

Twelfth Annual General Meeting (“12th AGM”) of Pavilion Real Estate Investment Trust (“Pavilion REIT”) held on 23 April 2024 at 10.00 a.m.

Questions and Answers at the 12th AGM of Pavilion REIT

No.	Comments/Questions raised by Unitholders/Proxy Holders	Responses/Answers from the Chairman/Chief Executive Officer
1.	<p>a) Referring to Note 24 on Page 170 of the Integrated Annual Report 2023, the acquisition price of Pavilion Bukit Jalil was RM2.2 billion, whereby Pavilion REIT has raised approximately RM720 million from the first placement.</p> <p>What is the cash payment paid for the acquisition of Pavilion Bukit Jalil?</p>	<p>Of the original acquisition price of RM2.2 billion, RM1 billion raised from borrowings, was used to pay the term loan of Regal Path Sdn Bhd (“the seller”). RM650 million was paid from the RM720 million raised from the first placement.</p> <p>RM100 million has been paid upon receipt of the strata titles and relevant documents. Of RM50 million which was withheld for defects rectification, RM40 million has been paid.</p> <p>Hence, a total of RM1.79 billion has been paid for the acquisition of Pavilion Bukit Jalil.</p>

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1.	<p>b) i) What is the balance purchase price for the acquisition of Pavilion Bukit Jalil?</p> <p>ii) How is the RM400 million to be raised?</p>	<p>RM10 million is payable for outstanding defect liabilities, as well as a balance of RM400 million (“the balance”) subject to a targeted Net Property Income (“NPI”) of RM146 million on an annualised basis within 24 months from the Completion Date which is due around mid-2025.</p> <p>If the mall achieves the NPI before the due date, the seller will be paid the balance. If the mall does not achieve the NPI, a valuation will be conducted in mid-2025 to determine the actual value of the property.</p> <p>If the actual value of the property after the valuation is RM2.2 billion or above, payment of the balance will be made. If the actual value of the property after the valuation is below RM2.2 billion, we will pay the seller the balance less the difference between RM2.2 billion and the actual value.</p> <p>There are two ways to raise the fund of RM400 million, which depends on the market and interest rates at that time:</p> <ol style="list-style-type: none"> 1) Capital-raising exercise 2) Combination of debt finance and capital-raising exercise

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1.	<p>c) i) From the presentation slides, Medium-Term Notes (“MTNs”) were included in the floating rate loans making up 87.5% of the total borrowing. As MTNs normally have fixed rates, why are they not being considered as fixed term loans?</p> <p>ii) Are the MTNs interest rates expected to drop in the second half of the year, for example if the United States reduces its own interest rates?</p>	<p>MTNs have fixed rates but only for a short period of time which varies 90 days, 120 days, 1 year and so forth. As such, it is categorised as having a variable interest rate.</p> <p>Yes, if interest rates are reduced, the MTNs rates will also come down.</p>

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1.	<p>d) i) What is the long-term plan for DA MEN Mall in the retail environment, considering that The Exchange TRX has opened and that there will be a few more malls opening?</p> <p>ii) How are you going to position DA MEN Mall, in view that there are different classes of malls in that area?</p>	<p>The Exchange TRX has no effect on smaller malls in suburban locations like DA MEN Mall.</p> <p>We have first tried to make DA MEN Mall a fashion mall but soon realised that it is unable to provide a complete fashion experience that we have in other malls. During the COVID-19 pandemic, DA MEN Mall had been re-positioned as a F&B mall.</p> <p>We are looking to re-position DA MEN Mall as an education hub with tenants like Yamaha and STEM 4 All Makerspace. The immediate aim for DA MEN Mall is to reduce its losses.</p> <p>The construction on the flyover bridge has started this year to improve the traffic flow, which is critical to the mall’s success. We are monitoring the situation and hope that when the flyover bridge is ready it will improve the traffic in front of the mall within the next year. The improved traffic will indirectly encourage people to go to the mall during weekends and spend more time there.</p> <p>DA MEN Mall is a challenge for us, but in terms of its significance to our portfolio of assets, DA MEN Mall represents less than 2% of our asset portfolio.</p>

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2.	<p>a) We would like to request for incentives such as free parking. Many successful malls like 1Utama have given free parking. Unsuccessful malls tend to collect parking fee, which makes it unable to attract customers.</p>	<p>It is actually the other way around, whereby those successful malls are able to collect charge customers higher parking fees and yet customers continue coming to support the mall. In fact, parking contributes 5% to 10% of income to malls.</p> <p>We do take note of the suggestion and will consider it when appropriate.</p>
3.	<p>a) i) What is the relationship between Pavilion REIT and Pavilion Damansara Heights and what will be their future?</p> <p>ii) Does Pavilion REIT have a first right to refusal?</p> <p>b) When DA MEN Mall was purchased, its value was so much higher. What has caused such a downgrade/huge drop in its value?</p>	<p>As far as Pavilion Damansara Heights is concerned, we have a common shareholder, through our chairman Tan Sri Desmond Lim, who owns a substantial portion of Pavilion REIT and controls Pavilion Damansara Heights.</p> <p>We do not have the first right of refusal, but if the asset was offered to us, we will definitely consider it as a potential acquisition.</p> <p>The valuation of DA MEN Mall or of any retail mall reflects the performance of that mall. When the performance of a mall drops, the value of the mall drops. Unfortunately, DA MEN Mall has not performed as well as we expected. Therefore, the value of the mall has dropped.</p> <p>However, while the valuation has dropped, the assets of DA MEN Mall still belong to us. Therefore, there is potential for us to re-work the asset to improve its future prospects.</p>

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4.	<p>a) It is suggested to promote DA MEN Mall by giving unitholders RM200 shopping vouchers, like what Main Place Mall did.</p> <p>DA MEN Mall has a few very good restaurants but unfortunately, it is not well promoted. Thus, by giving out the vouchers, unitholders could promote the restaurants and the mall.</p>	We definitely will consider all suggestions given.
5.	<p>a) It is suggested that future AGMs be held in hybrid meeting mode.</p> <p>This way, those directors who are unable to be present in person could attend the meeting virtually.</p>	We will convey your sentiments to the directors.

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5.	<p>b) i) What could be the impact of The Exchange TRX to Pavilion Kuala Lumpur?</p> <p>ii) From the Integrated Annual Report 2023, we noted that close to 50% of the tenancies in Pavilion Kuala Lumpur are expiring in 2025. How many percent do you foresee that tenants are not renewing their tenancy with Pavilion Kuala Lumpur and that might move to The Exchange TRX?</p>	<p>The way we monitor the impact of The Exchange TRX may have on us is to monitor the impact on footfalls and tenant sales in Pavilion Kuala Lumpur.</p> <p>Both footfall and tenant sales have not decreased, but have increased.</p> <p>When it comes to the renewal of tenancy, 25% is nothing unusual. All the tenants are currently in negotiations with us to stay on in Pavilion Kuala Lumpur.</p> <p>The space limit in the mall is the only problem we have. We are full and do not have enough space to bring in new brands.</p> <p>Thus, we try our best to relocate a few brands and re-position the tenants every few years. We have another 30 to 40 brands in a waiting list that are ready to move in, as we could not relocate existing brands in the short term.</p>

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5.	<p>c) i) Electric vehicle parking bays for Tesla have been put into Pavilion Kuala Lumpur and Pavilion Bukit Jalil. What about the other properties owned by Pavilion REIT?</p> <p>ii) Power is one of the costs to the company. Hence, it is requested that there be more elaboration on renewal energy and solar panel installation. It is suggested to set aside some allocations in terms of installing solar panels like Pavilion Bukit Jalil has. The installation of solar panels could save on part of the electricity bill of Pavilion Kuala Lumpur.</p>	<p>For installation of Tesla and Shell electric vehicle (EV) parking bays, DA MEN Mall has EV parking bays installed already. For Pavilion Bukit Jalil and Pavilion Kuala Lumpur, we are looking to install more EV parking bays over a period of time. We are working very closely with Shell and Tesla and to look into this.</p> <p>We are looking at a few possibilities, including solar energy.</p> <p>Pavilion Bukit Jalil is our best chance to provide solar panels for energy purposes, with DA MEN Mall being another opportunity. These are the places that we are working with Tenaga Nasional Berhad (“TNB”) on how to install solar panels.</p> <p>For Pavilion Kuala Lumpur, we have worked with TNB and consultants/engineers. Unfortunately, it is surrounded by tall buildings, such that we have less than 11% of sunlight during the day. Hence it is not practical at the moment to install solar power in the Kuala Lumpur area, except for Pavilion Tower. However, there is not a lot of footprint in Pavilion Tower as it has only 10,000 square feet.</p>

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5.	<p>d) There is an addition of RM3 million in the accounts under property, plant and equipment (PPE). Was this related to the purchase of solar panels?</p> <p>e) Is there any timeline to bring Pavilion Damansara Heights into Pavilion REIT this year? Was it discussed in any Board Meeting?</p>	<p>The RM3 million is part of the acquisition of Pavilion Bukit Jalil. It consists of all the loose equipment details which have been stated in the prospectus sent to the unitholders earlier.</p> <p>This was not discussed in the Board Meeting. We will look into it if and when it is offered to Pavilion REIT.</p>