Market value	Number of units	Market value
	'000	RM'000	'000	RM'000
<i>Pavilion REIT's substantial unitholders' direct unitholdings in Pavilion REIT:</i>				
Qatar Holding LLC	1,008,900	1,220,769	1,008,900	1,261,125
Tan Sri Lim Siew Choon	845,425	1,022,964	845,425	1,056,781
Puan Sri Tan Kewi Yong	281,875	341,069	281,875	352,344
Employees Provident Fund Board	307,325	371,863	301,394	376,743
Kumpulan Wang Persaraan (Diperbadankan)	184,722	223,514	186,512	233,140
<hr/>				
<i>The Manager's direct unitholdings in Pavilion REIT</i>	16,227	19,635	10,565	13,206

	2022		2021	
	Number of units	Market value	Number of units	Market value
	'000	RM'000	'000	RM'000
<i>The Manager's Directors' direct unitholdings in Pavilion REIT:</i>				
Tan Sri Lim Siew Choon	845,425	1,022,964	845,425	1,056,781
Puan Sri Tan Kewi Yong	281,875	341,069	281,875	352,344
Dato' Lee Tuck Fook	100	121	100	125
Navid Chamdia	100	121	100	125
Ooi Ah Heong	100	121	100	125
Dato' Maznah Binti Abdul Jalil	100	121	100	125

Notes:

The market value of the units was computed based on the closing market price as at 31 December 2022 of RM1.21 (2021: RM1.25).

NOTES TO THE FINANCIAL STATEMENTS

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12. REVENUE FROM CONTRACT CUSTOMERS

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Advertisement	Revenue is recognised over time when services are delivered.	Credit period ranging from 30 to 90 days from invoice date.
Electricity		Credit period of 30 days from invoice date.

Included in revenue from contract customer is advertisement revenue of approximately RM31,231,000 (2021: RM14,968,000).

Pavilion REIT applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

13. MANAGER'S MANAGEMENT FEES

	2022 RM'000	2021 RM'000
Base fee	19,449	18,716
Performance fee	10,926	7,099
	30,375	25,815

During the financial year, the Manager received a base fee of 0.3% (2021: 0.3%) per annum of the Total Asset Value of Pavilion REIT, a performance fee of 3.0% (2021: 3.0%) per annum of Net Property Income.

Manager's management fees payable in units amounts to RM7,594,000 (2021: RM6,454,000) which represents 25% (2021: 25%) of the total manager's management fees payable.

14. BORROWING COSTS

	2022 RM'000	2021 RM'000
Interest expense	90,521	86,389
Amortisation of transaction costs	1,465	1,815
	91,986	88,204

NOTES TO THE FINANCIAL STATEMENTS

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15. TAX EXPENSE

15.1 Reconciliation of tax expense

	2022 RM'000	2021 RM'000
Income before taxation	397,799	125,240
Income tax using Malaysian tax rate of 24% (2021: 24%)	95,471	30,058
Non-deductible expenses	3,989	556
Non-taxable income	(37,897)	(1,122)
Tax incentive	-	(11,117)
Effect of income exempted from tax	(61,563)	(18,375)
	-	-

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 proposed to distribute 100% of its distributable income to its unitholders for financial year ended 31 December 2022, no provision for taxation has been made for the current year.

15.2 Significant judgement

In the assessment of provision of deferred tax assets and liabilities on the fair value gain or loss arising from investment properties, the Manager considers the business model and the objective of Pavilion REIT. No deferred tax assets or liabilities are recognised because Pavilion REIT is expected to consume substantially all economic benefits through generation of rental income and these income will be subjected to income tax at prevailing rate. However, since Pavilion REIT intends to continue to distribute more than 90% of its total income (as defined in the Act), the expected tax rate levied will be zero.

16. EARNINGS PER UNIT - BASIC AND DILUTED

The calculation of earnings per unit is based on income after taxation attributable to unitholders for the year of RM397,799,000 (2021: RM125,240,000) divided by the weighted average number of units in circulation during the year of 3,053,556,965 (2021: 3,048,237,859).

NOTES TO THE FINANCIAL STATEMENTS

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17. DISTRIBUTION TO UNITHOLDERS

Distribution to unitholders is from the following sources:

	2022	2021
	RM'000	RM'000
Rental income	498,914	447,857
Revenue from contract customers	55,867	31,468
Other income	14,910	9,266
Net fair value changes on investment properties	151,381	(627)
Interest income	6,523	4,672
	727,595	492,636
Less: Total expenses	(329,796)	(367,396)
	397,799	125,240
Distribution adjustments	(141,988)	9,422
Distributable income	255,811	134,662
Final distribution paid (2021/2020)	78,692	76,742
Interim distribution paid (2022/2021)	124,554	55,773
Distribution to unitholders	203,246	132,515
	2022	2021
Interim distribution per unit (sen)	4.08	1.83
Final distribution per unit (sen)	4.29*	2.58
Net distribution per unit** (sen)	8.37	4.41

* The final distributable income for the 6 months ended 31 December 2022 is proposed to be 4.29 sen per unit or RM131.0 million to be payable on 28 February 2023.

** Withholding tax will be deducted for distributions made to the following categories of unitholders:

	Withholding tax rate	
	2022	2021
Resident corporate	N/A [^]	N/A [^]
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

[^] to tax at prevailing rate

NOTES TO THE FINANCIAL STATEMENTS

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18. MANAGEMENT EXPENSE RATIO

	2022	2021
Management expense ratio ("MER") (%)	0.80	0.71

The calculation of the MER is based on the total fees of Pavilion REIT incurred during the year, including manager's management fees, trustee's fees, valuation fee and other trust expenses, to the net asset value as at year end.

Comparison of the MER of Pavilion REIT with other real estate investment trusts which uses different basis of calculation may not be an accurate comparison.

19. OPERATING SEGMENTS

Pavilion REIT has two reportable segments, Retail and Office. Although the respective malls are separate operating segment, these operating segments are aggregated to form a single reportable segment as Retail due to the similar nature and economic characteristics of malls. For each of the segment, the Manager of Pavilion REIT's Chief Executive Officer reviews internal management reports regularly.

Performance is measured based on segment net property income as management believes that such information is the most relevant in evaluating the results of the segments.

The total of segment asset/liability is measured based on all assets/liabilities of a segment, as included in internal management reports that are reviewed by the Manager of Pavilion REIT's Chief Executive Officer.

	Retail RM'000	Office RM'000	Total RM'000
For the year ended 31 December 2022			
Segment profit	360,121	4,080	364,201
<i>Included in the measure of segment profit are:</i>			
Gross revenue	559,955	9,736	569,691
Property expenses	199,834	5,656	205,490
Net measurement of impairment loss	4,868	(90)	4,778
At 31 December 2022			
Segment assets and liabilities			
Segment assets	6,292,464	131,287	6,423,751
Segment liabilities	2,383,651	31,869	2,415,520
For the year ended 31 December 2022			
<i>Included in the measure of segment assets and liabilities are:</i>			
Additions to non-current assets	13,772	-	13,772
Net fair value changes to non-current assets	151,381	-	151,381

NOTES TO THE FINANCIAL STATEMENTS

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19. OPERATING SEGMENTS (cont'd)

	Retail RM'000	Office RM'000	Total RM'000
For the year ended 31 December 2021			
Segment profit	231,137	5,485	236,622
<i>Included in the measure of segment profit are:</i>			
Gross revenue	477,552	11,039	488,591
Property expenses	246,415	5,554	251,969
Net measurement of impairment loss	2,281	177	2,458
At 31 December 2021			
Segment assets and liabilities			
Segment assets	6,049,458	131,011	6,180,469
Segment liabilities	2,339,879	31,264	2,371,143
For the year ended 31 December 2021			
<i>Included in the measure of segment assets and liabilities are:</i>			
Additions to non-current assets	17,721	-	17,721
Net fair value changes to non-current assets	2,373	(3,000)	(627)
Reconciliation of reportable segment profit			
	2022	2021	
	RM'000	RM'000	
Total profit for reportable segments	364,201	236,622	
Net fair value changes on investment properties	151,381	(627)	
Interest income	6,523	4,672	
Trust expenses	(32,320)	(27,223)	
Borrowing costs	(91,986)	(88,204)	
Income before taxation	397,799	125,240	
Taxation	-	-	
Income after taxation	397,799	125,240	
Reconciliation of reportable segment assets and liabilities			
	Segment assets	Segment liabilities	
	RM'000	RM'000	
2022			
Total reportable segments	6,423,751	(2,415,520)	
Other non-allocated assets/(liabilities)	59,425	(7,649)	
Total assets/(liabilities)	6,483,176	(2,423,169)	

NOTES TO THE FINANCIAL STATEMENTS

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19. OPERATING SEGMENTS (cont'd)

Reconciliation of reportable segment assets and liabilities (cont'd)

	Segment assets RM'000	Segment liabilities RM'000
2021		
Total reportable segments	6,180,469	(2,371,143)
Other non-allocated assets/(liabilities)	58,226	(9,099)
Total assets/(liabilities)	6,238,695	(2,380,242)

Geographical information

No geographical information has been prepared as all the investment properties of Pavilion REIT are located in Malaysia.

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

	Carrying amounts RM'000	Amortised cost RM'000
2022		
Financial assets		
Receivables and deposits	39,695	39,695
Cash and bank balances	392,340	392,340
	432,035	432,035
Financial liabilities		
Payables and accruals	(229,130)	(229,130)
Borrowings	(2,194,039)	(2,194,039)
	(2,423,169)	(2,423,169)
2021		
Financial assets		
Receivables and deposits	40,429	40,429
Cash and bank balances	312,231	312,231
	352,660	352,660
Financial liabilities		
Payables and accruals	(206,944)	(206,944)
Borrowings	(2,173,298)	(2,173,298)
	(2,380,242)	(2,380,242)

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL INSTRUMENTS (cont'd)

20.2 Net gains and losses arising from financial instruments

	2022	2021
	RM'000	RM'000
Financial assets at amortised cost	1,745	(90,429)
Financial liabilities at amortised cost	(91,986)	(88,204)
	(90,241)	(178,633)

20.3 Financial risks management

Pavilion REIT has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

Credit risk is the risk of a financial loss to Pavilion REIT if the tenants or counterparty to a financial instrument fails to meet its contractual obligations. Pavilion REIT's exposure to credit risk arises principally from trade and other receivables and cash and cash equivalents. Pavilion REIT performs ongoing credit evaluation of its tenants and generally does not require collateral other than tenants' deposits.

At the end of the financial year, the maximum exposure to credit risk arising from financial assets are represented by the carrying amount of financial assets in the statement of financial position.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

There are no significant changes as compared to the previous year.

Exposure to credit risk and credit quality

As at the end of the financial year, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amount in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Pavilion REIT manages credit risk using credit verification process to ensure credit worthiness and good credit standing before tenancy agreements are entered into with tenants or credit granted to counter parties together with constant monitoring of any outstanding balances to ensure minimum credit risk exposure.

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL INSTRUMENTS (cont'd)

20.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2022.

	Gross - carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2022			
Not past due	6,038	-	6,038
Past due	44,701	(21,247)	23,454
	50,739	(21,247)	29,492
2021			
Not past due	3,443	-	3,443
Past due	49,633	(18,662)	30,971
	53,076	(18,662)	34,414

The movements in the allowance for impairment losses of receivables during the financial year were:

	2022 RM'000	2021 RM'000
Balance at 1 January	18,662	19,241
Amount written off	(2,193)	(3,037)
Net remeasurement of loss allowance	4,778	2,458
Balance as at 31 December	21,247	18,662

The allowance account in respect of trade receivables is used to record impairment losses. Unless Pavilion REIT is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the financial year, the maximum exposure to credit risk is represented by their carrying amount in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, Pavilion REIT are of the view that the loss allowance is not material, hence, no allowance is necessary.

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20. FINANCIAL INSTRUMENTS (cont'd)

20.5 Liquidity risk

Liquidity risk is the risk that Pavilion REIT will not be able to meet its financial obligations as they fall due. Pavilion REIT's exposure to liquidity risk arises principally from its various payables and borrowings.

The Manager maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance Pavilion REIT's operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Real Estate Investment Trust concerning limits on total borrowings financing.

Maturity analysis

The table below summarises the maturity profile of Pavilion REIT's financial liabilities as at the end of the financial year based on undiscounted contractual payments.

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2022						
Financial liabilities						
Borrowings	2,194,039	3.85 - 4.97	2,437,336	872,072	60,216	1,505,048
Payables and accruals	229,130	-	229,130	184,817	16,309	28,004
	2,423,169		2,666,466	1,056,889	76,525	1,533,052
2021						
Financial liabilities						
Borrowings	2,173,298	3.04 - 4.90	2,396,253	449,539	747,268	1,199,446
Payables and accruals	206,944	-	206,944	125,267	71,970	9,707
	2,380,242		2,603,197	574,806	819,238	1,209,153

20.6 Market risk

Market risk is the risk that changes in market prices such as interest rates that will affect Pavilion REIT's financial position or cash flows.

20.6.1 Interest rate risk

Pavilion REIT's exposure to changes in interest rates relates principally to interest-earning financial assets and interest-bearing financial liabilities.

Risk management objectives, policies and processes for managing the risk

Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The interest rate risks are uncertainties resulting from the effects of fluctuations in the prevailing level of the market interest rates on its financial position and cash flows. Interest rate risk exposure to Pavilion REIT is in respect of short-term deposits and borrowings.

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20. FINANCIAL INSTRUMENTS (cont'd)

20.6 Market risk (cont'd)

20.6.1 Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of Pavilion REIT's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial year are as follows:

	2022	2021
	RM'000	RM'000
Fixed rate instrument		
Financial asset - Deposits placed with licensed banks	176,538	293,925
Financial liabilities - Borrowings	(775,000)	(925,000)
	<u>(598,462)</u>	<u>(631,075)</u>
Floating rate instruments		
Financial liabilities - Borrowings	(1,419,039)	(1,248,298)

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

Pavilion REIT does not account for any fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the end of the financial year would not affect profit or loss or equity.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the financial year would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	100bp increase	100bp decrease	100bp increase	100bp decrease
	2022	2022	2021	2021
	RM'000	RM'000	RM'000	RM'000
Floating rate instruments	(14,190)	14,190	(12,483)	12,483

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL INSTRUMENTS (cont'd)

20.7 Fair value information

The carrying amounts of cash and bank balances, receivables and deposits, payables and accruals approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments not carried at fair value.

	Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000		
2022					
Financial liabilities					
Tenants' deposits	-	-	(113,467)	(113,467)	(116,584)
Borrowings	-	-	(2,170,937)	(2,170,937)	(2,194,039)
	-	-	(2,284,404)	(2,284,404)	(2,310,623)
2021					
Financial liabilities					
Tenants' deposits	-	-	(110,399)	(110,399)	(113,877)
Borrowings	-	-	(2,169,965)	(2,169,965)	(2,173,298)
	-	-	(2,280,364)	(2,280,364)	(2,287,175)

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Tenants' deposits, borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of Pavilion REIT at the reporting date.

The discount rates used above have incorporated credit risk of Pavilion REIT and liquidity risk of the instruments. The inputs for these risks are unobservable because there are no identical or similar instruments to benchmark to.

21. CAPITAL MANAGEMENT

Pavilion REIT's objectives when managing capital is to provide unitholders with regular and stable distributions and achieve long-term growth in NAV per unit, while maintaining an appropriate capital structure.

Pavilion REIT's capital is represented by its unitholders' fund in the statement of financial position. The capital requirements imposed on Pavilion REIT is to ensure it maintains a healthy gearing/borrowings ratio of maximum 50% and meets the minimum interest coverage ratio which is an effective indicator of its financial strengths in addition to complying with the financial covenants prescribed by financial institutions as stated in the Facility Agreements. The Directors of the Manager will monitor and are determined to maintain an optimal gearing/borrowings ratio that will provide an ideal debt equity ratio that also complies with regulatory requirements.

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cont'd

21. CAPITAL MANAGEMENT (cont'd)

As at 31 December 2022, Pavilion REIT recorded a gearing/borrowings ratio of 33.8% (2021: 34.8%) and interest coverage ratio in excess of the minimum requirement (2021: in excess of the minimum requirement). The calculation of the gearing/borrowings ratio and interest coverage ratio is based on the definition stated in the Facility Agreements. Pavilion REIT has not breached the financial covenants.

Distribution Policy

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of Pavilion REIT's distributable income. It is the intention of the Manager to distribute at least 90.0% of Pavilion REIT's distributable income on a half-yearly basis (or such other interval as determined by the Manager at its absolute discretion).

22. LEASES

22.1 Operating leases as lessor

Pavilion REIT leases out its investment properties (Note 5) under operating leases. The operating lease payments to be received are as follows:

	2022	2021
	RM'000	RM'000
Up to one year	304,712	334,316
More than one year up to two years	196,507	93,706
More than two years up to three years	114,061	18,646
	615,280	446,668

23. CAPITAL COMMITMENTS

Capital expenditure in respect of the following has not been provided for in the financial statements:

	2022	2021
	RM'000	RM'000
Capital expenditure commitments		
Investment properties		
<i>Authorised and contracted for:</i>		
- Within one year	399	6,583

During the year, Pavilion REIT entered into a conditional sales and purchase agreement for the acquisition of Pavilion Bukit Jalil ("PBJ Mall") for an aggregate purchase consideration of RM2,200 million as disclosed in Note 25, which will become a capital commitment when all the conditions are met.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to Pavilion REIT if Pavilion REIT has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Pavilion REIT and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of Pavilion REIT either directly or indirectly. The key management personnel include all the Directors of Pavilion REIT Management Sdn. Bhd. and MTrustee Berhad, and certain members of senior management of Pavilion REIT Management Sdn. Bhd. and MTrustee Berhad.

Significant related party transactions, other than those disclosed elsewhere in the financial statements, are as follows:

Companies related to the Manager	Nature of transactions	Transaction value		Balance outstanding	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Pavilion REIT Management Sdn. Bhd.	Rental income and its related charges	463	461	5	5
Malton Berhad Group *	Rental income and its related charges	2,576	2,991	6	9
Lumayan Indah Sdn. Bhd. ∞	Procurement of hotel related services	(2)	(28)	-	-
Impian Ekspresi Sdn. Bhd. †	Rental income and its related charges	975	776	62	131
Kuala Lumpur Pavilion Sdn. Bhd. ^	Expenses of MRT station naming rights fee and its related charges	(1,221)	(1,250)	-	-
Urusharta Cemerlang (KL) Sdn. Bhd. Δ	Reimbursement of electricity supply to Pavilion Suites	1,883	1,509	338	116
	Reimbursement of shared common cost	55	55	42	-
	Shared common property maintenance charge and sinking fund	(473)	(393)	-	-
Harmoni Perkasa Sdn. Bhd. α	Reimbursement of electricity supply to Pavilion Hotel	3,542	2,311	298	229
	Procurement of hotel related services	(23)	(13)	-	-
Pavilion Management (DTC) Sdn. Bhd. ρ	Rental income and its related charges	259	248	1	43
Makna Mujur Sdn. Bhd. Ω	Rental expense and its related charges	(42)	(54)	-	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

The above transactions have been entered into in the normal course of business and have been established based on negotiated terms and conditions.

The above parties are deemed related as follows:

* 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.

∞ 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. ("LISB").

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

◇ 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.

^ 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..

Δ 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.

α Puan Sri Tan Kewi Yong, Dato' Lee Tuck Fook, Ahmad Mohammed F Q Al-Khanji and Navid Chamdia are directors of the Manager and Harmoni Perkasa Sdn. Bhd. ("HPSB"). Tan Sri Lim Siew Choon is the spouse of Puan Sri Tan Kewi Yong. Lim Shoo Wenn, the daughter of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong is also a director of HPSB.

Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong are deemed interested in HPSB through their interest in the ultimate holding company.

Ahmad Mohammed F Q Al-Khanji is also a director of a substantial shareholder of the holding company of HPSB.

On top of that, HPSB provided the hall of Pavilion Hotel or other facilities in Pavilion Hotel to Pavilion REIT for event purpose.

□ Pavilion Management (DTC) Sdn. Bhd. ("PMDTC") is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's directorship and deemed interest in PMDTC. Puan Sri Tan Kewi Yong is the spouse of Tan Sri Lim Siew Choon. Lim Shoo Wenn, the daughter of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong is also a director of PMDTC.

Ω Tan Sri Lim Siew Choon, Dato' Lee Tuck Fook, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Makna Mujur Sdn. Bhd..

Makna Mujur Sdn. Bhd. is deemed a party related to the Manager by virtue of Tan Sri Lim Siew Choon's directorship and deemed interest in Makna Mujur Sdn. Bhd. and Puan Sri Tan Kewi Yong being his spouse is one of the directors of the Manager.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

25. SIGNIFICANT EVENT

On 22 November 2022, the Board of Directors of Pavilion REIT Management Sdn. Bhd. ("Board"), the management company of Pavilion REIT ("Manager"), CIMB Investment Bank Berhad ("CIMB") and Maybank Investment Bank Berhad ("Maybank IB") announced that MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT, had on 22 November 2022 entered into a conditional sale and purchase agreement with Regal Path Sdn. Bhd. for the acquisition of Pavilion Bukit Jalil ("PBJ Mall") together with the related assets and rights for an aggregate purchase consideration of RM2,200 million ("Proposed Acquisition").

In conjunction with the Proposed Acquisition, the Board also proposes to undertake proposed placements of new units in Pavilion REIT ("Units") to raise gross proceeds of up to RM1,270 million at an issue price to be determined later by way of bookbuilding ("Proposed Placements") to partly fund the Proposed Acquisition and also defray the expenses relating to the Proposed Acquisition.

As at the date of this report, the Manager is working towards the issuance of Circular to unitholders.

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 114 to 155 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of Pavilion Real Estate Investment Trust as at 31 December 2022 and of its financial performance and cash flows for the year ended on that date.

For and on behalf of the Manager,
Pavilion REIT Management Sdn. Bhd.,
Signed in accordance with a resolution of the Directors of the Manager:

Tan Sri Lim Siew Choon
Director

Dato' Lee Tuck Fook
Director

Kuala Lumpur,

Date: 31 January 2023

STATUTORY DECLARATION

I, Dato' Lee Tuck Fook, the Director of Pavilion REIT Management Sdn. Bhd. primarily responsible for the financial management of Pavilion Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 114 to 155 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Dato' Lee Tuck Fook, I/C No: 540601-04-5333, MIA CA 3434, at Kuala Lumpur on 31 January 2023.

Dato' Lee Tuck Fook

Before me:

Commissioner of Oaths

TRUSTEE'S REPORT

to the Unitholders of Pavilion Real Estate Investment Trust (Established in Malaysia)

We have acted as Trustee of Pavilion Real Estate Investment Trust ("Pavilion REIT") for the financial year ended 31 December 2022. In our opinion and to the best of our knowledge, Pavilion REIT Management Sdn. Bhd. ("the Manager") has managed Pavilion REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the First Amended and Restated Trust Deed dated 18 February 2019, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of Pavilion REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared during the financial year ended 31 December 2022 are in line with and are reflective of the objectives of Pavilion REIT. Final income distribution of 4.29 sen per unit has been declared for the financial year ended 31 December 2022 and is payable on 28 February 2023.

For and on behalf of the Trustee,
MTrustee Berhad

Nurizan Binti Jalil
Chief Executive Officer

Selangor,

Date: 31 January 2023

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pavilion Real Estate Investment Trust ("Pavilion REIT"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in net assets value and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 114 to 155.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pavilion REIT as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of Pavilion REIT in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matter

Key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of Pavilion REIT for the current year. This matter was addressed in the context of our audit of the financial statements of Pavilion REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of investment properties

Pavilion REIT owns a portfolio of investment properties comprising 4 shopping malls and an office block located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position.

These investment properties are stated at their fair values, which are estimated by Pavilion REIT Management Sdn. Bhd. ("the Manager") with the assistance of external valuers.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied.

This is a key audit matter because some of the key assumptions are unobservable and hence, required significant judgement from us.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust (Incorporated in Malaysia)

cont'd

Key Audit Matter (cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the Manager's processes for the selection of the external valuers and the determination of the scope of work of the valuers.
- We read the valuation reports issued by the external valuers.
- We considered the qualifications and competencies of the external valuers.
- We compared the valuation methodologies used by the external valuers against those applied by other external valuers for similar types of property.
- We test checked the data provided to external valuers to lease agreements.
- We challenged the capitalisation rates used in the valuation by comparing them against historical rates and other internal and external sources.
- We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of Pavilion REIT is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of Pavilion REIT and our auditors' report thereon.

Our opinion on the financial statements of Pavilion REIT does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of Pavilion REIT, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of Pavilion REIT or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements of Pavilion REIT

The Manager of Pavilion REIT is responsible for the preparation of financial statements of Pavilion REIT that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of Pavilion REIT that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Pavilion REIT, the Manager is responsible for assessing the ability of Pavilion REIT to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate Pavilion REIT or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of Pavilion REIT as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust (Incorporated in Malaysia)

cont'd

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of Pavilion REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Pavilion REIT.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Pavilion REIT to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of Pavilion REIT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Pavilion REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of Pavilion REIT, including the disclosures, and whether the financial statements of Pavilion REIT represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Pavilion REIT to express an opinion on the financial statements of Pavilion REIT. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of Pavilion REIT for the current year and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
to the Unitholders of Pavilion Real Estate Investment Trust
(Incorporated in Malaysia)
cont'd

OTHER MATTER

This report is made solely to the unitholders of Pavilion REIT, as a body, in accordance with the trust deed of Pavilion REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya

Date: 31 January 2023

Thong Foo Vung
Approval Number: 02867/08/2024 J
Chartered Accountant



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ANALYSIS OF UNITHOLDINGS

DISTRIBUTION OF UNITHOLDINGS AS AT 31 JANUARY 2023

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Unitholdings
Less than 100	92	0.77	1,271	0.00
100 - 1,000	2,946	24.61	1,869,141	0.06
1,001 - 10,000	6,455	53.92	29,844,305	0.98
10,001 - 100,000	2,201	18.38	66,471,418	2.17
100,001 to less than 5% of issued units	272	2.27	423,561,923	13.86
5% and above of issued units	6	0.05	2,533,973,603	82.93
Total	11,972	100.00	3,055,721,661	100.00

THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS AS AT 31 JANUARY 2023

No	Name of Unitholders	No. of Units	%
1.	HSBC Nominees (Asing) Sdn Bhd <i>CS (Switz) for Qatar Holding LLC</i>	1,008,900,000	33.02
2.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account – CIMB Investment Bank Berhad for Lim Siew Choon (UCDSB-SSCA)</i>	690,325,000	22.59
3.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account – CIMB Investment Bank Berhad for Tan Kewi Yong (UCDSB-SSCA)</i>	281,775,000	9.22
4.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	227,028,103	7.43
5.	Kumpulan Wang Persaraan (Diperbadankan)	170,945,500	5.59
6.	UOBM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Siew Choon</i>	155,000,000	5.07
7.	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera</i>	73,132,100	2.39
8.	Permodalan Nasional Berhad	34,571,800	1.13
9.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Nomura)</i>	28,451,600	0.93
10.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (AHAM AM)</i>	25,948,500	0.85
11.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (CIMB Prin)</i>	21,186,800	0.69
12.	Pavilion REIT Management Sdn Bhd	16,227,261	0.53
13.	Amanahraya Trustees Berhad <i>Amanah Saham Malaysia 2 - Wawasan</i>	14,000,000	0.46
14.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (LSF)</i>	12,214,800	0.40
15.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (NP – Other – REITS)</i>	11,461,700	0.38
16.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (Life Par)</i>	10,350,500	0.34
17.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Principal Eqits)</i>	9,091,400	0.30

ANALYSIS OF UNITHOLDINGS

cont'd

THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS AS AT 31 JANUARY 2023 (Cont'd)

No	Name of Unitholders	No. of Units	%
18.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)</i>	7,553,000	0.25
19.	Amanahraya Trustees Berhad <i>Amanah Saham Malaysia 3</i>	7,001,500	0.23
20.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich General Insurance Malaysia Berhad (GI – REITS)</i>	6,389,100	0.21
21.	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera 2</i>	6,020,400	0.20
22.	Lembaga Tabung Angkatan Tentera	5,125,900	0.17
23.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (AM INV)</i>	4,710,000	0.15
24.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Nomura)</i>	4,445,400	0.15
25.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (AP – REITS)</i>	4,272,700	0.14
26.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (LEEF)</i>	4,263,100	0.14
27.	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Private Wealth Management for Tong Seech WI (PW-M00679) (419910)</i>	3,943,000	0.13
28.	Pertubuhan Keselamatan Sosial	3,742,800	0.12
29.	Amanahraya Trustees Berhad <i>Public Select Treasures Equity Fund</i>	3,591,400	0.12
30.	HSBC Nomiees (Tempatan) Sdn Bhd <i>Exempt An for Caceis Bank (SW-CAI-MY RES)</i>	3,572,000	0.12

MAJOR UNITHOLDERS AS AT 31 JANUARY 2023

No	Name of Unitholders	Direct	%	Deemed	%
		Interest		Interest	
		No. of Units		No. of Units	
1.	Qatar Holding LLC	1,008,900,000	33.02	-	-
2.	Tan Sri Lim Siew Choon	845,425,000	27.67	-	-
3.	Puan Sri Tan Kewi Yong	281,875,000	9.22	-	-
4.	Employees Provident Fund Board	307,325,003	10.06	-	-

ANALYSIS OF UNITHOLDINGS

cont'd

UNITHOLDINGS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AS AT 31 JANUARY 2023

No	Name of Unitholder	Direct Interest No. of Units	%	Deemed Interest No. of Units	%
1.	Tan Sri Lim Siew Choon	845,325,000	27.67	-	-
2.	Puan Sri Tan Kewi Yong	281,875,000	9.22	-	-
3.	Dato' Lee Tuck Fook	100,000	*	-	-
4.	Navid Chamdia	100,000	*	-	-
5.	Dato' Maznah binti Abdul Jalil	100,000	*	-	-
6.	Dato' Philip Ho Yew Hong	125,000	*	-	-

*: Negligible

MARKET OVERVIEW

GENERAL ECONOMIC OVERVIEW 2022 & OUTLOOK FOR 2023

After recording a decline of 5.6% in 2020, which was the second worst economic performance ever recorded for the country, the Malaysian economy returned to positive territory with a growth of 3.1% in 2021, despite the emergence of the omicron variant of the COVID-19 virus and severe flooding in the Klang Valley and some states in the month of December. The economy grew by 14.2% in the third quarter of 2022, the highest growth recorded amongst Southeast Asian countries. Overall, growth domestic product (GDP) growth for 2022 has been projected to be within the range of 5.3% to 6.3% and may now even exceed 7% before slowing down to between 4% to 5% in 2023.

Nevertheless, global events like the Russia-Ukraine conflict and the ensuing sanctions imposed by the U.S. and its western allies on Russia, geo-political tensions between the U.S. and China, the economic slowdown in China resulting from its Zero-COVID Policy as well as the actions taken by the Chinese government against errant tech companies and property developers, could, in the views of some economists, lead to a global recession in 2023 and if this happens, Malaysia's economy which is heavily dependent on exports could be adversely impacted and this could result in a lowering of its growth rate next year. Nevertheless, local economists are of the view that Malaysia will not enter a recession although it will experience a slowdown in its economic growth rate. Another positive development is that China is beginning to loosen its strict Zero-COVID Policy and this may lead to a stronger economic performance by the country and this then will benefit Malaysia as China is Malaysia's largest trading partner.

Thanks to the success in controlling the spread of the COVID-19 virus after the successful rollout of the booster shots under the national vaccination programme, the country transitioned to the endemic phase on 1 April 2022, with many of the stringent SOPs being relaxed to allow Malaysians to return to a near normal life after two years of battling the disease. Restrictions on business operating hours were lifted and this provided a much-needed lifeline to businesses and thus boosted economic activities. Subsequently, effective 1 August 2022, all travellers were allowed to enter Malaysia regardless of their COVID-19 vaccination status and they were no longer required to carry out a pre-departure or on-arrival COVID-19 test. There were also no quarantine orders related to COVID-19 enforced by the Malaysian Government upon arrival. This relaxation further boosted the tourism and retail sectors. The relaxation of the COVID-19 SOPs continued with the government announcing on 7 September that the wearing of masks in indoor areas were no longer mandatory.

Foreign direct investments (FDI) recorded a net inflow of RM24.7 billion in the last quarter of 2021 and total FDI for the full year came up to more than RM50 billion, a big improvement over 2020's RM14.6 billion. The momentum continued into 2022 when Malaysia's total investments for the first half of the year comprising FDI and Domestic Direct Investment (DDI), came up to RM123.3 billion with approved investments in manufacturing recorded at RM43.1 billion, services at RM78.0 billion and the primary sector at RM2.2 billion. FDI remained the major contributor to the total approved investments with a share of 70.9% valued at RM87.4 billion.

For the first ten months of 2022, Malaysia's Industrial Production Index (IPI) grew by an average of 7.5% y.o.y, supported mainly by the manufacturing sub-sector, electricity and mining. This is an improvement over the 7.2% growth recorded in 2021 and the decline of 4.2% recorded during 2020 when the impact of the COVID-19 pandemic was at its worse.

Private final consumption which formed 61.5% of GDP in Q3 2022, increased by 15.1% in the quarter as compared to a growth of 18.3% in Q2 2022, backed by higher consumption in the transport, food and non-alcoholic beverages, restaurants & hotels sub-sectors. Overall, private consumption is projected by MIDF to increase by 7.2% in 2022 compared to the decline of 4.3% recorded in 2020 and the increase of 4.1% in 2021.

External trade in 2021 recorded the fastest growth since 1994 and reached an all-time high during the year. The country's total trade in 2021 increased by 24.8% on an annual basis and breached the RM2 trillion mark. Malaysia's trade performance continued to remain resilient in 2022 as statistics for total trade, exports, imports and trade surplus for the first eleven months of the year showed a double-digit growth. Total trade grew by 29.9% to RM 2.61 trillion whilst exports expanded by 27.2% to RM 1.42 trillion and imports grew by 33.3% to RM 1.19 trillion. The trade surplus increased marginally by 2.6% to RM 227.89 billion. Nevertheless, this fine performance may not be sustained in the coming year if a global recession sets in.

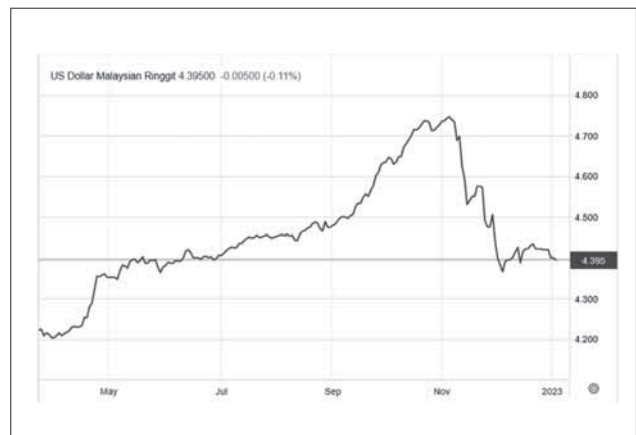
MARKET OVERVIEW

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Crude oil prices fluctuated during the year as various global developments influenced demand for the commodity. From a low of US\$65.167 recorded on 31 November 2021, crude oil prices improved to peak at US\$120 on 8 March 2022. Prices then fluctuated and declined to a low of US\$ 76.167 on 26 September 2022 before closing at US\$ 79.66 on 30 December 2022. With the U.S. Federal Reserve, European Central Bank and Bank of England all still adopting a hawkish stance and hiking up interest rates aggressively to fight inflationary pressures, analysts have warned about the economic risks of rapid rate rises that could have an adverse impact on demand for crude oil. As oil exports contribute substantially to Malaysia’s GDP, the movement of crude oil prices will have a major impact on the country’s economic health.



Price movement of WTI crude
(Source: Trading Economics)



Performance of Ringgit in 2022 against US\$
(Source: Trading Economics)

The Malaysian Ringgit started off 2022 at RM 4.16 against the US dollar on 3 January 2022 before the rapid rise in US \$ against all major currencies caused the Ringgit to ease to close at RM 4.40:US\$1 on 30 December 2022.

The FBM KLCI started the year at 1,547.5 points on 3 January 2022, down from the 1,567.53 recorded on 31 December 2021. The exit of the country from the pandemic stage of COVID-19 on 1 April helped to boost economic activities and led to a more optimistic outlook being adopted by investors. The FBM KLCI accordingly improved and staged a recovery to hit 1,600 points on 1 April although the peak for the year was the 1,618.3 points achieved on 3 March. However subsequent global events such as the Russian invasion of Ukraine unnerved investors and this led to the index fluctuating and dropping to a low of 1,373.3 points on 13th October before recovering to 1,495.49 points at the close of 30 December 2022.



KLCI Performance 2022 (source: WSJ)

MARKET OVERVIEW

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The much-awaited 15th general elections (GE15) have come and gone and after its conclusion on 19 October which resulted in a hung parliament, a unity government was set up under the leadership of Dato Seri Anwar Ibrahim of the Pakatan Harapan coalition. The market reacted positively to his appointment as the prime minister and the forming of a unity government. Although the way forward is still fraught with uncertainties, the conclusion of the elections and the passing of the vote of confidence in Dato Seri Anwar Ibrahim as the PM paves the way for an end to the nearly three years of political uncertainties under the previous two administrations. If the new leadership is able to refocus its attention on the economy as well as implementing much needed structural and political reforms, the country will be better placed to face the possible global recession that has been predicted to take place in 2023 and this augurs well for the property market.

THE RETAIL SECTOR

Klang Valley - Supply & Demand of Retail Space in 2022

As at December 2022, the Klang Valley (covering Kuala Lumpur, Selangor and Putrajaya) had altogether, 291 shopping centres with total retail space of more than 84 million square feet as per the table below:

Retail Supply and Demand in Klang Valley, 2022

No.	Location	No. of Malls #	Total Nett Floor Area (sf)	Average Rental Rate (RM psf pm)*	Average Occupancy Rate (%)
1	Kuala Lumpur	124	38,914,465	12.47	73.9
2	Selangor	164	44,778,456	10.76	71.1
3	Putrajaya**	3	1,018,000	13.61	73.5
	TOTAL	291	84,710,921	11.60	72.4

Notes:

- include hypermarket malls and arcades

* - exclude rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley, etc.

** - IOI City Mall Phase 1 is located at Sepang District of Selangor. It was listed under Putrajaya previously. It is now listed under Selangor.

Source: Henry Butcher Retail

Overall, the average occupancy rate of shopping centres in the Klang Valley improved marginally from 72.3% in 2021 to 72.4% in 2022. The average occupancy rate of shopping centres in Kuala Lumpur however declined from 74.6% in 2021 to 73.9% in 2022. Although shoppers have returned to all shopping centres, the occupancy rates of shopping centres have not improved significantly. Some retailers chose to close down after retail landlords re-instated the rental rates of the pre-COVID period. New shopping centres that opened in the last two years have yet to achieve high occupancy rates. On the other hand, the average occupancy rate of shopping centres in Selangor improved from 69.7% in 2021 to 71.1% in 2022. The take-up rates of several major shopping centres increased during the year. Although new shopping centres that opened over the last 2 years did not achieve high occupancy rates during their initial opening period, new shops continued to open every month. The average occupancy rate of shopping centres in Putrajaya dropped from 83.6% in 2021 to 73.5% in 2022. Anjung shopping centre closed down whilst IOI City Mall Phase 1 was removed from the listing in Putrajaya and transferred to Selangor's retail supply listing.

MARKET OVERVIEW

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The average rental rate for Klang Valley recovered from RM10.09 psf per month in 2021 to RM11.60 psf per month in 2022. This average did not include rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley, etc. During 2021, many shopping centre owners introduced rental rebates or reduced rental rates in order to retain existing tenants. Some tenants agreed to a restructuring of their rental packages in order to achieve a win-win situation for both landlords and tenants. For 2022, most of the retail landlords have re-instated rental rates back to the levels of 2019. However, on an overall basis, the average rental rates have not yet gone back to pre-COVID levels. New tenants who started their business during the pandemic period enjoyed more attractive rental packages whilst some existing tenants took the opportunity to negotiate for lower rental rates. During 2022, the rental rates of prime lots in shopping centres climbed up because many retailers preferred to pay higher rentals for premium locations rather than cheaper rentals at upper levels. At the same time, rental rates of upper floors of shopping centres declined as many retailers at upper levels suffered greatly during the lockdown periods.

New Shopping Centres Which Opened in 2022

A total of 5 new shopping centres and 2 mall extensions were opened in 2022 with a combined nett floor area of more than 2.7 million sq. ft. They included the following:

New Shopping Centres in Klang Valley for the Year 2022

No.	Name	Location	Nett Floor Area (sf)
1	Mitsui Shopping Park Lalaport	Bukit Bintang	861,000
2	Pinnacle Mall Seri Petaling	Seri Petaling	160,000
3	Mitsui Outlet Park Phase 3	Selangor	75,000
4	Ecohill Walk Mall	Semenyih	170,000
5	IOI City Mall Phase 2	Putrajaya	1,000,000
6	Datum Jelatek Shopping Centre	Setiawangsa	319,000
7	Megah Rise Mall	Taman Mayang	145,000
	TOTAL		2,730,000

Source: Henry Butcher Retail

- Opened on 20 January 2022, Mitsui Shopping Park Lalaport offers over 300 retail shops and F&B outlets, a 100,000 sq. ft. Malaysia Grand Bazaar as well as a concert hall with 2,500 seats equipped by Sony Music Entertainment. Jaya Grocer is its grocery anchor. The management of Lalaport brought in numerous Japanese brands to open their first stores in Malaysia. These included Nojima, Nitori, DONQ, Matcha Eight, Tamaruya Honten, Coo & Riku, etc.
- Pinnacle Mall was opened on 12 January 2022. This 4-storey neighbourhood mall is anchored by Urban Marketplace and other established tenants include Believe Fitness, Coffee Bean & Tea Leaf, Baskin Robins, Nam Heong, Zok Noodle House and Guardian Pharmacy.
- Mitsui Outlet Park Phase 3 opened on 24 April 2022 with nett floor area of 75,000 sq. ft. This new space is occupied by Adidas, Nike and Puma on the ground floor. Courts and Objet took up the retail space on the first floor.
- EcoHill Walk Mall was officially opened on 15 September 2022. A 2-storey Lulu Grocer is its anchor tenant. Other established retailers include FOS, Secret Recipe, Gigi Coffee, Texas Chicken, Coffee Bean & Tea Leaf, Caring Pharmacy and Watsons.
- IOI City Mall Phase 2 opened on 25 August 2022. Together with Phase 1, it is now the largest shopping centre in Malaysia with 2.5 million sq. ft. of nett floor area. New major tenants include AEON, GSC with IMAX hall, Don Don Donki, Maju Home, Proton, Believe Fitness, Kiddytopia, Rollerwa, IOI City Farm, IOI Grand and IOI Sports Centre.
- Datum Jelatek Shopping Centre was opened to the public on 26 November 2022. The anchor tenants include The Food Merchant and PISB.
- Megah Rise Mall opened on 18 December 2022. This 4-storey shopping centre has two anchor tenants - Village Grocer and a 14,000 sq. ft. Sports Hall operated by Michael's Badminton Academy.

MARKET OVERVIEW

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Performance of Klang Valley Shopping Centres in 2022

Year 3 of COVID-19 Pandemic

Since the beginning of 2022, shopping traffic of most shopping centres in the Klang Valley have returned to 2019 levels.

The Chinese New Year festival which started in early January 2022 contributed to strong sales for shopping centres in the Klang Valley. Non-Chinese shoppers in Malaysia also took advantage of this festival to enjoy shopping and travelling.

When daily positive cases reached 10,000 on February 6, many shopping malls in the Klang Valley were still crowded on both weekdays and weekends. Even when daily positive cases climbed to 20,000 from February 11, shoppers could still be seen everywhere in major shopping centres. Although not significant, shopping traffic started to drop when daily cases remained consistently above 20,000. Nevertheless, shoppers of all races and types (teenagers, friends, office workers, families with very young children, parents with babies and old folks, etc.) were still enjoying their weekend shopping activities. They were window shopping, shopped for groceries, dining in cafes and restaurants, shopping in fashion stores, watched movies and participated in leisure activities. On February 23 when daily positive cases spiked above 30,000, surprisingly, shopping malls in Klang Valley were still crowded. Although car drivers did not need to struggle to find parking lots, the decline in shopping traffic was not significant. Again, despite several social media and news reports on Malaysians avoiding crowded places, there were still all kinds of shoppers in shopping malls. Popular cafes and restaurants were still full. Branded fashion stores were still lined with shoppers at the front doors. Youngsters stormed to popular events and promotions. The relaxations of many COVID-19 SOPs from 1 April 2022 encouraged more Malaysians to return to their usual shopping behaviour and patterns in shopping centres. A new set of SOPs on retail shops was introduced by the Malaysian government on 1 April 2022. There was no more restriction of operation hours of retail shops and full capacity was allowed for events and activities involving large groups. From May 1, another set of COVID-19 SOP relaxations were implemented. MySejahtera check-in and physical distancing within retail premises were no longer required. Activities in Klang Valley shopping centres returned to the pre-COVID era.

Hari Raya was celebrated nationwide on May 3 and 4. Shopping centres throughout Malaysia started to attract large shopping crowds three weeks before Hari Raya, with the peak being a week before Hari Raya. Since interstate travel was allowed from October 2021, shopping centres in cities, towns and tourist attractions enjoyed good business during long weekends, public holidays and festivals. Malaysians from all parts of the country travelled for shopping, gatherings and meetings in the Klang Valley. During the recent Christmas and New Year celebrations, major shopping centres throughout the Klang Valley were packed with shoppers and traffic jams in mall car parks were common during peak shopping hours.

Major New Retail Openings

- a) After abrupt closures several years ago, M Square in Puchong re-opened as JOMMALL with a bazaar and stalls in January 2022. It however closed down again in the middle of the year. DA Auto Premium Cars then took up several lots on the ground floor for its car showroom.
- b) After closures of all MBO cineplexes due to the COVID-19 pandemic, a new company, MBO Cinema Sdn Bhd, re-opened several cineplexes that were not sold to GSC. In the Klang Valley, this included MBO Cinema in Atria Shopping Gallery, Brem Mall and Space U8.
- c) During the first half of 2022, two major tenants opened in the entertainment complex next to Lalaport in Bukit Bintang City Centre (BBCC). The 100,000 sq. ft. Malaysia Grand Bazaar was launched in March with 100 Malaysian brands whilst ZEPP Hall Kuala Lumpur was opened in May with a 2,414 seating capacity hall.
- d) In June, Sunway Pyramid launched a new dining zone, The Link, with an additional 80,000 sq. ft. of space located between Sunway Pyramid and Sunway Pyramid Hotel & Sunway Resort. Tenants include Sports Direct, Din Tai Fung, Haidilao, Memorie Cafe, Nanyang Cafe, Tonkatsu by Ma Maison and The Owls Cafe.

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- e) After Metrojaya closed down its flagship store in BB Plaza, it re-opened in Lalaport BBCC in July as its department store anchor.
- f) After months of closure for renovation, Redtick supermarket re-opened within Setia Walk Mall in September.
- g) In December, Jaya Grocer opened its first supermarket in Klang at Centro Mall.
- h) After a major refurbishment in 2021, Starhill Gallery was renamed The Starhill. Its new anchor tenant Eslite Spectrum bookstore from Taiwan opened in December.

Major Replacements and Closures

There were several major store replacements during the year:

- a) NSK Grocer replaced AEON in Quill City Mall with an 85,000 sq. ft. supermarket in early January 2022.
- b) In January, Jaya Grocer took over the supermarket space vacated by Ben's Independent Grocer (BIG) in DC Mall.
- c) NSK Trade City opened in a building formerly occupied by Giant hypermarket located in Batu 9 Cheras on January 31.
- d) Two major tenants replaced part of the anchor space vacated by Robinsons in Shoppes @ Four Seasons Place. Decathlon took up the entire first floor as its flagship store in Kuala Lumpur city centre whilst Samsung Malaysia tied up with Senheng to open a brand-new experience store on the ground floor of the shopping centre.
- e) The anchor space formerly occupied by Metrojaya in The Curve was re-tenanted by Maju Home and K Plus Food Market.
- f) After The Store vacated the anchor tenant space in Paragon Point, it was leased to NSK Grocer which then opened its 3-storey supermarket on 21 July 2022.
- g) Don Don Donki replaced the IT centre on the top floor of Sunway Pyramid.

There were a few major closures during the year:

- a) Giant hypermarket closed down in Klang Sentral.
- b) Plaza OUG which was opened in 1984 was closed and demolished in July. It will be re-built into a mixed-use development that includes a 6-storey shopping centre.
- c) Super Seven hypermarket closed down in Viva Home Mall along Jalan Cheras.
- d) Giant closed down its hypermarket in Subang USJ end of 2022 and will also be closing two more outlets by end of January 2023. These two outlets are located in South City Plaza and Amcorp Mall.

Sale and Refurbishment Of Malls

- a) In January 2022, Sungei Wang Plaza re-launched its shopping centre with a new interior design.
- b) AEON Big Subang Jaya refreshed its shopping centre in early 2022.
- c) Pearl Point Shopping Centre refurbished its mall during the year and replaced Econsave with Jaya Grocer as its grocery anchor tenant. At the same time, Jaya Grocer vacated Pearl Shopping Gallery located next door.

MARKET OVERVIEW

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- d) IGB's wholly-owned subsidiary MGudang Properties Sdn Bhd acquired 149 units of Pandan Safari commercial lots from Paradise Boulevard Sdn Bhd for RM9.07 million. This acquisition is expected to be completed by the first quarter of 2023. IGB will modify, refurbish and repurpose the properties into a storage and warehouse space caters to e-commerce operators.
- e) Semua House in Little India was closed for refurbishment in September and is targeted for re-opening by the end of 2023. Semua House was opened to public in 1986.
- f) Commons KL, formerly known as BB Park, was refurbished and re-launched in September. It offers a new selection of F&B outlets, plant shop, salon and pet grooming centre.
- g) Infra Segi Sdn Bhd took over the abandoned Selayang Star City in October 2022. Now known as 168 Park Selayang, the new developer will resume the construction of the 2-storey shopping centre with nett floor area of 235,000 sq. ft. The shopping centre is targeted for completion in 2024.
- h) After it was closed on 31 March 2021, Boustead Holdings Berhad announced in November that it is planning to redevelop eCurve shopping centre into a high-rise residential development.
- i) In November, YNH Property Berhad sold its 163 Retail Park and AEON Seri Manjung Shopping Centre to ALX Assets Bhd for RM422.5 million. These disposals are expected to be completed by the first half of 2023.
- j) In late November, Pavilion Real Estate Investment Trusts (Pavilion REIT) agreed to purchase Pavilion Bukit Jalil from Malton Berhad's subsidiary, Regal Path Sdn Bhd, for RM2.2 billion. This acquisition is expected to be completed by the second quarter of 2023.

Klang Valley Retail Market

The strong recovery during the first 9 months of 2022 will bring forward the full recovery of Malaysia's retail industry and it is estimated that it should be able to return to 2019 sales levels by the end of 2022.

Quarterly Retail Sales Performances

- a) For the first quarter of 2022, Malaysia's retail industry recorded a promising growth rate of 18.3% in retail sales as compared to the same period in 2021. Shopping traffic has returned in all major shopping malls and commercial centres located across the country. Shoppers have returned to physical stores to enjoy what they missed during the long period of lockdowns. In addition, the Chinese New Year festival (started in early January and ended in middle of February) contributed to stronger sales for Malaysian retailers. Non-Chinese shoppers in Malaysia also took advantage of this festival to enjoy shopping and travelling as well. Domestic tourism has contributed to higher retail sales.
- b) For the second quarter of 2022, Malaysia's retail industry recorded an all-time high growth rate in retail sales of 62.5%, as compared to the same period a year ago. This very promising result was attributed to 3 main factors – the Hari Raya festival, relaxation of COVID-19 SOPs as well as the forced closures of many retail shops in May and June 2021. Hari Raya Aidilfitri was celebrated nationwide on May 3 and 4. This period has accelerated the pace of recovery of Malaysia's retail industry. Shopping centres and the main commercial centres throughout Malaysia started to attract large shopping crowds three weeks before Hari Raya. The peak was one week before Hari Raya. Shopping traffic in major shopping malls stayed at high levels even two weeks after the holidays. There were two long weekends of holidays during the month of May. During Hari Raya Aidilfitri, Labour Day and Vesak Day, Malaysians were able to celebrate fully after 2 years of lockdowns. Retail sales during this period were very encouraging. During these festivals, major tourist towns and attractions in Kedah, Penang, Perak, Kuala Lumpur, Selangor, Melaka, Johor and Pahang were filled with domestic tourists. The re-opening of international borders from April 1 also brought cheers to retail businesses that have been dependent on foreign tourists. Border towns located in Perlis, Kelantan and Johor witnessed more foreign visitors entering Malaysia.

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- c) The relaxations of many COVID-19 SOPs from 1 April 2022 encouraged more Malaysians to return to their usual shopping behaviour and patterns. A new set of SOPs on retail shops was introduced by the Malaysian government on 1 April 2022. There was no more restriction of operation hours of retail shops. Full capacity was allowed for events and activities involving large groups. Unboosted Sinovac recipients and senior citizens were allowed to enter shopping centres as well as dine in eateries. From 1 May 2022, another set of COVID-19 SOP relaxations were implemented. MySejahtera check-in was no longer required. Entry into retail premises was allowed regardless of vaccination status except those with 'High Risk' status or under Home Surveillance Order (HSO). Physical distancing within retail premises was no longer required.
- d) The high growth rate during the second quarter was also lifted by the low base from the partial lockdown in May 2021 as well as the full lockdown in June last year. MCO 3.0 was imposed from 3 May 2021 and ended on 31 May 2021. During this period, the majority of retailers suffered from poor sales when Malaysian shoppers avoided enclosed places. Phase 1 of the Full Movement Control Order (FMCO) which started from 1 June 2021, ran for a period of two weeks. During this time, non-essential retailers were ordered to shut down. Malaysians nationwide were asked to stay at home. The National Recovery Plan (NRP) in 4 phases was implemented from 15 June 2021. Similar to FMCO, non-essential retailers remained closed and Malaysian consumers were asked to remain at home.

Malaysia Retail Sales and Other Economic Performances, 2022

Economic Indicator (%)	First Qtr.	Second Qtr.	Third Qtr.	Fourth Qtr.	Whole Year
Retail sale	18.3	62.5	96.0	(e) 6.0	(e) 41.6
GDP	5.0	8.9	14.2	NA	NA
Private consumption	5.5	18.3	15.1	NA	NA
Inflation rate	2.2	2.8	4.5	NA	NA

Notes:

NA -not available

(e) -estimate

Source: Retail Group Malaysia/ Bank Negara Malaysia

- e) For the third quarter of 2022, Malaysia's retail industry recorded another impressive growth rate of 96.0% in retail sales.
- f) During the same period a year ago, the retail industry contracted by 27.8%. The majority of retailers were forced to shut down during the first half of the third quarter of 2021. The Enhanced Movement Control Order (EMCO) was enforced in large parts of Selangor and selected locations in Kuala Lumpur from 3 July 2021 and ended on 16 July 2021. Retail businesses in the largest retail market of Malaysia were badly hit during this critical period. From 16 August 2021, more retail businesses under the National Recovery Plan (NRP) Phase 1 have been allowed to open. They included fashion shops, jewellery shops, electrical & electronics shops, furniture shops, sports shops, car accessories shops, hair salons, barber shops and car showrooms. When the government relaxed restrictions on the number of passengers in a vehicle as well as the limit of travelling distance on 21 August 2021, shopping traffic in major shopping centres gradually returned. Cinemas, entertainment centres and beauty salons were allowed to open from 9 September 2021 for fully vaccinated individuals. Recreational centres were allowed to resume their operations from 10 September 2021 for their fully vaccinated customers. Gyms were allowed to open from 18 September 2021 for their fully vaccinated members. The Klang Valley was upgraded to NRP Phase 2 on 10 September 2021. More relaxations, including dine-in, were allowed for fully vaccinated individuals. Effective 17 September 2021, more retail businesses were allowed to open for states under Phase 1 of NRP. They included personal care shops, toys stores, antique shops, outdoor shops, tobacco shops, carpet shops, used items stores, photography shops, souvenirs and craft shops, nurseries as well as florists.

MARKET OVERVIEW

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- g) For the third quarter of 2022, all retail businesses were operating with limited social distancing measures. Therefore, all retail businesses were able to operate at full capacity. Shoppers from all over Malaysia returned to physical stores during the third quarter. Businesses of a majority of retailers rebounded. After two years of lockdowns, many Malaysians travelled around the country for holidays, visited family members and relatives, as well as caught up with friends. Retail shops in tourist areas and small towns enjoyed brisk businesses.
- h) For the fourth quarter of 2022, Retail Group Malaysia (RGM) estimated the growth rate at 6.0%. This forecast took into consideration the high base a year ago (at 26.5%) as well as the current challenges of Malaysia's retail industry. Nevertheless, retailers in Malaysia were hopeful that the retail industry will continue to recover towards the end of this year due to two upcoming major festivals - Christmas and Chinese New Year (end January 2023).
- i) For the entire year, Retail Group Malaysia (RGM) estimated the growth rate at 41.6%. The very high growth rate in 2022 is unprecedented. It is unlikely to happen again unless another forced closure of retail shops took place.

Retailing Trends in the Klang Valley

In 2022, Klang Valley consumers were back to the shopping behaviour and patterns of the pre-COVID 19 period.

- The volume of online shopping has dropped since late 2021, but has not disappeared. Food & beverage outlets and retail stores in the Klang Valley which set up online delivery services during COVID-19 period were still offering such services even after the virus infections have subsided. These outlets however did not close down this service, remove the app, or stop using third-party food delivery platforms (such as Grabfood, Foodpanda, Beep, airasia, etc.).
- Physical stores that offered virtual shopping through social media, WhatsApp, website, apps and third-party online platforms during the lockdown periods have witnessed online shopping activities dropping by about 70%-80% since early 2022.
- F&B outlets that offered food delivery via third-party delivery platforms during the lockdown periods have witnessed online activities dropping by about 50%-60% since early 2022. Their customers preferred to dine-in after the MCOs ended. More customers preferred to dine-in after SOPs on social distancing were relaxed. F&B operators also preferred dine-in customers due to the high charges levied by third-party delivery platforms.
- Pure-play retailers enjoyed a spike in businesses during the lockdown period. After the MCOs ended, their businesses dropped by about 20%-90%. However, some online operators continued to enjoy stable sales due to their unique and specialty products that are not found elsewhere whilst other online operators suffered a large drop in business after the lockdown was lifted due to their weak unique selling propositions (USPs). Many online operators who started their businesses during the lockdowns ended their ventures due to intense competition and low profit margins.
- Many individuals, who started selling products and services during MCOs (due to retrenchment, reduced workload and work from home), returned to their previous or new full-time jobs after the MCO ended. Many ended their online business ventures whilst some were still selling the goods or offered their services on a part-time or ad-hoc basis.
- After shoppers returned to physical stores, many online retailers used events, exhibitions, farmers markets, flea markets, arts markets, bazaars, kiosks, promotion space, pushcarts and pop-up stores to sell their products and services directly to consumers. Some started to distribute their products to selected stores that sell multiple brands. A few set up physical showrooms. This allowed the operators to get face-to-face interactions with their regular customers.

Opening of Foreign Retailers in Klang Valley

Malaysia remained a highly popular country in South-East Asia for foreign retailers. For 2022, at least 43 new brands from 15 countries opened their first stores (shopping centres only) in Malaysia. Klang Valley accounted for 93% of these new entries in Malaysia. The new supply of several high quality shopping malls within Klang Valley in recent years attracted these retailers to set up stores here.

MARKET OVERVIEW

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Opening of First Stores (Shopping Centres only) in Malaysia by Foreign Retailers

No	Country of Origin	Brand Name	Trade
1	Spain	Yole	Frozen yogurt
2		Lladro	Arts and crafts
3	Japan	Matcha Eight	Tea & dessert
4		Nitori	Furniture & furnishing
5		Nojima	Electrical & electronics
6		Tamaruya Honten	Restaurant
7		Ainz & Tulpe	Beauty
8		Baristart Coffee	Coffee cafe
9		Coo & Riku	Pets
10		Tsutaya	Bookstore
11		DONQ	Bakery
12		Issey Miyake	Fashion
13		Gyomu	Supermarket
14		Mr. Kanzo	Canned food
15		Hong Kong	The Coffee Academics
16	Taiwan	Fat Daddy	Fried chicken
17		HWC Coffee	Coffee cafe
18		Eslite Spectrum	Bookstore
19		Come True Cafe	Cafe
20	South Korea	32 Parfait	Ice cream
21		Bhc Chicken	Fried chicken
22	Thailand	Discover Siam	Arts & crafts
23		Baan Phad Thai	Restaurant
24		Dee Coffee	Coffee cafe
25		Flash Express	Courier delivery
26	Germany	Philipp Plein	Fashion
27		HUGO	Fashion
28	Switzerland	Amaris	Beauty
29		Roger Dubuis	Watch
30	United States	Club Macanudo	Cigar lounge
31		Apple Premium Store	Electronics
32		Ralph's Coffee	Coffee cafe
33	France	Balmain	Fashion
34	Indonesia	Kenangan Coffee	Coffee cafe
35	Portugal	Sacoor Blue	Fashion
36	China	Zhaoju Dessert	Dessert
37		Mixue	Dessert
38		Taco James	Restaurant

MARKET OVERVIEW

cont'd

Opening of First Stores (Shopping Centres only) in Malaysia by Foreign Retailers (cont'd)

No	Country of Origin	Brand Name	Trade
39	Singapore	Wok Hey	Food kiosk
40		Epitex Home	Furniture
41		Yakiniku Sizzle	Restaurant
42	United Kingdom	Liverpool FC	Fashion
43		Wolfgang's Steakhouse	Restaurant

Source: Henry Butcher Retail

Closures of Local Retailers in Klang Valley

In 2022, there were more closures in some retail sub-sectors due to (a) over expansion during the last two years, (b) new stores set up solely to meet the latest pandemic trends, and (c) un-sustainable business models.

For 2022, consolidation of the following types of businesses took place:

- Mini-markets
- Low-priced large-format stores (especially RM2.00+ stores)
- Courier delivery stores
- Beverage-focused F&B outlets (bubble tea, yogurt drink, coffee, tea, etc.)
- Dessert-focused F&B outlets (cake, ice cream, French patisserie, etc.)
- Retail companies that used franchise, licensing, investment scheme and crowd funding to expand during the pandemic. These companies attracted ordinary people to invest in it with very low entry cost and it promised high returns.

In addition, retail outlets that survived the 2-year pandemic but chose to close down after the market re-opened. Reasons included:

- Landlords increased rental after lockdown ended
- Unable to attract shoppers and diners back to 2019 level due to increased competition
- Shortage of manpower
- Higher cost of operation

Tourist Arrivals

Malaysia received 0.13 million foreign tourists in 2021. This was a 96.9% decrease from 2020 (tourist arrivals to Malaysia was 4.33 million in 2020) and was the worst ever recorded in Malaysia's tourism history. The resurgence of the COVID-19 virus in 2021 closed the international borders again and for almost the entire year of 2021, foreign tourists from overseas countries were not allowed to enter Malaysia.

Interstate travel ban was lifted on 11 October 2021 after 90% of the adult population has been fully vaccinated. Malaysians from all parts of Malaysia started their holidays and family visits once the interstate borders re-opened. Retail businesses that have been dependent on tourists benefitted from the increase in tourists.

Foreign tourist arrivals started to climb from October 2021. It rose by 37.8% in November as compared to the preceding month. In December, foreign tourist arrivals jumped by 144.6% as compared to the previous month.

Malaysia re-opened its borders to international tourists from 1 April 2022. The Malaysian government eased COVID-19 testing requirements upon arrival from 1 May 2022.

MARKET OVERVIEW

cont'd

For the first 9 months of 2022, Malaysia received a total 5.5 million foreign tourists. When Malaysia re-opened its international borders on April 1, its initial target was only 2 million foreign tourist arrivals in 2022. This was revised upwards to 4.5 million foreign tourists in July. The latest target for the entire year by Ministry of Tourism, Arts and Culture (MOTAC) was 9.2 million foreign tourists. However, this was still way below the foreign tourist arrivals in 2019 of 26.1 million.

Rental Rates of Selected Shopping Centres in Klang Valley

The rental rates of selected shopping centres in Klang Valley are detailed out in the table below:

Table: Rental Rates of Selected Shopping Centres in Klang Valley, 2022

Name	Rental Rate (RM psf per month)					
	Lower Ground	Ground floor	First floor	Second floor	Third floor	Fourth floor
Suria KLCC	46.00 – 207.00	44.00 – 151.00	42.00 – 95.00	36.00 – 100.00	44.00 – 91.00	37.00 – 61.00
Low Yat Plaza	27.00 – 30.00	19.00 – 48.00	23.00 – 31.00	10.00 – 23.00	14.00 – 23.00	10.00 – 17.00
Cheras Leisure Mall	17.00 – 33.00	14.00 – 23.00	10.00 – 27.00	8.00 – 22.00	NA	NA
Mid Valley Megamall	25.00 – 36.00	45.00 – 80.00	33.00 – 38.00	23.00 – 25.00	15.00 – 21.00	NA
3 Damansara	11.00 – 25.00	10.00 – 14.00	7.00 – 12.00	8.00 – 10.00	NA	NA
The Mines	NA	7.00 – 18.00	8.00 – 18.00	5.00 – 24.00	9.00 – 19.00	NA
SACC Mall	7.00 – 13.00	4.00 – 14.00	3.00 – 12.00	3.00 – 7.00	3.00 – 6.00	NA

Note:

NA -not applicable The achieved rental rates did not include rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley, etc.

Source: Property Market Report, NAPIC / Henry Butcher Retail

Klang Valley Retail Supply in 2023

At least seven new shopping centres are expected to open in 2023 with a total nett floor area of over 3.9 million sq. ft. They are located in all parts of the Klang Valley and include:

New Shopping Centres in Klang Valley for the Year 2023

No.	Name	Location	Nett Floor Area (sf)
1	The Exchange TRX	Jalan Tun Razak	1,300,000
2	KSL Esplanade Mall	Klang	700,000
3	Senada Shopping Centre	Bukit Kiara	231,000
4	MET Galleria	Mont Kiara	80,000
5	Pavilion Damansara Heights Mall	Damansara Heights	1,170,000
6	Bloomsvale Mall	Old Klang Road	300,000
7	8 Conlay	KLCC	130,000
	TOTAL		3,911,000

Source: Henry Butcher Retail

- a) The Exchange TRX is a 4-storey shopping mall with 400 retail stores. Anchor tenants secured include Seibu department store, an upscale supermarket by Dairy Farm's International and a new cinema concept by GSC.

MARKET OVERVIEW

cont'd

- b) KSL Esplanade Mall is located at the southern part of Klang. Confirmed anchor tenants include AEON MaxValu Prime, TGV, EnergieXPark, Mr. DIY and Ashley Furniture.
- c) The 3-storey Senada shopping centre is part of the Senada Residence development that includes 2 residential towers and an office block.
- d) MET Galleria is a 2-storey shopping centre. It is the first retail component within the mega mixed development of KL Metropolis. The shopping centre is located below a residential tower with 616 units.
- e) Pavilion Damansara Heights Mall will open Phase 1 of the shopping centre by May 2023. It is part of a mixed-use development with 5 residential towers, 10 corporate towers, a 5-star hotel and a retail podium. Phase 1 of the mall has 533,361 sq. ft. of retail space whilst Phase 2 will have 529,353 sq. ft.
- f) Bloomsdale Mall is part of a mixed-use development in the Old Klang Road area. The entire development consists of 2 blocks of residential towers, 25-storey office suites, Courtyard by Marriot 4-star hotel and a retail podium. Confirmed anchor tenants include Village Grocer, Believe Fitness, Guardian Pharmacy and Coffee Bean & Tea Leaf.
- g) 8 Conlay's Lifestyle Retail Quarters is a 9-storey boutique mall to be occupied by retail shops and F&B outlets. It is part of mixed-use development with 2 residential towers to be managed by Kempinski Hotel as well as a tower block consisting of hotel and service suites.

Outlook of Klang Valley Shopping Centre Market in 2023

The prospect of the Valley shopping centre market in 2023 is highly dependent on the economic development in the country as well as the prices of goods and services.

The Klang Valley Shopping Centre Market

On weekends and public holidays, major shopping malls in the Klang Valley are packed with shoppers and diners and traffic jams inside shopping mall car parks have returned. The shopping behaviour and patterns of Klang Valley consumers are now back to pre-pandemic level. Nevertheless, whilst the current shopping traffic of all major shopping centres may be back to 2019 levels, the occupancy rates and rental rates of shopping centres have not. A full recovery should however, take place in 2023.

Domestic tourism has recovered since the recent Hari Raya festival and will continue to sustain the shopping traffic of shopping centres in both major cities and small towns in the new year. Foreign tourist arrivals will continue to rise in 2023. This will contribute to higher sales for retail businesses in shopping centres that are highly dependent on foreign tourists.

Due to the current oversupply of retail space in the Klang Valley, new shopping centres which opened during these few years will continue to struggle to secure new tenants and to achieve high occupancy rates. Retail landlords of many shopping centres need to offer lower rental rates, longer renovation periods, renovation subsidies, extra rent-free periods and base rental with turnover rents to attract quality tenants.

The possibility of a world recession in 2023 is high. The United States is in technical recession whilst European countries are facing an energy crisis. China has been slow in its recovery despite its recent relaxed COVID-19 policies. All these have slowed down the economic growth of Malaysia since the fourth quarter of this year.

In the event of an economic downturn, Malaysian retailers will stop expanding. Retailers with heavy borrowings will consolidate its operations by closing underperforming outlets and outlets with high rental rates. These will in turn, affect the occupancy rates and rental rates of shopping centres in the Klang Valley.

MARKET OVERVIEW

cont'd

Mall shoppers will turn cautious in their spending when their take-home pay drop due to a slowdown in the economy. For food, they will try to cook more at home and dine less at restaurants and only those which offer affordably priced meals. They will make lesser trips to cafes and restaurants and will also buy lesser amount of non-essential goods including fashion and fashion accessories, jewellery items, ICT products, toys, tableware, luggage, etc. When they need to replace it, they will try to buy cheaper ones or even second-hand branded goods. They will shop less on high value goods (including furniture, massage chair, fitness equipment, photography equipment as well as large electrical & electronics goods). If broken, they will try to repair it instead of buying new ones. All these changes in consumers' behaviour and patterns will affect the shopping traffic and retail sales of shopping centres in the Klang Valley.

The Klang Valley Consumer Market

Retail Group Malaysia (RGM) has forecasted a 3.5% growth rate for Malaysia's retail industry in 2023.

The biggest challenge for the Malaysian retail industry in 2023 is the rising cost of living. Prices of basic necessities have been rising since the beginning of 2021. In addition, prices of many consumer goods have also increased. In fact, prices of many food and consumer goods have increased by double-digits within a short period of time. Higher retail prices lead to a higher cost of living. This means less money to buy non-essential goods and services. The shopping behaviour and patterns of B40 and M40 households have changed. They try to cook more at home, delay buying high-value goods, pay greater attention to offers and discounts given by retailers, as well as make less trips to nice cafes and restaurants.

Various monetary incentives were announced during the Malaysian Budget 2023. This will help to subsidise the higher prices of basic necessities for B40 and M40 households. In 2023, there will be a reduction of personal income tax contribution by 2.0%. This will encourage employees to channel this extra money to retail spending on a monthly basis. In Budget 2023 (which has been tabled but not yet debated and approved by Parliament), the Malaysian government has allocated RM55 billion for subsidies, aid and incentives to alleviate the cost of living. This will ensure that the cost of fuel, rice, flour, chicken, cooking oil and many other basic necessities remain affordable to Malaysians. Nevertheless, these government allocations may be changed because a new Federal Government was formed after the general elections on 19 November 2022 and a new budget will be tabled in February 2023.

New foreign retailer entries expected in the Klang Valley for 2023 include:

- Shake Shack
- Thaifeteria Nitinagin
- Black Tap
- Seibu
- Apple Store
- Bacha Coffee
- David Rocco
- Omotesando Koffee
- Paris Baguette
- Nuttea
- GS25
- Etc.

Malaysian Tourism Industry in 2023

For 2023, the Malaysian government targets to attract 15 million foreign tourists with estimated tourism receipts of RM47.6 billion. In November 2022, Lonely Planet unveiled 30 must-visit destinations for 2023 through its annual Best in Travel list. Kuala Lumpur was among five other destinations in Lonely Planet's Best in Travel 2023: Eat Category.

Various incentives to boost the tourism industry were announced during the Malaysia Budget 2023 in October 2022. A sum of RM25 million was allocated in terms of discounts and vouchers to encourage domestic travel among Malaysians. In addition, a budget of RM200 million was allocated for tourism promotions to encourage more international tourist arrivals. Nevertheless, the allocations may be changed because a new Federal Government was formed after the general elections on 19 November 2022.

MARKET OVERVIEW

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PURPOSE BUILT OFFICE SECTOR

Existing & incoming supply

The supply of privately owned purpose-built offices (PBOs) in Kuala Lumpur stood at 9,368 million sq metres as at Q3 2022 with an overall occupancy rate of 70.3% whilst Selangor had a supply of 4,170 million sq metres and an occupancy rate of 68.3%. KL city centre had a higher occupancy rate of 71.4% compared to outside city centre which had a lower occupancy rate of 65.9%, indicating a preference of office tenants for locations within the city centre. However, with the improvement of public transportation and facilities and with the higher cost of locating within the city centre as well as problems of traffic congestion, more companies may consider moving out of the city centre in the future.

Existing & incoming supply of office space in the Kelang Valley as at Q3 2022

Location	No. of Buildings	Total Space (sq. m)	Total Space Occupied (sq. m.)	% Occupancy
KL - City Centre	303	7,432,619	5,306,890	71.4
KL - Outside City Centre	106	1,935,759	1,275,665	65.9
Total	409	9,368,378	6,585,970	70.3
Selangor	247	4,170,584	2,848,509	68.3

Source: Nopic

Six new buildings were completed in Kuala Lumpur in 2022 and this added another 274,000 sq metres of office space whilst in Selangor, three new buildings topped up another 92,000 sq metres. This additional supply of space as well as that from new buildings to be completed in the coming years will put more pressure on occupancy rates and rental rates unless there is a significant increase in demand.

New office buildings completed in 2022

Building	NLA (Sq. m.)	Building	NLA (Sq. m.)
Kuala Lumpur		Selangor	
Affin Bank Tower @ TRX	53,600	Menara KWSP, Kwasa Damansara	26,100
KL Eco City Aspire Tower	60,400	Block G, Empire City	12,900
Sunway V2 Tower	33,700	Paramount Tower 1 & 2	53,000
The MET Corporate Tower	55,700		
UOB Tower 2	34,300		
The Stride Strata	36,600		
Total	274,300	Total	92,000

Source: Nopic / HB Research

The stock of PBOs in both Kuala Lumpur and Selangor will see further increases in the coming years as there are a number of new PBOs currently under construction as well as planned. This includes mega developments like PNB's Merdeka 118 which will add substantially to the supply of PBOs when completed in 2023.

MARKET OVERVIEW

cont'd

Future supply of office space in Kuala Lumpur and Selangor (as at Q3 2022)

Location/Status	No. of Buildings	Total Space (sq. m.)
KL - Completion		
City Centre	2	111,978
Outside City Centre	0	0
Total	2	111,978
KL - Incoming Supply		
City Centre	7	632,061
Outside City Centre	4	144,676
Total	11	776,737
Selangor - Completion	0	0
Selangor - Incoming Supply	5	118,706
Total	5	118,706

Source: Nopic

The following tables show the new PBOs which are expected to be completed over the next few years.

New office buildings due for completion from 2023 onwards

Building	Location	NLA (Sq. m.)	Estimated Completion
Kuala Lumpur			
Merdeka 118	Cangkat Stadium	157,900	2023
Pavilion Damansara	Damansara Heights	139,400	2023
Sunway CP2 Office Tower	Bandar Sunway	51,500	2023
Menara Felcra	Jalan Semarak	104,000	2024
Total		452,800	
Selangor			
One City Phase 3	USJ	139,000	2026
PJ Sentral - PKNS	Section 52, PJ	80,000	TBA
Petaling Tin Redevelopment	PJ	28,000	TBA
PJCC	PJ	27,000	TBA
Fraser Square	Section 13, PJ	22,000	TBA
Total		296,000	

Source: HB Research

In addition, there are a number of proposed office development projects which, if proceeded with, will add significantly to the future supply of office space in Kuala Lumpur. Some of these involve the redevelopment of existing buildings. Nevertheless, in view of the slowdown in the economy and consequential reduced demand for office space due to the impact of the COVID-19 pandemic as well as the current oversupply situation, some of these projects may not be launched in the immediate future.

MARKET OVERVIEW

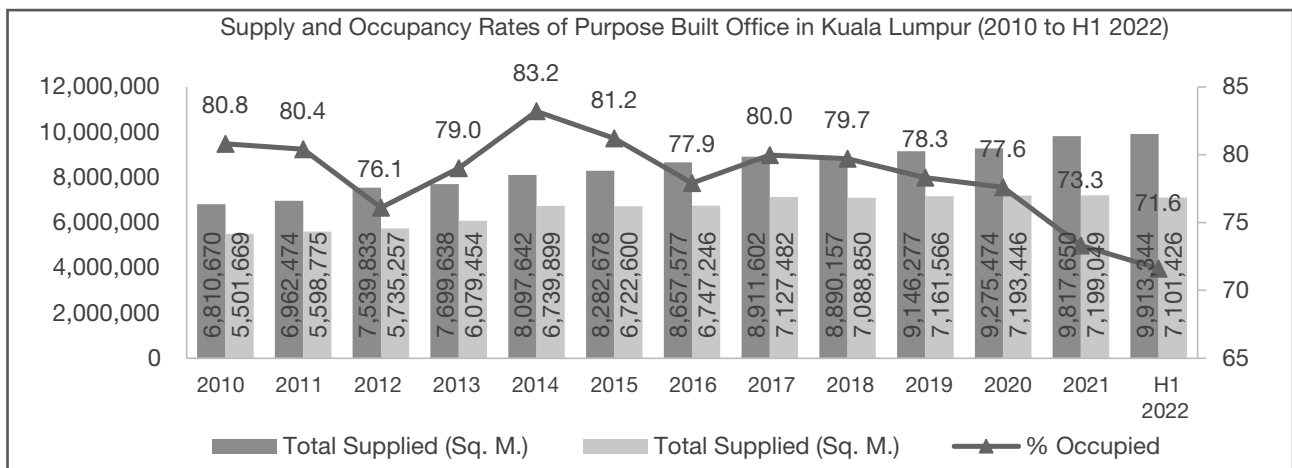
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- Lot 185 KLCC – 500,000 sq ft of retail & office space & a hotel
- Bukit Bintang City Centre (BBCC) Signature Tower by Eco World Group
- Former Brickfields District HQ – Seni Nadi
- Tradewinds Square, Jalan Sultan Ismail (redevelopment of Kompleks Antarabangsa & Crowne Plaza Hotel) – proposed 110-storey, 775 metres tall corporate tower, 61-storey mixed use tower and a retail mall. The development is reported to have an office building which will become the second tallest building in the world if the project proceeds to its completion.
- Tradewinds Towers – 50- and 26-storey office towers to be built on the former Menara Tun Razak site, Jalan Raja Laut
- New 60-storey office tower to be added to Menara Dayabumi
- Bandar Malaysia

Office occupancy rates & rentals

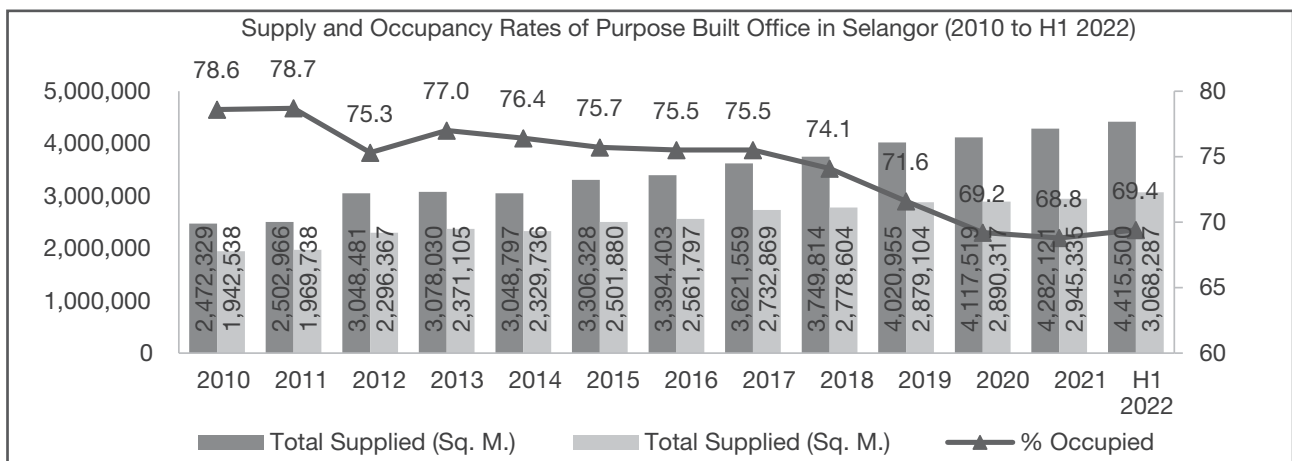
The occupancy rate of PBOs in Kuala Lumpur declined to 70.3% as at Q3 of 2022, down from 73.3% in 2021. PBOs located outside the city centre have a lower occupancy rate of 65.9% compared to those located within the city centre which registered an occupancy rate of 71.4%. Meanwhile, the occupancy rate of PBOs in Selangor as at Q3 2022 stood at 68.3%, slightly down from the 69.4% occupancy rate as at Q2 but at around the same level as that of 2021.

Supply and occupancy rates of private & government owned office buildings in Kuala Lumpur (2005 to 1H 2022)



Source: Napic

Supply and occupancy rates of privately owned office buildings in Selangor (2005 to 1H 2022)



Source: Napic



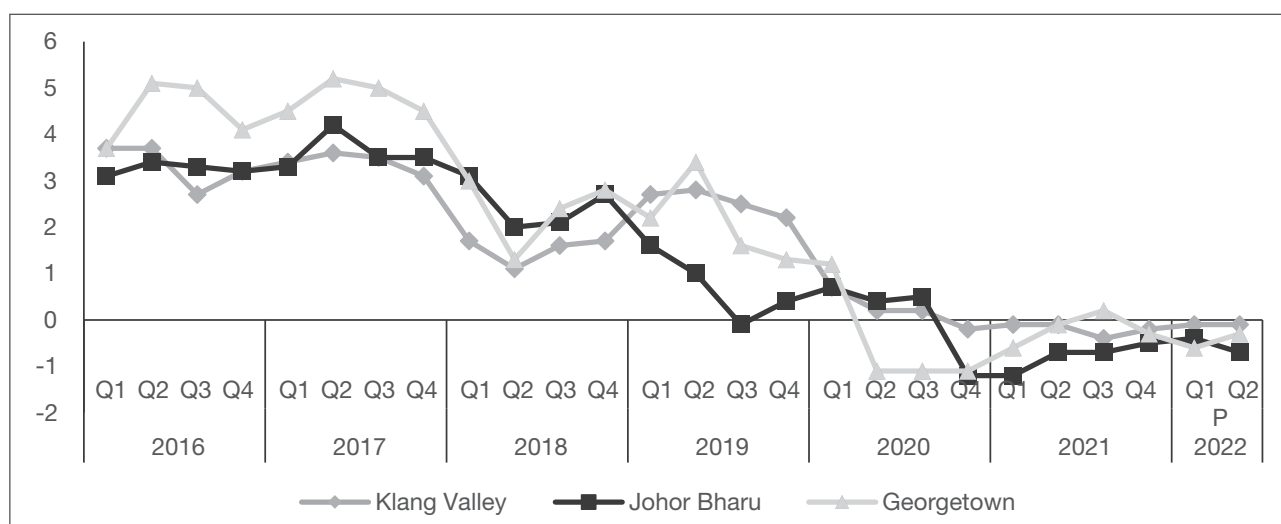
MARKET OVERVIEW

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The next few years are expected to see a significant increase in supply coming onto the market when several new buildings including the mega sized Merdeka 118 are completed and this will lead to a rise in vacancy rates and is expected put more pressure on landlords to offer attractive incentives or reduced rental rates to sign on new tenants as well as to retain existing ones. Nevertheless, in view of the current oversupply situation, it is very possible that some developers may decide to defer their projects and thus avoid worsening the situation.

Based on Napic's report for the first half of 2022, the rental index for PBOs for Klang Valley registered only a marginal decline of 0.1% in each of the first two quarters of 2022 even though there is widespread concern over the looming oversupply and decline in occupancy rates. The projected increase in supply of office space over the next few years is nevertheless expected to put added pressure on occupancy rates and consequently could impact rental rates going forward.

Purpose Built Office rental trend Q1 2015 - 1H 2022



Source: Napic

The following tables summarise the current rental rates charged by Grade A and B purpose built office buildings in various commercial hubs within Kuala Lumpur.

Overall range of office rentals (1H 2022)

Location	Rental Range Per Month (RM/Sq.m.)	
	2021	2022
KLCC / GT		
Grade A+	80.73 - 131.32	80.73 - 131.32
Grade A	61.35 - 100.64	59.25 - 100.11
Grade B	39.82 - 75.35	40.37 - 73.20
CBD		
Grade A	48.44 - 75.32	51.13 - 70.50
Grade B	37.67 - 59.96	37.67 - 69.21
WCC	53.82 - 96.88	57.05 - 96.88
Suburbs	43.06 - 92.57	40.90 - 92.57

Source: HBM Research

MARKET OVERVIEW

cont'd

Rentals of selected Grade A purpose built office buildings, KLCC area

Building	Location	Rental (RM/ Sq.M.)
KLCC / GT		
Petronas Twin Tower (Tower II)	KLCC	117.11
Menara Darussalam	KLCC	102.25 - 105.45
Menara Maxis	KLCC	80.73 - 129.17
G Tower	Jalan Tun Razak	67.81 - 100.11
Intermark (Integra Tower)	Jalan Tun Razak	86.11 - 122.71
Menara Pavillion Tower	Bukit Bintang	68.35 - 85.57
Menara AIA Sentral	Bukit Bintang	40.37 - 80.73
Menara Perak	Jaln Perak	59.20 - 75.03
CBD		
Menara Multi-Purpose	Jaln Munshi Abdullah	51.13 - 59.20
Menara Olympia	Jaln Raja Chulan	46.29 - 50.59
Wisma Lee Rubber	Jalan Melaka	53.82 - 59.20
Menara JKG	Jalan Raja Laut	48.44 - 53.82
Menara OCBC	Jalan Tun Perak	57.17 - 57.27
WCC area, KL		
1 Sentral	KL Sentral	54.90 - 57.59
Menara NU2	KL Sentral	58.13 - 78.58
Centrepoint South	Mid Valley City	53.82 - 80.73
Garden, North Tower	Mid Valley City	64.58 - 94.72
Menara Shell	Jalan Tun Sambanthan	32.29 - 101.72

Source: Henry Butcher Research

Major tenant movements / relocations

The table below contains a list of the known major tenant movements which took place during the first half of 2022.

Major office tenant movements

Building	Tenant	Floor Area (Sq. m.)	Status
Mercu Maybank, I-City	Maybank	162,000	Relocation
CIMB Hub (FKA Kenanga International)	CIMB	77,000	Move in
Menara Felda	Government Body, Healthcare, Construction & etc	66,000	Move in
Menara BT (Bangsar South)	Medical Equipment	40,000	Move in
Menara IGB	Coupon Provider	20,000	Relocation
Imazium @ Uptown	Healthcare & Logistics	188,000	Move in
Wisma LYL	Education	32,000	Move in

Source: Henry Butcher Research

MARKET OVERVIEW

cont'd

Major office sales transactions

There were not many transactions of office buildings in Kuala Lumpur in 2022. The table below lists out the known major office building transactions that took place during the year.

Major office transactions in 2022

Building	Location	Date	NLA (Sq. Ft.)	PSF (RM)	Price (RM)	Buyer
Balai Berita	Bangsar	July	327,310	477	156,400,000	Media Prima
Menara AmFirst	Petaling Jaya	July	158,450	407	64,600,000	Forever Backup
Wisma TM	Taman Desa	Sep			35,290,000	JAG Land
Wisma KFC	Jln Sultan Ismail	Dec	175,292	1,084	190,000,000	Hap Seng
Block N, Jaya One	Petaling Jaya	Apr	28,578	695	19,880,000	Luxchem
Bangunan KWSP	Persiaran Raja Chulan	Jan	110,524	560	62,000,000	Aims Data Centre (Time Dot com)

Source: Henry Butcher Research

Outlook for the office sector

With the successful transition of the country out of the pandemic stage and the subsequent relaxation by the government of the strict SOPs and the allowing of visitors into the country, we have seen a vast improvement in the overall business environment. Shoppers have returned to the malls and eateries whilst domestic tourism has seen a sharp rise. At the same time, the good trade performance chalked up by the country could lead to business expansion by local businesses and this would ultimately lead to an increase in demand for office space, especially now that the political maneuverings of the past three years have been put to an end by the conclusion of GE15 which has seen a new administration being formed under a new prime minister. If this new administration can stay the course for the next five years and provide a stable leadership to steer the country through the challenging economic environment in the year ahead, investors' confidence will grow and this ultimately augurs well for the office sector.

We have seen in 2022, more enquiries for office space. The current demand for office space is generated by expansion / relocation by technology companies and fintech companies. There is also good demand for co-working space as companies prefer to adopt a shorter term, more flexible and nimble approach to their space requirements. Nevertheless, the office sector still faces a looming oversupply problem which could lead to a rise in vacancy rates and exert more pressure on rental rates. Further, some leading economists have predicted a global recession to happen in 2023 and if this prediction comes true, growth prospects of Malaysia, a trade dependent country, will be impacted and the resultant weaker business sentiments would not be supportive of any major expansion by businesses and this could then curtail demand for office space. Nevertheless, our local economists are of the view that Malaysia will not enter into a recession although the rate of growth will be slower. The impact on businesses and therefore the office sector would not be that drastic. In conclusion, we would say that the office market has stabilized but the market conditions and prospects for 2023 would be uncertain and challenging but still manageable.

MARKET OVERVIEW

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THE MALAYSIAN REITS (M-REITS) MARKET OVERVIEW 2022

The Malaysian REIT industry saw rapid growth in the past decade with its market capitalization quadrupling from RM 9 billion in 2010 to RM 39 billion as at 31 December 2022. The slowdown which resulted from the pandemic in 2020 / 2021 however, affected the performance of the REITs. In particular, Malaysian REITs which have within their portfolios, shopping malls, hotels and office buildings, were badly affected during the pandemic when the strict SOPs implemented by the government to curb the spread of the COVID-19 virus resulted in a reduction in / loss of shopping traffic and business closures which resulted in reduced occupancies and higher costs to the REITs via temporary rent reductions and other incentives / assistance given out to tenants. The situation however improved when the SOPs were relaxed in 2021 and further loosened in 2022 when the country exited the pandemic phase of the disease and the government allowed both domestic travel as well as the entry of international visitors without having to quarantine. Footfalls at malls recorded a significant improvement when people were allowed to go out to travel, shop and dine and carry out their normal routine activities. Businesses recovered and some did well enough to expand and this helped to lift up occupancy rates in malls as well as office buildings. Hotels were also able to improve occupancy rates and raise their average room rates. REITS whose asset portfolios focussed on the industrial and services sectors, including healthcare and education, continued to register a good financial performance as well as REITs with more diversified asset portfolios.

We have carried out a review and analysis of the financial performance of seven major REITs which own shopping malls, hotels and office buildings and our findings reveal that FY 2021 was a year where they were still struggling to cope with the strict SOPs and lockdowns in the first half of the year and the financial performances of these REITs were only starting to recover from the slowdown experienced in 2020. We noted that only two of the REITs posted a higher gross revenue in FY 2021 compared to the year before whilst four of the REITs reported an improvement in Net Property Income. Only two REITs have announced their financial results for FY 2022 and one reported an improvement in its gross revenue whilst the other registered a small decline. Both REITs reported an improvement in their Net Property Incomes for FY 2022.

REIT	Gross Revenue 2020 RM'000	Gross Revenue 2021 RM'000	Gross Revenue 2022 RM'000	% change in Gross Revenue 2022 vs 2021	% change in Gross Revenue 2021 vs 2020	Net Property Income 2020 RM'000	Net Property Income 2021 RM'000	Net Property Income 2022 RM'000	% change in Net Property Income 2022 vs 2021	% change in Net Property Income 2021 vs 2020
IGB Reit	465,239	399,527	n.a.	n.a.	-14.12%	316,678	275,101	n.a.	n.a.	-13.13%
Sunway Reit	556,875	675,558	n.a.	n.a.	21.31%	416,809	457,076	n.a.	n.a.	9.66%
Pavillion Reit	510,220	488,591	n.a.	n.a.	-4.24%	233,524	236,622	n.a.	n.a.	1.33%
UOA Reit	72,692,689	116,883,577	n.a.	n.a.	60.79%	38,435,875	40,042,561	n.a.	n.a.	4.18
YTL Reit	426,446	326,276	363,857	11.52%	-23.49	235,219	205,269	214,818	4.65%	-12.73%
KIP Reit	74,540	74,249	73,700	-0.74%	-0.39%	56,018	56,662	56,754	0.16%	1.15%
Hektar Reit	111,139	96,599	n.a.	n.a.	-13.08%	52,971	47,018	n.a.	n.a.	-11.24%

The largest REIT by market capitalization as at end 2022 is still KLCCP which maintained its top position at RM 12.114 billion (up from RM 11.825 billion in 2021) followed by IGB REIT at RM 5.918 billion (2021: RM 5.894 billion), Sunway REIT at RM 5.00 billion (2021: RM 4.829 billion) and Pavillion REIT at RM 3.697 billion (2021: RM 3.913 billion). There are four other REITs (same as in 2021) which have market capitalizations of above RM 1 billion viz., Capitaland Malaysia Mall Trust, YTL Hospitality, IGB Commercial REIT and Axis Real Estate REIT). Overall, the market capitalisation of Malaysian REITs rose marginally in 2022 compared to the year before (RM 38 billion to RM 39 billion) as the office, retail and hospitality sectors registered a recovery during the year. The number of REITs which declared dividends of above 6% in 2022 increased to eight as compared to only six in 2021. All of the REITs except five, recorded an improvement in their ROEs whilst two REITs recorded a decline in their dividend yields for the year compared to 2021. Five of the REITs closed at a higher price at end 2022 compared to 2021 whilst three remained unchanged. The share price of ten REITs closed lower than a year before. The performance of the M REITs for 2022 are summarized in the table overleaf.

MARKET OVERVIEW

cont'd

Major news on Malaysian REITs

- a) Pavilion REIT has entered into a conditional sale and purchase agreement to acquire Pavilion Bukit Jalil for RM 2.20 billion. To fund the acquisition, the REIT is seeking to raise up to RM 1.27 billion via a private placement exercise. The mall has a net lettable area of 1.8 million square feet, five levels of retail space, and two levels of basement parking with 4,800 car park bays.
- b) Axis REIT has announced plans to raise capital to fund its expansion plans and for this purpose has priced its placement units at RM 175 million
- c) CapitaLand Malaysia Trust (CLMT) has proposed to acquire 91.8% of the strata floor area of retail parcels in Queensbay Mall for RM 990.5 million. The mall which is located in Bayan Lepas, Penang was completed in 2006 and has a net lettable area of about 883,000 square feet.
- d) KIP REIT is marking its maiden acquisition of industrial properties by buying three industrial assets in Pulau Indah. The acquisition will add approximately 350,000 square feet of lettable area into KIP REIT's current portfolio comprising of seven retail malls.
- e) CapitaLand Malaysia Trust (CLMT) is acquiring two plots of contiguous freehold land and industrial properties in Sungai Jawi, Penang. The logistics asset to be acquired has a net lettable area (NLA) of approximately 335,000 square feet.
- f) Atrium Real Estate Investment Trust (REIT) has proposed to raise RM 85.3 million via a private placement and a special issuance of units to fund asset enhancement initiatives (AEI) on its Atrium Shah Alam 4 industrial property.
- g) Al-'Aqar Healthcare REIT has acquired three hospitals from KPJ Healthcare Bhd for RM 192 million viz., TMC Healthcare Centre Building in Taiping, Perak for RM 14.3 million, KPJ Seremban Specialist Hospital Building for RM 84.7 million and Pasir Gudang Specialist Hospital in Johor for RM93 million
- h) AME Real Estate Investment Trust (AME REIT), has proposed maiden post-listing acquisitions of three industrial properties in Iskandar Malaysia, Johor for RM 69.3 million consisting of two industrial properties in i-Park @ Indahpura in Kulai and an industrial property in i-Park @ Senai Airport City (SAC) in Senai, with a combined agreed lettable area (ALA) of more than 256,000 sq ft. All three industrial properties have existing lease arrangements for a tenure of 10 years with an option to renew for a further three to five years.
- i) Axis-REIT has acquired a 1.54 million sq ft logistics warehouse facility in Pelabuhan Tanjung Pelepas (PTP), Johor from Equalbase PTP Sdn Bhd (EPSB) for RM 390 million. The property will be leased back to EPSB for a term of ten years.
- j) Axis-REIT has proposed to buy a single-storey detached factory with an annexed double-storey office building and ancillary building with a total lettable area of 60,000 sq ft from Axis AME IP Sdn Bhd for RM 16.3 million. The property is located within Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor.
- k) Sunway REIT will be selling Tower A and B of Sunway Medical Centre together with the plant and machinery and all fixtures and fittings affixed or located or used in the buildings to Sunway Medical Centre Sdn Bhd for RM430 million.
- l) Sunway REIT has announced plans to acquire two contiguous parcels of land with existing buildings in Petaling Jaya for RM 60.05 million. The property sits on a 1.47-hectare freehold industrial land which consists of a double-storey building and a five-storey building with a total gross floor area (GFA) of 497,487 sq. ft.
- m) The Employees Provident Fund (EPF) has announced its decision to terminate and wind up Alpha Real Estate Investment Trust (Alpha REIT), an unlisted Shariah compliant REIT.

MARKET OVERVIEW

cont'd

For 2023, the country is expected to experience a slower economic growth rate in view of the likelihood of a global economic slowdown / recession happening. This could result in companies taking a more cautious stance about expanding and this will then lead to a slowdown in demand for new office / retail space. If a global recession does occur, the travel industry could also be affected and this may result in lower international tourist arrivals which will then affect the hospitality as well as retail industries. The continued pressure on occupancy and rental rates caused by the incoming supply of new malls and office buildings over the next few years will also be factors which will impact REITs whose portfolios comprise mainly of these types of properties. However, economists are of the view that Malaysia will not enter into a recession next year and the impact on businesses may not be that drastic.

Malaysian REITs – Performance as at 31 December 2022

Source: Bursa Malaysia & Malaysian Stock Biz NB: As most REITS have not yet completed its financial year for 2022, the dividends declared in 2022 were in respect of FY 2021.

Company	Property Portfolio	Market Capitalisation (RM)	Last share price	P/E Ratio	Dividend Yield (%)	ROE (%)
ALAQAR REIT	Health Care	922.91m	1.22	11.87	6.39	7.91
ALSREIT	Islamic diversified	214.60m	0.37	53.62	6.22	0.68
AMEREIT	Industrial	608.40m	1.17	-	0.00	-
AMFIRST REIT	Office / Retail	243.67m	0.36	91.03	8.51	0.33
ARREIT	Diversified	335.33m	0.59	16.71	8.58	2.68
ATRIUM REIT	Industrial	350.10m	1.37	21.96	7.12	4.77
AXREIT	Offices / Industrial / Retail	2.937b	1.79	12.75	5.31	9.03
CAPITALAND REIT	Retail	1.181b	0.54	92.24	3.64	0.53
HEKTAR REIT	Retail	329.88m	0.70	-	3.86	-0.74
IGBCR	Commercial	1.273b	0.55	18.47	3.54	2.96
IGBREIT	Real Estate	5.918b	1.65	18.17	4.48	8.54
KIPREIT	Retail	523.95m	0.91	6.90	7.51	12.41
KLCCP	Office / Retail	12.114b	6.71	21.12	5.01	4.41
PAVREIT	Office / Retail	3.697b	1.21	15.73	3.64	6.22
SENTRAL REIT	Office / Retail	959.25m	0.90	15.51	8.28	4.84
SUNREIT	Diversified	5.000b	1.46	-	3.56	-
TWRREIT	Office	127.63m	0.46	27.74	4.07	0.88
UOAREIT	Office	776.94m	1.15	18.55	7.51	4.33
YTLREIT	Hotels	1.568b	0.92	17.07	4.29	3.30

MARKET OVERVIEW

cont'd

CONCLUSION

With a global economic slowdown / recession in the horizon, the outlook for the retail, office and hospitality property sectors in 2023 continues to be challenging. Nevertheless, it is likely that with its strong economic fundamentals and the resolution of the political instability which has plagued the country for the past three years, Malaysia would be in a better position to deal with the headwinds that it will face in the year ahead.

Further, established shopping centres which are popular, well-located, and well-managed and which have adapted well to evolving market conditions and changing preferences, spending habits, budgets and tastes of their customers will be able to face up to the challenges and perform well, whatever the market conditions. Barring any major catastrophes, hotels and leisure / entertainment centres will continue to enjoy improvements in business as China opens up its borders in February 2023 which would lead to an influx of Chinese tourists into Malaysia.

REITS with their stable and attractive yields, will be able to offer a safer and more attractive alternative to investors who are averse to the higher risks of investing in the equities market and who do not have the financial resources to invest directly in investment grade commercial buildings due to the higher capital outlay needed to acquire such properties.

ADDITIONAL COMPLIANCE INFORMATION

This information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia and SC's Guidelines on Listed REITs:

1. Utilisation of Proceeds

There were no proceeds raised from corporate proposals during the financial year.

2. Sanctions and/or Penalties

There is no public sanction and/or penalty imposed on Pavilion REIT, the Manager or Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 December 2022.

3. Audit and Non-audit Fees

Audit and non-audit fees payable to the external auditor of Pavilion REIT for the current financial year amounted to RM205,000 and RM238,000 respectively.

4. Recurrent Related Party Transactions

Please refer disclosure in the Financial Statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS OF THE MANAGER

Chairman and Non-Independent Executive Director
Tan Sri Lim Siew Choon

Non-Independent Executive Director
Puan Sri Tan Kewi Yong
Dato' Lee Tuck Fook

Non-Independent Non-Executive Director
Ahmed Ali H A Al-Hammadi
Ahmad Mohammed F Q Al-Khanji
Mohd Abdulrazzaq A A Al-Hashmi
Navid Chamdia

Independent Non-Executive Director
Dato' Mohzani bin Abdul Wahab
Dato' Maznah binti Abdul Jalil
Dato' Choo Chuo Siong
Dato' Mearia @ Massahariah binti Hamzah*
Baljeet Kaur Grewal A/P Jaswant Singh

MANAGER & ITS PRINCIPAL PLACE OF BUSINESS

Pavilion REIT Management Sdn Bhd
[Company Number: 201101011359 (939490-H)]
Lot 10.00.00, Level 10, Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Telephone No. : +603 2118 8888
Facsimile No. : +603 2118 8889
E-mail : info@pavilion-reit.com
Website : www.pavilion-reit.com

MANAGER'S REGISTERED OFFICE

6-2 Level 6 East Wing
Menara Goldstone (Holiday Inn Express)
No. 84 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Telephone No. : +603 2166 9818
Facsimile No. : +603 2166 6818

AUDIT COMMITTEE

Dato' Mohzani bin Abdul Wahab (Chairman)
Dato' Maznah binti Abdul Jalil
Dato' Choo Chuo Siong
Dato' Mearia @ Massahariah binti Hamzah*
Navid Chamdia
Baljeet Kaur Grewal A/P Jaswant Singh

NOMINATING COMMITTEE

Dato' Maznah binti Abdul Jalil (Chairman)
Dato' Mohzani bin Abdul Wahab
Dato' Choo Chuo Siong
Mohd Abdulrazzaq A A Al-Hashmi

RISK MANAGEMENT COMMITTEE

Dato' Maznah binti Abdul Jalil (Chairman)
Dato' Mohzani bin Abdul Wahab
Dato' Choo Chuo Siong
Dato' Mearia @ Massahariah binti Hamzah*
Baljeet Kaur Grewal A/P Jaswant Singh
Mohd Abdulrazzaq A A Al-Hashmi

SUSTAINABILITY COMMITTEE

Dato' Maznah binti Abdul Jalil (Chairman)
Dato' Mohzani bin Abdul Wahab
Dato' Choo Chuo Siong
Dato' Mearia @ Massahariah binti Hamzah*
Baljeet Kaur Grewal A/P Jaswant Singh
Mohd Abdulrazzaq A A Al-Hashmi

COMPANY SECRETARY OF THE MANAGER

Lim Mei Yoong (Licensed Secretary No: LS0002201)
6-2 Level 6 East Wing
Menara Goldstone (Holiday Inn Express)
No. 84 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia

*Newly appointed



CORPORATE INFORMATION

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TRUSTEE

MTrustee Berhad
 [Company Number: 198701004362 (163032-V)]
 B-2-9 (2nd Floor)
 Pusat Perdagangan Kuchai
 No 2 Jalan 1/127
 Off Jalan Kuchai Lama
 58200 Kuala Lumpur
 Telephone No. : +603 7983 1088
 Facsimile No. : +603 7984 9612

PROPERTY MANAGER

Henry Butcher Malaysia Sdn Bhd
 [Company Number: 198701001968 (160636-P)]
 No. 25 Jalan Yap Ah Shak
 Off Jalan Dang Wangi
 50300 Kuala Lumpur, Malaysia

AUDITOR

KPMG PLT
 (LLP0010081-LCA & AF-0758)
 Chartered Accountants
 Level 10, KPMG Tower
 8, First Avenue, Bandar Utama
 47800 Petaling Jaya
 Selangor Darul Ehsan, Malaysia

PRINCIPAL BANKERS

Affin Bank Berhad
 Alliance Bank Malaysia Berhad
 AmBank (M) Berhad
 CIMB Bank Berhad
 Hong Leong Bank Berhad
 Malayan Banking Berhad
 Public Bank Berhad

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
 [Company Number: 197101000970 (11324-H)]
 Unit 32-01, Level 32, Tower A
 Vertical Business Suite, Avenue 3, Bangsar South
 No 8 Jalan Kerinchi
 59200 Kuala Lumpur, Malaysia
 Telephone No. : +603 2783 9299
 Facsimile No. : +603 2783 9222



SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators (Targets and Performance)

Environmental Pillar

Unit of Measurement		FY2019	FY2020	FY2021	FY2022
Scope 2 GHG Emission					
Pavilion Kuala Lumpur Mall	tCO ₂ eq/MWh	41,355	33,957	31,556	35,189
Elite Pavilion Mall		8,602	6,433	5,308	6,549
Pavilion Tower		1,094	925	867	988
Intermark Mall		6,205	5,884	5,527	5,895
DA MEN Mall		7,286	5,845	5,013	6,435
Total		64,542	53,044	48,271	55,056
GHG Intensity					
Pavilion Kuala Lumpur Mall	tCO ₂ eq/sqft	45	37	35	35
Elite Pavilion Mall		37	27	22	28
Pavilion Tower		14	12	11	12
Intermark Mall		54	51	48	51
DA MEN Mall		26	20	16	21
Total		176	147	132	147
Energy Consumption					
Pavilion Kuala Lumpur Mall	kWh	70,691,732	58,046,956	53,941,271	60,152,226
Elite Pavilion Mall		14,704,134	10,996,332	9,073,441	11,194,093
Pavilion Tower		1,869,281	1,580,845	1,481,472	1,688,618
Intermark Mall		10,607,385	10,057,598	9,447,435	10,076,841
DA MEN Mall		12,455,544	9,991,409	8,569,919	10,999,492
Total		110,328,076	90,673,140	82,513,538	94,111,270
Energy Intensity					
Pavilion Kuala Lumpur Mall	kWh/m ² /year	828	680	643	647
Elite Pavilion Mall		679	500	412	509
Pavilion Tower		253	214	201	229
Intermark Mall		988	942	885	944
DA MEN Mall		487	360	294	380
Total		3,235	2,696	2,435	2,709
Water Consumption					
Pavilion Kuala Lumpur Mall	(m ³)	529,388	417,096	344,928	462,686
Elite Pavilion Mall		123,114	115,899	62,505	89,909
Pavilion Tower		24,502	17,828	10,884	14,991
Intermark Mall		46,167	68,413	45,150	56,819
DA MEN Mall		84,237	65,481	74,238	74,967
Total		807,408	684,717	537,705	699,372

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators (Targets and Performance)

cont'd

Water Intensity					
Pavilion Kuala Lumpur Mall	m ³ /m ² /year	6	5	4	5
Elite Pavilion Mall		6	5	3	4
Pavilion Tower		3	2	1	2
Intermark Mall		4	6	4	5
DA MEN Mall		3	2	3	3
Total		22	20	15	19

Water Recycled					
Pavilion Kuala Lumpur Mall	(m ³)	0	74	113	171

Total Waste					
Waste generated	tonnes	6709	3031	2519	4474
Waste directed to disposal		5172	2910	2096	4098
Waste diverted from disposal		1,537	121	424	376

Hazardous Waste					
Other recovery operations	tonnes	1,342	0	345	210

Non-Hazardous Waste (Total Waste Recycled)					
Plastic	tonnes	1.7	0.2	0.0	0.0
Paper		191.9	119.9	77.5	164.6
Metal		1.7	1.0	1.1	1.0
Total		195.3	121.1	78.6	165.6

Social Pillar

Unit of Measurement		FY2019	FY2020	FY2021	FY2022
Employee Count (excluding Board of Directors)					
Number of Employees	Number	24	22	21	22
Board of Directors (BoD)					
Number of Board members	Number	12	12	12	12
Gender of Board of Directors					
Male	Number	10	10	10	8
Female		2	2	2	4
Nationality of Board of Directors					
Malaysian	Number	8	8	8	8
Foreign		4	4	4	4
Age group of Board of Directors					
< 30	Number	1	0	0	0
30 to 39		2	3	2	2
40 to 50		1	1	2	3
>50		8	8	8	7

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators (Targets and Performance)

cont'd

Total employees by category, age and gender					
Senior Management - Male					
<30	Number	0	0	0	0
30 – 39		0	0	0	0
40 – 50		0	0	0	0
>50		2	2	2	2

Senior Manager and Manager - Male					
<30	Number	0	0	0	0
30 – 39		1	1	0	0
40 – 50		0	0	0	0
>50		0	0	0	0

Assistant Manager and Senior Executive - Male					
<30	Number	0	0	0	0
30 – 39		1	0	0	0
40 – 50		0	0	0	0
>50		0	0	0	0

Executive - Male					
<30	Number	0	0	1	0
30 – 39		0	0	0	0
40 – 50		0	0	0	0
>50		0	0	0	0

Non-Executive - Male					
<30	Number	0	0	0	0
30 – 39		1	1	1	1
40 – 50		2	2	1	1
>50		0	0	1	1

Senior Management - Female					
<30	Number	0	0	0	0
30 – 39		0	0	0	0
40 – 50		4	3	3	2
>50		1	2	2	3

Senior Manager and Manager - Female					
<30	Number	0	0	0	1
30 – 39		1	1	2	2
40 – 50		1	1	1	1
>50		1	1	1	1

Assistant Manager and Senior Executive - Female					
<30	Number	1	1	0	0
30 – 39		3	1	1	0
40 – 50		2	2	2	3
>50		0	0	0	0

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators (Targets and Performance)

cont'd

Executive - Female					
<30	Number	0	0	0	1
30 - 39		0	0	0	0
40 - 50		0	1	0	0
>50		1	1	1	1

Non-Executive - Female					
<30	Number	0	0	0	0
30 - 39		0	1	1	1
40 - 50		0	0	0	0
>50		2	1	1	1

Total Turnover					
Turnover - Gender					
Male	Number	0	1	1	0
Female		1	4	2	2

Turnover - Age					
<30	Number	0	2	0	0
30 - 39		0	2	0	2
40 - 50		0	0	3	0
>50		1	1	0	0

Turnover - Ethnicity					
Malay	Number	1	1	0	0
Chinese		0	4	3	2
Indian		0	0	0	0
Others		0	0	0	0

Turnover - Category					
Senior Management	Number	0	0	0	0
Senior Manager and Manager		0	0	1	1
Assistant Manager and Senior Executive		0	4	1	1
Executive		1	0	1	0
Non-Executive		0	1	0	0

Total New Hire					
New Hire - Gender					
Male	Number	0	0	1	0
Female		1	2	2	4

New Hires - Age					
<30	Number	0	1	1	2
30 - 39		1	1	2	1
40 - 49		0	0	0	1
>50		0	0	0	0

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators (Targets and Performance)

cont'd

New Hires - Ethnicity					
Malay	Number	0	1	0	0
Chinese		1	1	3	4
Indian		0	0	0	0
Others		0	0	0	0

New Hires - Category					
Senior Management	Number	0	0	1	2
Senior Manager and Manager		0	1	1	1
Assistant Manager and Senior Executive		0	0	1	1
Executive		1	0	0	0
Non-Executive		0	1	0	0

Total Temporary Staff					
By gender					
Male	Number	0	0	0	0
Female		0	0	0	0

Employee Training Hours					
Average training hours per employee	Number	3.5	1.7	1.1	7.6
By Gender					
Male	Number	7.0	0.8	0.0	1.6
Female		2.1	2.0	1.5	9.4

By Category					
Senior Management	Number	4	22	0	54
Senior Manager and Manager		21	3	5	43
Assistant Manager and Senior Executive		56	4	13	55
Executive		4	2	5	17

Employees receiving performance and career development reviews					
By Gender					
Male	%	86	83	83	80
Female		94	94	93	94

By Category					
Senior Management	Number	5	5	5	5
Senior Manager and Manager		4	4	4	5
Assistant Manager and Senior Executive		6	4	3	3
Executive		2	2	2	2
Non-Executive		5	5	5	5

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators (Targets and Performance)

cont'd

Leave/Benefits					
Number of maternity leave applications	Number	0	0	0	1
Number of days applied for maternity leave		0	0	0	60
Number of paternity leave applications		1	0	0	0
Number of days applied for paternity leave		3	0	0	0
Total number of discrimination incidents					
Total number of incidents of discrimination during reporting period	Number	0	0	0	0
Status of incidents and action taken		0	0	0	0

GRI CONTENT INDEX

GRI Standard	Disclosure Number	Disclosure Title	Reference/ Reporting Section
GRI 2: General Disclosures 2021	2-1	Organizational details	Section 2: Overview
	2-2	Entities included in the organization’s sustainability reporting	Section 1: Reporting Scope and Boundary
	2-3	Reporting period, frequency and contact point	Section 1: Reporting Scope and Boundary, Feedback and Contact Point
	2-4	Restatements of information	Section 1: Exclusions or Changes in Reporting
	2-5	External assurance	Section 6: Statement of Risk Management and Internal Controls, Section 7: Financials
	2-6	Activities, value chain and other business relationships	Section 4: Our Value Creation Story
	2-7	Employees	Section 5 – T: Diversity and Equal Opportunity
	2-8	Workers who are not employees	Section 5 – T: Health and Safety
	2-9	Governance structure and composition	Section 6: Corporate Governance Overview Statement
	2-11	Chair of the highest governance body	Section 6: Corporate Governance Overview Statement
	2-12	Role of the highest governance body in overseeing the management of impacts	Section 6: Corporate Governance Overview Statement
	2-13	Delegation of responsibility for managing impacts	Section 6: Corporate Governance Overview Statement
	2-14	Role of the highest governance body in sustainability reporting	Section 6: Corporate Governance Overview Statement
	2-15	Conflicts of interest	Section 6: Board of Directors’ Profile, Key Management’ Profile
	2-18	Evaluation of the performance of the highest governance body	Section 6: Nominating Committee Report
	2-22	Statement on sustainable development strategy	Section 5: P– Climate Change
	2-23	Policy commitments	Section 5 – I: Procurement and Supply Chain, T: Human Rights Management
	2-28	Membership associations	Section 5: A– Acclaiming Trusted Brand Reputation
	2-29	Approach to stakeholder engagement	Section 4: Our Stakeholders
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Section 4: Our Material Matters
	3-2	List of material topics	Section 4: Our Material Matters
	3-3	Management of material topics	Section 4: Our Material Matters
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Section 5: I– Economic Performance
	201-2	Financial implications and other risks and opportunities due to climate change	Section 5: P– Climate Change
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Section 5: T– Diversity and Equal Opportunity
	202-2	Proportion of senior management hired from the local community	Section 5 – T: Diversity and Equal Opportunity

GRI CONTENT INDEX

cont'd

GRI Standard	Disclosure Number	Disclosure Title	Reference/ Reporting Section
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Section 5 – I: Asset Acquisition and Management
	203-2	Significant indirect economic impacts	Section 5 – C: Brand Value and Tenant Satisfaction
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Section 5 – I: Procurement and Supply Chain
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Section 5 – M: Business Ethics and Compliance
	205-2	Communication and training about anti-corruption policies and procedures	Section 5 – M: Business Ethics and Compliance
	205-3	Confirmed incidents of corruption and actions taken	Section 5: M— Business Ethics and Compliance
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Section 5 – P: Energy Management
	302-3	Energy intensity	Section 5 – P: Energy Management
	302-4	Reduction of energy consumption	Section 5 – P: Energy Management
GRI 303: Water and Effluents 2018	303-5	Water consumption	Section 5 – P: Water Management
GRI 306: Waste 2020	306-3	Waste generated	Section 5 – P: Waste Management
	306-4	Waste diverted from disposal	Section 5 – P: Waste Management
	306-5	Waste diverted to disposal	Section 5 – P: Waste Management
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Section 5 – T: Diversity and Equal Opportunity
	401-2	Benefits provided to fulltime employees that are not provided to temporary or part-time employee	Section 5 – T: Diversity and Equal Opportunity
	401-3	Parental leave	Section 5 – T: Diversity and Equal Opportunity
GRI 403: Occupational Health and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	Section 5 – T: Health and Safety
	403-4	Worker participation, consultation, and communication on occupational health and safety	Section 5 – T: Health and Safety
	403-5	Worker training on occupational health and safety	Section 5 – T: Health and Safety
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Section 5 – T: Health and Safety
	403-8	Workers covered by an occupational health and safety management system	Section 5 – T: Health and Safety
	403-9	Work-related injuries	Section 5 – T: Health and Safety
	403-10	Work-related ill health	Section 5 – T: Health and Safety

GRI CONTENT INDEX

cont'd

GRI Standard	Disclosure Number	Disclosure Title	Reference/ Reporting Section
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Section 5 – T: Training and Education
	404-2	Programs for upgrading employee skills and transition assistance programs	Section 5 – T: Training and Education
	404-3	Percentage of employees receiving regular performance and career development reviews	Section 5 – T: Training and Education
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Section 5 – T: Diversity and Inclusion
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Section 5 – T: Diversity and Inclusion
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Section 5 – C: Community Engagement
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Section 5 – M: Data Privacy and Cyber Security

GLOSSARY

BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of the Manager
Bursa Malaysia	:	Bursa Malaysia Securities Berhad
Company	:	Pavilion REIT Management Sdn Bhd
CEO	:	Chief Executive Officer
CPI	:	Consumer Price Index
CSR	:	Corporate social responsibility
Deed	:	The First Amended and Restated Deed dated 18 February 2019 entered into between the Trustee and the Manager constituting Pavilion REIT
DPU	:	Distribution per Unit
EES	:	Economic, Environmental and Social
ERM	:	Enterprise Risk Management
EPU	:	Earnings per Unit
Fund	:	Pavilion Real Estate Investment Trust
FBM KLCI	:	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FY	:	Financial year from 1 January to 31 December
GDP	:	Gross Domestic Product
GET	:	Green Electricity Tariff
KLP	:	Kuala Lumpur Pavilion Sdn Bhd
Manager	:	Pavilion REIT Management Sdn Bhd
MCO	:	Movement Control Order
MER	:	Management expense ratio - ratio of trust expenses incurred in operating Pavilion REIT to its NAV
M-REIT	:	Malaysian Real Estate Investment Trust
NRP	:	National Recovery Plan
Pavilion REIT	:	Pavilion Real Estate Investment Trust
Prospectus	:	Pavilion REIT's prospectus dated 14 November 2011
PPKM	:	Persatuan Pengurusan Kompleks Malaysia / Malaysia Shopping Malls Association
QIA	:	Qatar Investment Authority
REIT	:	Real Estate Investment Trust
Report	:	Integrated Annual Report
SOP	:	Standard operating procedures
Trustee	:	MTrustee Berhad
TAV	:	Total asset value
Unit	:	An undivided interest in Pavilion REIT as provided for in the Deed
WALE	:	Weighted average lease expiry

NOTICE OF ANNUAL GENERAL MEETING

PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad [198701004362 (163032-V)] and Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)])

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting (“11th AGM”) of Pavilion Real Estate Investment Trust (“Pavilion REIT”) will be held at Pavilion Ballroom, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Wednesday, 22 March 2023 at 10.00 a.m. to transact the following businesses:-

ORDINARY BUSINESS

- To lay the Audited Financial Statements of Pavilion REIT for the financial year ended 31 December 2022 together with the Trustee’s Report to the Unitholders issued by MTrustee Berhad, as trustee of Pavilion REIT and the Report and Statement by the Manager issued by Pavilion REIT Management Sdn Bhd, as the manager of Pavilion REIT and the Auditors’ Report thereon. *(Please refer Explanatory Note I)*

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modification, the following Resolution:

- PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED UNITS (“PROPOSED AUTHORITY”)** *Ordinary Resolution (Please refer Explanatory Note II)*

“THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities, where such approval is required, authority be and is hereby given to Directors of Pavilion REIT Management Sdn Bhd (“the Manager”) to allot and issue new units in Pavilion REIT (“New Units”) from time to time to such persons and for such purposes as the Directors of the Manager may in its absolute discretion deem fit and in the best interest of Pavilion REIT, provided that the aggregate number of New Units issued pursuant to this resolution, when aggregated with the number of units in Pavilion REIT issued during the preceding 12 months, must not exceed 20% of the total number of units issued of Pavilion REIT for the time being comprising of 3,058,756,453 Units;

AND THAT the Proposed Authority shall be effective and continue to be in force from the date of receipt of all relevant authorities’ approval or the date the Unitholders pass this resolution, whichever may be the later, until:

- the conclusion of the next annual general meeting (“AGM”) of the Unitholders, at which time it shall lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or
- the Proposed Authority is revoked or varied by the Unitholders in a Unitholders’ meeting;

whichever occurs first (“Validity Period”);

AND THAT the New Units to be issued pursuant to the Proposed Authority shall, upon allotment and issuance, rank pari passu in all respects with the existing Units except that the New Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issuance of such New Units;

NOTICE OF ANNUAL GENERAL MEETING

cont'd

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Pavilion REIT, to give effect to the aforesaid Proposed Authority with full powers to assent to any condition, variation, modification and/or amendment in any manner as the Manager and the Trustee may deem fit and in the best interest of Pavilion REIT and/or as may be imposed by the relevant authorities, and to deal with all matters relating thereto;

AND FURTHER THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Pavilion REIT, to take all such steps and do all acts, deeds and things in any manner (including the execution of such documents as may be required) as they may deem necessary or expedient to implement, finalise, complete and give full effect to the Proposed Authority.”

By Order of the Board of
Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)]
(as the Manager of Pavilion Real Estate Investment Trust)

Lim Mei Yoong (LS0002201)
(SSM PC No. 201908003397)
Company Secretary

Kuala Lumpur
28 February 2023

Notes :

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
3. Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
4. The proxy form shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
5. The original proxy form or certificate of appointment of corporate representative or power of attorney must be deposited at the Registered Office of the Manager of Pavilion REIT i.e. Pavilion REIT Management Sdn Bhd either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia not later than **Monday, 20 March 2023 at 10.00 a.m.** being 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6. Only unitholders registered in the Record of Depositors as at 15 March 2023 shall be entitled to attend and vote at the meeting or appoint proxies to attend and vote on his/her behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Ordinary Resolution set out in the Notice of 11th AGM will be put to vote by way of poll.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

Explanatory Note on Ordinary Business:

- (I) The Audited Financial Statements are laid before the unitholders for discussion only pursuant to the provision of the Guidelines on Listed Real Estate Investment Trusts ("Listed REITs Guidelines"). The Audited Financial Statements do not require formal approval of the unitholders. Hence, this matter will not be put forward for voting.

Explanatory Note on Special Business:

(II) Proposed Authority to Allot and Issue New Units of up to 20% of the Total Number of Issued Units

The Proposed Ordinary Resolution, if passed, would enable the Directors of the Manager to allot and issue New Units from time to time provided that the aggregate number of the New Units to be issued during the Validity Period, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the total number of units issued of Pavilion REIT for the time being comprising of 3,058,756,453 Units.

The Proposed Authority will allow the Manager the flexibility to allot and issue New Units to raise funds to finance future investments, acquisitions and/or capital expenditure to enhance the value of Pavilion REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed Authority, delays and further costs involved in convening separate general meetings to approve such issue of New Units to raise funds can be avoided.

The Manager may, subject to relevant laws and regulations, use the net proceeds from the issuance of New Units under the Proposed Authority as its absolute discretion for other purposes as permitted for under the Listed REITs Guidelines.

Any allotment and issuance of New Units pursuant to the Proposed Authority will be subject to the relevant approvals of Securities Commission Malaysia and Bursa Malaysia Securities Berhad.

ADMINISTRATIVE GUIDE

PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad [198701004362 (163032-V)] and Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)])

ADMINISTRATIVE DETAILS FOR UNITHOLDERS ATTENDING THE 11TH ANNUAL GENERAL MEETING ("THE MEETING")

Date : Wednesday, 22 March 2023
Time : 10.00 a.m.
Venue : Pavilion Ballroom, Level 7,
Pavilion Hotel Kuala Lumpur Managed by Banyan Tree
170, Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia

REGISTRATION

1. Registration will start at **8.00 a.m.** The unitholders are requested to be punctual.
2. Please produce your **ORIGINAL Identity Card ("IC")** or **Passport (for foreigners)** during registration for verification. **No photocopy of IC or Passport will be accepted.**

After registration and signing on the Attendance List, please vacate the registration area and proceed to the meeting hall.

3. After verification and registration, you will be given a wristband. If you are attending the Meeting as a unitholder as well as proxy, you will be registered once and will only be given one wristband to enter the meeting hall. No person will be allowed to enter the meeting hall without wearing the wristband.

There will be no replacement in the event that you lose or misplace the wristband.

4. Please note that you will not be allowed to register on behalf of another person, even with the original IC or Passport of that other person.
5. Food voucher will be distributed upon registration on the basis of one voucher for one unitholder/proxy.

HELP DESK

6. The registration counters will only handle verification of the identity of the unitholder/proxy and his/her unitholdings. If you have other queries or need clarification relating to registration, please proceed to the Help Desk.
7. The Help Desk will also handle revocation of proxy appointments.

PARKING

8. Parking will be complimentary

DOOR GIFT

9. There will be no door gift given to unitholders who attend the Meeting.

ADMINISTRATIVE GUIDE

cont'd

REFRESHMENT

10. Food can be redeemed after Meeting at designated counter. It will be given on “per head” basis.

Each unitholder and/or proxy attending the Meeting in person will be entitled for only one (1) food pack. Where a unitholder and/or proxy is also appointed as proxy for different unitholders to attend the AGM, he/she will only be entitled to one (1) food pack regardless of the number of unitholders he/she is representing.

ENTITLEMENT TO ATTEND

11. For the purpose of determining the unitholders who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors (“ROD”) as at 15 March 2023.

Only unitholders whose names appear on the ROD as at 15 March 2023, shall be entitled to attend and vote at the AGM or appoint proxy(ies) to attend and vote on their behalf.

12. A unitholder who is entitled to attend at the Meeting is entitled to appoint not more than 2 proxies to attend on his behalf. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
13. The Proxy Form shall be deposited at the registered office of Pavilion REIT Management Sdn Bhd at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur not later than 20 March 2023 at 10.00 a.m., being 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
14. If you wish to attend the Meeting yourself, please do not submit any Proxy Form for the Meeting. You will not be allowed to attend the Meeting together with the proxy appointed by you i.e. you will attend as unitholder for all the CDS accounts registered under your name. You are not allowed to attend as unitholder for certain CDS accounts registered under your name and appoint proxies for balance CDS accounts.
15. If you have submitted your Proxy Form prior to the Meeting and subsequently decided to attend the Meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy before registration.

ENQUIRY

16. If you have any enquiry(ies) relating to the Meeting, please contact the Registrar as follows during office hours (9.00 a.m. to 5.00 p.m.) from Monday to Friday.

Tricor Investor & Issuing House Services Sdn Bhd
[Registration No.: 197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone Number : 603 27839299

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PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad [198701004362 (163032-V)] and Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)])

No. of Units Held	CDS Account No.

PROXY FORM

I/We _____ (name of unitholder as per NRIC, in capital letters)

NRIC No./Passport No./Company No. _____ Tel./Mobile No. _____

of _____

(full address) being a unitholder of PAVILION REAL ESTATE INVESTMENT TRUST ("Pavilion REIT") and entitled to vote hereby appoint:-

1st PROXY 'A'

Full name :		Proportion of unitholdings represented	
		No. of Units	Percentage (%)
Address :	NRIC No./Passport No.		

and/or failing *him/her

2nd PROXY 'B'

Full name :		Proportion of unitholdings represented	
		No. of Units	Percentage (%)
Address :	NRIC No./Passport No.		

or failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Eleventh Annual General Meeting ("11th AGM") of Pavilion REIT to be held at Pavilion Ballroom, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Wednesday, 22 March 2023 at 10.00 a.m. and any adjournment thereof.

* Strike out whichever not applicable

Please indicate with an "X" in the space below how you wish your votes to be cast. If you do not do so, the proxy/proxies will vote or abstain from voting on the resolution at his/her/their discretion.

Ordinary Resolution – Special Business	For	Against
Ordinary Resolution - Proposed Authority to Allot and Issue New Units		

Dated this _____ day _____ 2023

Signature of Unitholder/Common Seal

Fold This Flap For Sealing

Notes :

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AFFIX
STAMP

The Manager of Pavilion Real Estate Investment Trust

PAVILION REIT MANAGEMENT SDN BHD
[201101011359 (939490-H)]
6-2, Level 6, East Wing
Menara Goldstone (Holiday Inn Express)
No. 84, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

1st Fold Here

www.pavilion-reit.com

Pavilion REIT Management Sdn. Bhd.

[201101011359 (939490-H)]

Level 10, Pavilion Kuala Lumpur, 168 Jalan Bukit Bintang, 55100 Kuala Lumpur
T : +603 2118 8888 F : +603 2118 8889 E : info@pavilion-reit.com