

PAVILION

REAL ESTATE INVESTMENT TRUST



2021
ANNUAL REPORT



INSIDE THIS REPORT

1	Vision, Mission and Investment Strategies
2	Corporate Information
4	Highlights
6	Message from the Chairman
9	Board of Directors
14	Management Team
18	Salient Features of Pavilion REIT
19	Pavilion REIT Structure

Business Review

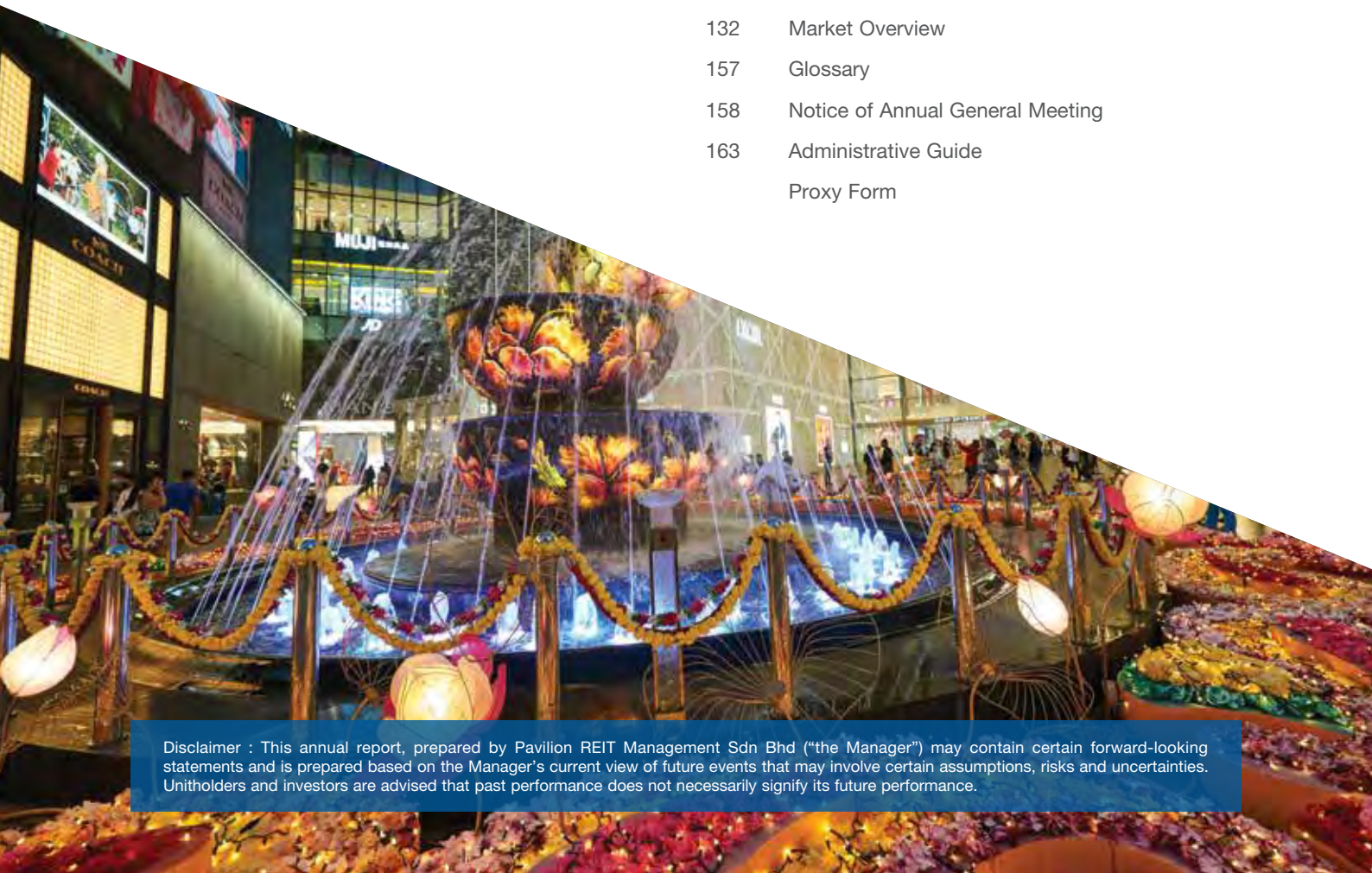
21	Message from the Chief Executive Officer
23	Management Discussion & Analysis
32	Investors Relation and Fund Management
34	Portfolio Details

Corporate Governance Report and Financial Statements

44	Sustainability Statement
68	Corporate Governance Overview Statement
71	Nominating Committee Report
72	Audit Committee Report
73	Statement of Risk Management and Internal Control
74	Manager's Report
78	Financial Statements

Others

129	Analysis of Unitholdings
132	Market Overview
157	Glossary
158	Notice of Annual General Meeting
163	Administrative Guide
	Proxy Form



Disclaimer : This annual report, prepared by Pavilion REIT Management Sdn Bhd ("the Manager") may contain certain forward-looking statements and is prepared based on the Manager's current view of future events that may involve certain assumptions, risks and uncertainties. Unitholders and investors are advised that past performance does not necessarily signify its future performance.



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 as well as to achieve long term growth in net asset value per unit, while maintaining an appropriate capital structure.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS OF THE MANAGER

Tan Sri Lim Siew Choon
Chairman and Non-Independent Executive Director

Puan Sri Tan Kewi Yong
Non-Independent Executive Director

Dato' Lee Tuck Fook
Non-Independent Executive Director

Ahmed Ali H A Al-Hammadi
Non-Independent Non-Executive Director

Dato' Mohzani bin Abdul Wahab
Independent Non-Executive Director

Ahmad Mohammed F Q Al-Khanji
Non-Independent Non-Executive Director

Dato' Maznah binti Abdul Jalil
Independent Non-Executive Director

Mohd Abdulrazzaq A A Al-Hashmi
Non-Independent Non-Executive Director

Dato' Choo Chuo Siong
Independent Non-Executive Director

Navid Chamdia
Non-Independent Non-Executive Director

Syed Mohd Fareed bin Shaikh Alhabshi
Independent Non-Executive Director

Ooi Ah Heong
Non-Independent Non-Executive Director

MANAGER & ITS PRINCIPAL PLACE OF BUSINESS

Pavilion REIT Management Sdn Bhd
 [Company Number: 201101011359 (939490-H)]
 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
Navid Chamdia

NOMINATING COMMITTEE

Dato' Maznah binti Abdul Jalil (*Chairperson*)
Dato' Mohzani bin Abdul Wahab
Dato' Choo Chuo Siong
Mohd Abdulrazzaq A A Al-Hashmi
Ooi Ah Heong

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

CORPORATE INFORMATION

(cont'd)

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

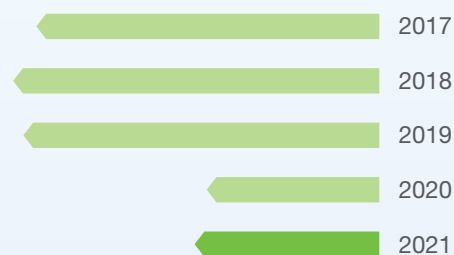


HIGHLIGHTS

Distributable Income (RM'000)



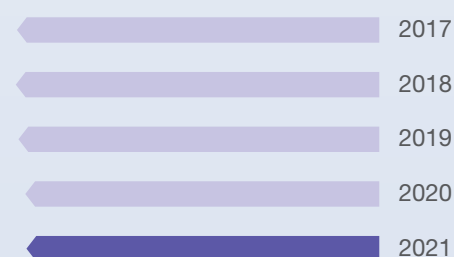
Distribution per Unit (sen)



Investment Properties (RM'000)



Net Asset Value per Unit (RM)



Market Capitalisation (RM'000)



No of Unitholders





MESSAGE FROM THE CHAIRMAN

10TH ANNIVERSARY

Dear Unitholders

As Pavilion REIT celebrate its 10th year listing anniversary, it is indeed “A CLASS OF ITS OWN” concentrating mainly on retail malls

Pavilion REIT have grown from the initial two properties to the current portfolio of five properties. The asset under management grew from RM3.6 billion to current portfolio of RM5.9 billion. Representing a growth of RM2.3 billion or 63.9%. Since listing, the Fund did not raise any additional new capital from the market

The year started with full of optimism but that quickly changed as we witnessed increased numbers of Covid-19 infections as the months passed. The year 2021 will be remembered as having multiple lockdowns from various movement control orders, re-openings and national recovery plan (NRP, Phase 1 to Phase 4). As the country transit into Phase 4 towards the 3rd quarter of 2021, fully vaccinated people were allowed to travel and dine-in, where-else unvaccinated people were more restrictive in their access to selective activities.

Notwithstanding the successful roll out of the vaccination program country wide, towards the second half of year, there were still uncertainties in the country economy and the recovery of the retail and tourism sectors. Despite these, the retail sector managed to recover much better than expected towards the last quarter of the year.

INVESTMENT AND ASSET PERFORMANCE

The key priority of the Manager was to safeguard its tenants, partners, and staff during the pandemic, thus ensuring unitholders investments will be protected post epidemic. Hence, the Manager offered another round of rental assistance to support its tenants like the previous year and in line with other mall owners within the industry. However, this does not guarantee a tenant’s survivability as a number of tenants did not renew during this period.

This resulted in a drop in gross revenue from RM510.2 million a year earlier to RM488.6 million in 2021 or 4.2% lower. Due to the prolong closure during the year, operating expenses have also decreased from RM276.7 million a year earlier to RM252.0 million in 2021 or 8.9% lower, resulting in the net property income increasing to RM236.6 million. Interest rate decrease has also resulted in net saving of RM7.6 million (or 7.9 %) and investment properties valuation stabilizing with total net fair value deficit of RM0.6 million as compared to the year earlier deficit of RM70.3 million.

This resulted in a better distributable income of RM134.7 million as compared to RM125.8 million or an increase of 7.1%.

ECONOMIC REVIEW

Global economic growth forecast for 2021 was projected to be 5.9%. However due to supply chain disruptions, worsening pandemic dynamics and rapid spread of the Delta and Omicron variants during this period, it is anticipated growth to be lower by 0.1% for 2021. This will be followed by a projected world growth of 4.4% in 2022 by International Monetary Fund.

Due to global uncertainties in the world trade, China economy appears to be bouncing back due to easing of internal policy with Morgan Stanley seeing China GDP to achieve a range between 7.7% to 8.8% in 2021 and picking up to 5.5% in 2022.

MESSAGE FROM THE CHAIRMAN

(cont'd)

Locally, the Malaysian gross domestic product (GDP) is anticipated to close between 3.0% to 4.0% for the calendar year 2021 and further expand between 5.5% to 6.5% in 2022 by Ministry of Finance.

During this period the overnight policy rate have not change from 1.75%.

MARKET REVIEW

The FTSE KLCI index closed 3.7% lower at 1,567.5 points as at 31 December 2021 as compared to 1,627.2 points a year earlier.

The M-REIT Index was not spared either, closing the lowest since the index was created at 792.0 points as compared to 834.0 points a year earlier, representing a drop of 5.0%. Its total market capitalization as of 31 December 2021 dropped a further RM1.7 billion or 4.4% to RM36.6 billion. The market was relatively quiet as acquisition during the year totalled RM223.0 million as compared to RM1.9 billion in previous year. No new disposal was announced during the year, except for the completion of RM45.0 million disposal which was announced a year earlier.

Pavilion REIT unit closed at RM1.25 as compared to RM1.50 at the end of 2020.

SUSTAINABILITY EFFORTS

The Board recognises the important of sustainability and have been working with the management team to embrace the corporate structure from top to bottom. This year we have re-looked into the sustainability program and have instructed the management to re-strategies the future directions taking into consideration the pandemic, continuity to maintain the best practises in various areas like reducing environment impacts, good governance practises, regular health and safety screening throughout the endemic period, improving the welfare of staff & service providers and reviewing corporate social responsibilities.

Due to the extra importance placed into Environment, Social and Governance (ESG) and Risk Assessment (RA) in the coming years, the Board of Directors recommends that another two new board committees be setup from 2022 onwards : - (i) The Environment, Social and Governance Committee (ESGC) and (ii) the Enterprise Risk Management Committee (ERMC) with a mandate to review the Fund's objectives, strategies for the future and improve on sustainability or risk efforts.



MESSAGE FROM THE CHAIRMAN

(cont'd)



GOING FORWARD

Despite the increases in positive Covid-19 cases overseas, the world is progressing slowly but surely out of the pandemic in 2022.

With the successful rollout of the Covid-19 vaccination program during the year and the subsequent booster vaccination program positively received by the public in late 2021 and early 2022, the Manager anticipates 2022 will be better economically and the retail sector will be the beneficiary of this growth. Retail Group Malaysia is estimating growth for this sector at 6.0%. This is also in line with the projection by Bank Negara Malaysia as the GDP will be growing at 6.0% in 2022. This is supported by International Monetary Fund and the World Bank at 6.0% and 5.8% respectively for Malaysia in 2022. With all the indicators pointing at a growth year, the Manager is confident that the Fund will perform better in 2022.

ANNUAL GENERAL MEETING

Pavilion REIT's ninth annual general meeting, held on 25 March 2021 to present Pavilion REIT's audited financial statement for the year ended 31 December 2020 went on smoothly. The Board managed to obtain the general mandate for the allotments and issuance of up to 20% of the existing approved fund size as well as enhanced general mandate for rights issuance of up to 50% of the total number of issued units on pro rata basis. The board will seek the approval of the same mandate this coming meeting.

ACKNOWLEDGEMENT

I would like to thank all members of the Board of Directors, management team and staff for their dedication and commitment during this pandemic period for the past year. On behalf of the Board members, we would also like to thank our unitholders, tenants, partners and bankers for their understanding and support during this period.

TAN SRI LIM SIEW CHOON

Chairman
27 January 2022

BOARD OF DIRECTORS

TAN SRI LIM SIEW CHOON

*Chairman and
Non-Independent
Executive Director*

Age : 61
Gender : Male
Nationality : Malaysian

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 39 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*

Age : 65
Gender : Female
Nationality : Malaysian

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.

DATO' LEE TUCK FOOK

*Non-Independent
Executive Director*

Age : 67
Gender : Male
Nationality : Malaysian

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 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.

BOARD OF DIRECTORS

(cont'd)

**AHMED ALI H A
AL-HAMMADI**
*Non-Independent
Non-Executive Director*

Age : 40
Gender : Male
Nationality : Qatari

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 Qatar Investment Authority'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.

**AHMAD MOHAMMED
F Q AL-KHANJI**
*Non-Independent
Non-Executive Director*

Age : 37
Gender : Male
Nationality : Qatari

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 Masters 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*

Age : 33
Gender : Male
Nationality : Qatari

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 appointed as a member of the Manager's Nominating Committee 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.

BOARD OF DIRECTORS

(cont'd)

NAVID CHAMDIA*Non-Independent
Non-Executive Director*Age : 48
Gender : Male
Nationality : British

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.

OOI AH HEONG*Non-Independent
Non-Executive Director*Age : 69
Gender : Male
Nationality : Malaysian

Ooi Ah Heong graduated from the University of Singapore in 1976.

He has over 45 years of experience in the property development business and has years of experience ranging from low-cost housing to high-end condominium development and institutional buildings to shopping and entertainment centres. He is currently the Director of Business Development of Malton Berhad.

He began his career with Yong Dan Mohd Faiz, a quantity surveying firm in Kuala Lumpur in 1976. He joined Tan & Tan Developments as a Project Manager in 1979. He then joined IOI Group as its General Manager. In 1989, he helped to form Pentadel Sdn Bhd. In 1991, he joined Cheras Heights Development, a subsidiary of Perlis Plantation Bhd, as its General Manager. From 1995 to 2002, he acted as an adviser to various property developers on business development opportunities in the property market, including the Khuan Choo Group. He joined Malton Berhad in 2002.

He was appointed to the Board of the Manager on 29 July 2011. He is a member of the Manager's Nominating Committee. He is currently a director of Pavilion REIT Bond Capital 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

(cont'd)

DATO' MOHZANI BIN ABDUL WAHAB

Independent

Non-Executive Director

Age : 68
Gender : Male
Nationality : Malaysian

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 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.

DATO' MAZNAH BINTI ABDUL JALIL

Independent

Non-Executive Director

Age : 68
Gender : Female
Nationality : Malaysian

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

Currently, she is a board member of Boustead Heavy Industries Corporation Bhd, Malayan Flour Mills Bhd, InNature Berhad and Cahya Mata Sarawak Berhad and other non listed companies such as Lembaga Tabung Angkatan Tentera, Opus Asset Management Sdn Bhd and the Chairman of SCS Global Advisory Sdn Bhd.

She is also the Chairman/Chief Executive Officer of Liberty Resources Acquisition Ltd (a Special Purpose Acquisition Company, "SPAC") which was recently listed on Nasdaq, New York in November 2021.

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 was appointed to the Board of Universiti Teknologi Mara (UiTM) from 1996 until 2016.

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.

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

(cont'd)

DATO' CHOO CHUO SIONG*Independent**Non-Executive Director*

Age : 56
 Gender : Male
 Nationality : Malaysian

Dato' Choo Chuo Siong graduated from the London School of Economics, United Kingdom 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.

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 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.

**SYED MOHD FAREED
BIN SHAIKH ALHABSHI***Independent**Non-Executive Director*

Age : 67
 Gender : Male
 Nationality : Malaysian

Syed Mohd Fareed bin Shaikh Alhabshi is currently the Chairman of Oilfield Supply Centre (M) Sdn Bhd, a company providing logistics support for oil and gas and power generation industries, manufacturing of pressure vessel, heat exchange, fin tube and general fabrication.

He started his career in 1978 by exporting electronic goods from Singapore to Middle East countries, namely Saudi Arabia, Kuwait and the United Arab Emirates. Thereafter, in 1994, he started an investment holding company for a prominent Saudi Arabian family.

He was appointed to the Board of the Manager on 29 July 2011.

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.

MANAGEMENT TEAM

**DATO' PHILIP
HO YEW HONG**
Chief Executive Officer

Age : 55
Gender : Male
Nationality : Malaysian

Dato' Philip Ho 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.

He has over 33 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)

Age : 64
Gender : Female
Nationality : Malaysian

Dato' Joyce Yap 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 40 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.

MANAGEMENT TEAM

*(cont'd)***LOVELL HO WAI HOONG***Asset Manager (Leasing)*

Age : 53
 Gender : Male
 Nationality : Malaysian

Lovell Ho 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 28 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)*

Age : 50
 Gender : Female
 Nationality : Malaysian

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 is responsible for the company's marketing and communications strategies, as well as overall branding and image.

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.

MANAGEMENT TEAM

(cont'd)

FRANCIS ONG

HENG KHAI

*Asset Manager
(Facilities Management)*

Age : 53
Gender : Male
Nationality : Singaporean

Francis Ong 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 28 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

Age : 52
Gender : Female
Nationality : Malaysian

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 31 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.

MANAGEMENT TEAM

(cont'd)

LIM MIAN NYEE

*Assistant General Manager
(Finance)*

Age : 46
Gender : Female
Nationality : Malaysian

Lim Mian Nyee was appointed to the position of Assistant General Manager (Finance) of the Manager on 1 January 2017. 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) on 1 January 2014, 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.

CHEAH CHER YIN

*Senior Manager
(Legal and Compliance)*

Age : 32
Gender : Female
Nationality : Malaysian

Cheah Cher Yin 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.

ENG HUI YI

*Senior Manager
(Investment)*

Age : 35
Gender : Female
Nationality : Malaysian

Eng Hui Yi was appointed to the position of Manager (Investment) of the Manager on 1 July 2015 and subsequently promoted to Senior Manager (Investment) on 1 January 2018. She holds a Bachelor of Arts (Hons) in Accounting and Finance from University of the West of England, Bristol. She has successfully completed 2 levels of the Chartered Financial Analyst in 2008 and 2010 respectively.

She has a mixture of experience in valuation, financial modelling, investment analysis, portfolio management, corporate stakeholder management as well as liquidation and disposal work.

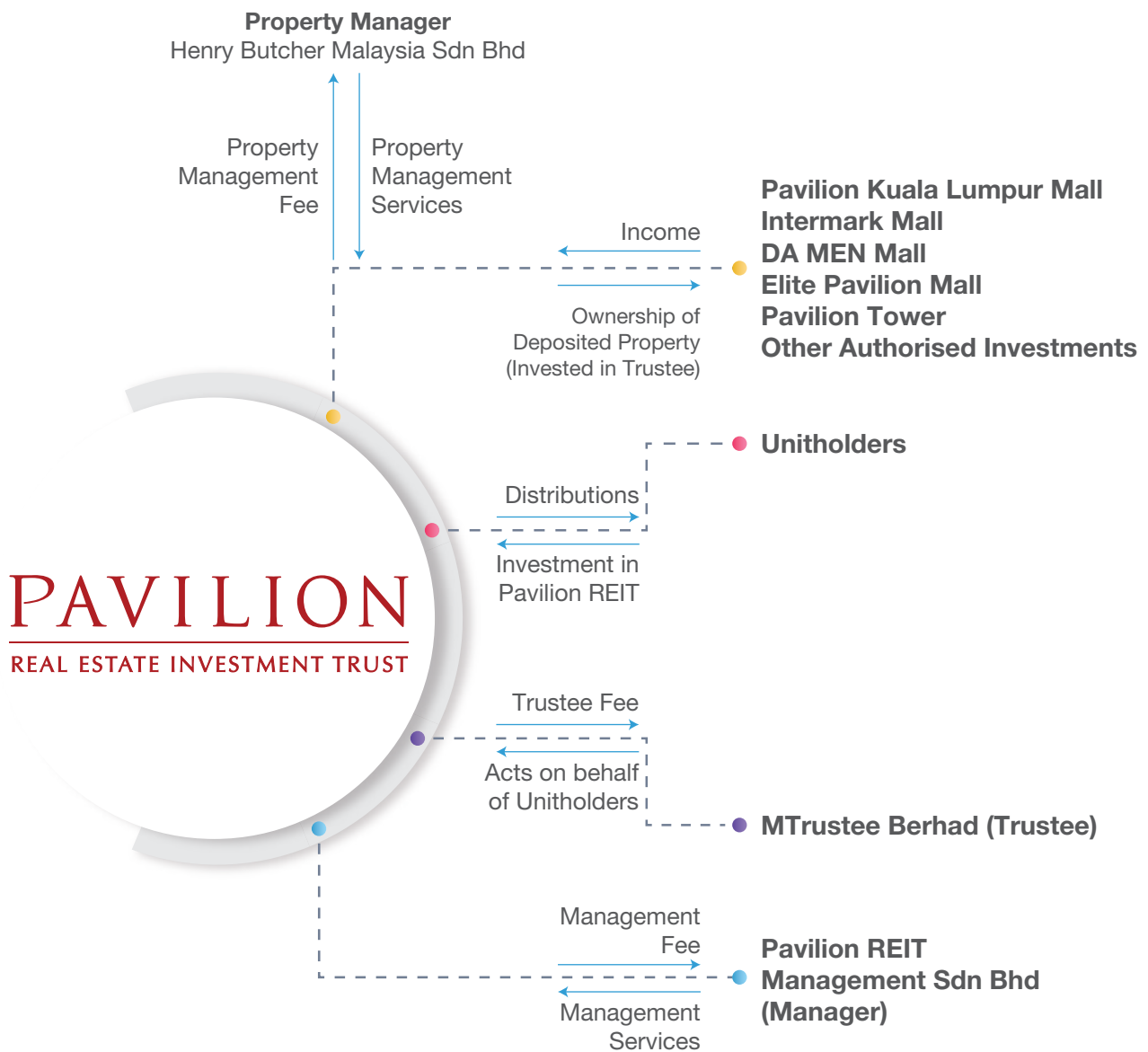
Prior to joining Pavilion REIT Management Sdn Bhd, she was Investment Manager in the Private Equity department of AmlInvestment Bank Berhad. She started her career with the Valuation and Business Modelling team of Ernst & Young Kuala Lumpur.

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.

SALIENT FEATURES OF PAVILION REIT

Category of Fund	Real Estate Investment Trust
Type of Fund	Income and growth
Duration of Fund/ Termination Date	The earlier of : <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, while maintaining an appropriate capital structure
Distribution Policy	Half yearly distribution of 100% of distributable income for the financial year ended 31 December 2021 with at least 90% of distributable income for each subsequent financial year
Gearing Policy	Up to 50% of the total asset value of the Fund
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

PAVILION REIT STRUCTURE



BUSINESS REVIEW



As the Manager of Pavilion REIT, we are pleased to share with you the performance of the Fund for the financial year ended 31 December 2021



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

REVIEW FOR THE YEAR

With strong fourth quarter in 2021, the overall net property income improved and the Fund managed to close with a better distributable income of RM134.7 million resulting in a distribution per unit of 4.41 sen or 6.8% better than the previous year.

The year 2021 started with conditional movement control order (CMCO) lock down till 12 January 2021. With cases increasing, movement control order 2 (MCO 2.0) was introduced from the 13 January 2021 to 4 March 2021. With positive cases increasing even more, the government reintroduced a full movement control order (FMCO) from 1 June 2021 to 28 June 2021 for the entire country.

FMCO is part of phase 1 of the National Recovery Plan (NRP) which used the following measures (i) daily number of Covid -19 infections, (ii) utilisation rate in the intensive care units and (iii) percentage of vaccinated population, to measure the respective phases each state will be categorize under.

The NRP consisted of four phases, starting with phase 1 (full closure of social and economic sectors for two weeks) in June with most states ending with phase 4 by November/December 2021, whereby most sectors of the economy are allowed to reopen, social activities be allowed, interstate travel and domestic tourism be permitted with strict SOPs in place.



Klang Valley and Melaka enter Phase 4 of the NRP on 18 October 2021. This is reflected in the consumer sentiment index (CSI) at 98.9 (Q1 2021), 64.3 (Q2 2021) and 101.7 (Q3 2021). The third quarter CSI optimism reflect a better job opportunity, reassuring consumers of their purchasing power, according to MIER.

Pavilion REIT saw a drop in gross revenue during the year due to non-renewals by some tenants in the malls and office. This resulted drop from RM510.2 million to RM488.6 million.

ASSET AND FINANCIAL PERFORMANCES

During this year, the properties occupancy were affected across all the malls and building managed by the Fund. Occupancy at Pavilion Kuala Lumpur mall was 90.2% (2020 – 96.5%), Elite Pavilion mall at 86.4% (2020 – 83.2%), Damen mall at 62.3% (2020 – 68.9%) and Intermark mall at 83.6% (2020 – 85.7%) and Pavilion office tower at 79.1% (2020 - 85.8%) respectively.

Despite the lower occupancy rates the valuation of majority of the investment properties fared reasonably well. The exception is Elite Pavilion mall which its valuation decreased by RM30.0 million even after achieving a higher occupancy during this period but with a lower average rental. However, this was balance off with Pavilion Kuala Lumpur mall at valuation of RM4.85 billion.

The Fund continued with its two extension programs at Pavilion Kuala Lumpur mall. Program one was near the Pavilion Hotel, extending a new space slightly

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

(cont'd)

over 13,000 square feet. Program two, is also another extension at the Jalan Raja Chulan drop-off, creating a two-storey glass box of approximately 4,800 square feet. The Manager also took the opportunity to improve the mall's air condition system by replacing the older 2 units 500-ton smaller chiller systems with one larger 1,500-ton chiller system and one variable speed 1,500-ton chiller system.

SUSTAINABILITY ENDEAVOURS

The pandemic has accelerated the pressure to re-think about how we do and manage business. Hencewith, the Manager will be reviewing its policies, procedures and practices related to environmental, social and governance (ESG) strategies to review its ESG roadmap.

EXPECTATION FOR 2022

With the worst over, GDP for the 4th quarter of 2021 is expected to rebound sharply. With booster vaccination progressing strongly, we anticipate 2022 will be a much stronger year for Malaysia and for the general retail sector. The Manager remains focus on renewal of due tenancies and improving current occupancy rates, while monitoring cost and adopting an appropriate approach to maintaining return to unitholders.

The Management would like to thank all staff for their dedication in their work during this pandemic period. We would also like to thank all our stakeholder, financiers, and partners for being patient with us during this period.

DATO' PHILIP HO YEW HONG

Chief Executive Officer
27 January 2022



MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS

Financial Results and Key Performance Indicators	FY2017	FY2018	FY2019	FY2020	FY2021	Change (%)
						FY2021 vs FY2020
Gross Revenue (RM'000)	490,001	554,977	585,353	510,220	488,591	(4.24)%
Net Property Income ("NPI") (RM'000)	322,913	374,787	375,184	233,524	236,622	1.33%
Distributable Income (RM'000)	249,683	266,598	258,278	125,842	134,662	7.01%
Earnings per Unit (sen)	8.24	9.51	8.64	1.52	4.11	170.39%
Distribution per Unit (DPU) (sen)	8.24	8.78	8.50	4.13	4.41	6.78%
Distribution Yield based on Year End Market Price (%)	5.12	5.35	4.88	2.75	3.53	28.36%
Management Expense Ratio ("MER") (%)	0.72	0.83	0.79	0.71	0.71	0.00%
Investment Properties (RM'000)	5,268,000	5,893,000	5,913,000	5,863,000	5,880,000	0.29%
Total Asset Value ("TAV") (RM'000)	5,653,164	6,357,724	6,357,015	6,241,907	6,238,695	(0.05)%
Net Asset Value ("NAV") (RM'000)	3,940,277	3,977,956	3,979,738	3,859,317	3,858,453	(0.02)%
NAV per Unit (RM)	1.30	1.31	1.31	1.27	1.27	0.00%
Gearing Ratio (%)	25.87	33.78	33.93	34.66	34.84	0.52%
Portfolio Turnover Ratio (times)	0.00	0.15	0.00	0.00	0.00	0.00%

FINANCIAL REVIEW

By Segment	Gross Revenue				Net Property Income			
	FY2020		FY2021		FY2020		FY2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pavilion Kuala Lumpur Mall	410,174	80.39	396,415	81.13	208,865	89.44	212,991	90.01
Intermark Mall	25,632	5.02	23,451	4.80	11,122	4.76	8,868	3.75
DA MEN Mall	13,213	2.59	11,381	2.33	(11,234)	(4.81)	(9,183)	(3.88)
Elite Pavilion Mall	50,049	9.81	46,305	9.48	18,555	7.95	18,461	7.80
Retail	499,068	97.81	477,552	97.74	227,308	97.34	231,137	97.68
Pavilion Tower – Office	11,152	2.19	11,039	2.26	6,216	2.66	5,485	2.32
Total	510,220	100.00	488,591	100.00	233,524	100.00	236,622	100.00

Gross revenue achieved in 2021 was RM488.6 million or 4.2% lower as compared to the immediate preceding year. This change was mainly due to loss of income from lower occupancy for the investment properties because of non-renewal of some expired tenancies. Due to the various MCOs announced by the Government of Malaysia, income from percentage rent, marketing events and advertising income were also affected and recorded lower income.

Lower operating cost incurred for the year under discussion was mainly due to savings from utilities, maintenance and marketing expenses as well as lower provision for doubtful debts.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

This resulted in increase of Pavilion REIT's net property income to RM236.6 million. Pavilion Kuala Lumpur Mall and its seamlessly connected Elite Pavilion Mall collectively contributes to 97.8% of net property income of Pavilion REIT with office sector contribution of 2.3%.

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 48.4% with retail and office achieving a NPI margin of 48.4% and 49.7% respectively.

Net fair value change in investment properties resulted in deficit of RM0.6 million against the immediate preceding year deficit of RM70.3 million due to lower valuations for Elite Pavilion mall and Pavilion Tower. Borrowing cost was lower due to lower average interest rate for its borrowings that are on variable rate. Bank Negara Malaysia had reduced Malaysia's overnight policy rate from 3.00% (at the beginning of 2020) to 1.75% in July 2020. All these resulted in increase of 170.2% in income before taxation for the year to RM125.2 million.

DISTRIBUTION PER UNIT ("DPU")

Total DPU for 2021 increased by 0.28 sen to 4.41 sen from 2020 DPU of 4.13 sen, with additional 4,751,538 Units being issued during the year resulting in 3,050,059,081 Units as at 31 December 2021.

1.83 sen, earned for first half of 2021 was paid on 10 September 2021 with the final distribution of 2.58 sen earned in the second half of 2021 is to be paid on 28 February 2022. This resulted in net asset value per unit (after final income distribution) of RM1.24 for both years of 2021 and 2020.

STATEMENT OF FINANCIAL POSITION – ASSETS AND LIABILITIES

There is minimal change in Pavilion REIT's total asset value which decreased by RM3.2 million to RM6,238.7 million in 2021 with increased in trade and other receivables and lower cash and bank balances. 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 RM2,163.3 million to RM2,173.3 million in 2021, a 0.5% increase resulting in gearing ratio of 34.8%.

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.

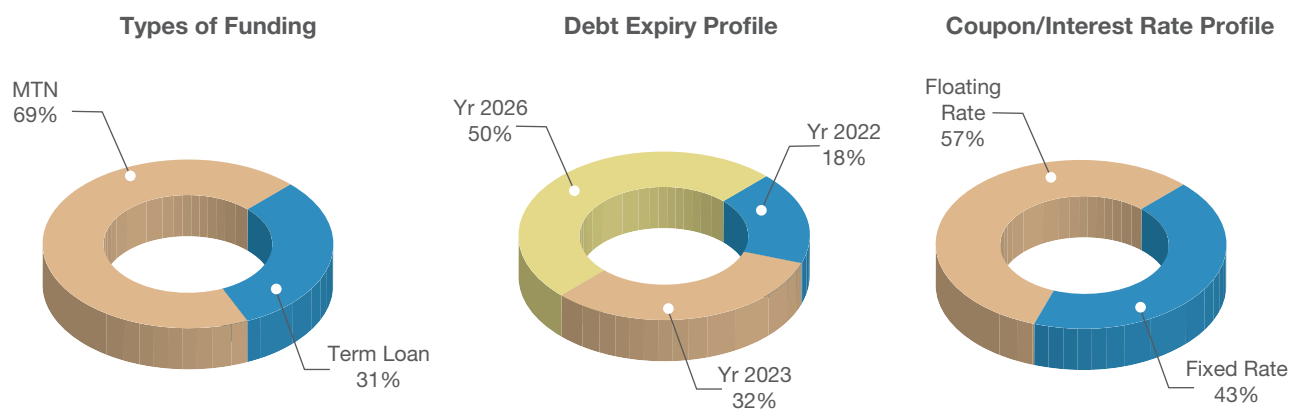
The Fund's investment properties had been re-valued as at the end of the financial year to ensure that its investment properties reflect the current market value and in compliance to Malaysian Financial Reporting Standards 140. This re-valuation resulted in a deficit of RM0.6 million.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

Property	Market Value @ 31 Dec 2021 RM'000	Market Value @ 31 Dec 2020 RM'000	Change in Value RM'000	Property Yield 2021 %	Property Yield 2020 %
Retail					
Pavilion Kuala Lumpur Mall	4,850,000	4,800,000	50,000	4%	4%
Intermark Mall	180,000	180,000	-	5%	6%
DA MEN Mall	180,000	180,000	-	-5%	-6%
Elite Pavilion Mall	540,000	570,000	(30,000)	3%	3%
	5,750,000	5,730,000	20,000		
Office					
Pavilion Tower	130,000	133,000	(3,000)	4%	5%
Total Portfolio	5,880,000	5,863,000	17,000		
Less : Capital Expenditure			(17,627)		
Net Fair Value Change			(627)		

CAPITAL MANAGEMENT



With average interest cost of 4.0%, Pavilion REIT's gearing of 34.8% 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 maximise from the current low interest rate environment 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.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

STATEMENT OF CASH FLOWS

Of the net cash available from operating activities of RM194.7 million, RM7.3 million was used for investing activities with RM210.7 million being net cash used in financing activities. This caused the decrease in net cash of RM23.3 million for 2021 resulting in cash and cash equivalents of RM254.0 million against preceding year end cash of RM277.3 million.

UTILISATION OF PROCEEDS

There were no proceeds raised from corporate proposals during the financial year.

OPERATIONS REVIEW

With the rising cases of Covid-19 in Malaysia, the government re-declared mandatory control order from 13 January 2021 (MCO 2.0) whereby various forms of lock down were implemented using a tiered restriction approach. Under this reimposed tiered MCO 2.0, only essential economic sectors were allowed to operate with interstate travel prohibited and movement of individuals restricted. Klang Valley was re-designated as conditional MCO (CMCO) from 5 March 2021 whereby all business sectors were allowed to re-open with exception of prohibited activities such as night club, pub and concert.

Most of the districts in Selangor and Kuala Lumpur had been placed under Movement Control Order (MCO 3.0) from 6 May and 7 May 2021 respectively whereby movements were restricted to necessities and medical reasons due to increasing Covid-19 infections and higher fatality rate. Inter-district travel, dine in, karaoke, cinema, gym and social activities were all barred. From 12 May 2021, the whole nation was placed under MCO 3.0 whereby additional restrictions were prohibition of all social gatherings, closure of all educational institutions and entertainment outlets. From 25 May 2021, there were further tightening of SOP whereby food and retail outlets operating hours were confined to 12 hours only from 8am with shoppers permitted no more than 2 hours for running their errands and public transportation capacity reduced by 50%.

However, due to the continuous increase in infection and fatality rates, full lock down (FMCO) was implemented from 1 June 2021, ie all social and economic sectors were barred from opening except for those providing essential services. The government fully implemented work from home policy for all civil servants and without Ministry of International Trade & Industry clearance, travel to work for private sector was not permitted. Only two person per household were allowed to go out for essential item purchases within a 10km radius.

By end June 2021, the government announced that FMCO or re-named as Phase 1 of National Recovery Plan (NRP) is to be extended indefinitely with plans for transitioning to subsequent 3 phases being dependent on the number of infected cases, vaccination achievement to population and impact to national healthcare system, which will permit more economic activities to resume.

With the ramping up of vaccinations in Malaysia and the reduction in requirement for critical healthcare needs, Klang Valley and Kuala Lumpur (where all Pavilion REIT properties are located) transit to Phase 4 on 18 October 2021 whereby all economic sectors are permitted to operate with inter-state and overseas travel permitted. However, exception still applies to those in negative category eg night club and pub. Since then, foot traffic to malls have picked up.

However, due to the mandatory closure of businesses, imposition of strict SOP, physical distancing as well as lower shoppers' visitation during the various MCO/NRP periods, some retailers decided against renewal upon expiration. No renovation or reinstatement works were permitted during MCO/NRP periods. These lower occupancy as well as deferment in commencement of trading contributed to lower gross revenue as compared to the preceding year. Sourcing for replacement tenants were also challenging as many retailers put their expansion plans on hold or asking for much lower rent as compared to the latest tenancy rate. Rebates were given to tenants upon review on case-by-case basis to determine eligibility. The various types of MCO had also impacted percentage rent, income from marketing events as well as advertising income.

Besides concern of Covid-19 infection, low consumer confidence also affected spending due to inflation and increase in cost of living. Supply chain issues as well as shortage of manpower had also increase cost of operation.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

Based on the above, Pavilion Kuala Lumpur Mall saw occupancy rate decrease from 96.5% to 90.2% resulting in its gross revenue decreasing by 3.4% from RM410.2 million to RM396.4 million. Despite this gloom situations, the mall witnessed the opening of new tenants such as Maison Margiela, Creed, Chanel Shoe Salon, Dadi Cinema, K Experience, Mocof X Valorforce, Monki, Li Ning, Nyonya Colours and Vivo. 1st stores in Malaysia that opened in the mall is Elemis London.

Elite Pavilion Mall's occupancy improved slightly from 83.2% as at 31 December 2020 to 86.4% as at 31 December 2021 as Cotton On and Typo relocated from Pavilion Kuala Lumpur mall to Elite Pavilion mall. Onitsuka Tiger, the only exclusive platinum store in Kuala Lumpur also made its debut in Elite Pavilion with the opening of Burger King and The Chicken Rice Shop at level 1.

Intermark Mall's occupancy also dropped slightly from 85.7% to 83.6% from a year ago as some tenants find sustaining outlet being challenging due to the various MCO and SOP implemented. This property's operating expenses has been stable at around RM12.0 million.

Operating DA MEN, the neighbourhood community mall continues to be a challenge during the year under review with its gross revenue dropping by 13.9% to RM11.4 million as the mall's occupancy dropped from 68.9% to 62.3% as at the end of 31 December 2021. Dadi Cinema opened its doors to the public in November 2021 as the Government permitted the operation of this sector. Other notable new tenants that commenced trading with the transition under National Recovery Plan are Home World on the ground floor and Autism Café on the lower ground floor, a café operated by youths with autism.

Total property operating expenses incurred was lower by RM24.7 million or 8.9% when compared to the preceding year ended 31 December 2020. This was mainly due to savings in utilities, lower incurrence of maintenance cost and marketing expenses as well as lower doubtful debts provision during the year.

Pavilion Tower's occupancy reduced slightly from 85.8% to 79.1% due to non-renewal upon expiration. 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 will strive to ensure its cost management process is refined to optimise return to unitholders as well as to ensure sustainable practises 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 a new retail space at the end of Couture precinct and glass kiosks outside Fashion Avenue at Pavilion Kuala Lumpur Mall.

For 2022, besides setting up of landlord provisions to cater for tenant requirements, capital expenditures to be incurred are for completing the upgrading of chillers and cooling towers as well as the additional retail space at glass kiosks outside Fashion Avenue at Pavilion Kuala Lumpur Mall.

PORTFOLIO SUMMARY

Type	Retail	Office	Total
Appraised Value as at 31 December 2021 (RM million)	5,750	130	5,880
Net Lettable Area (square feet)	2,217,157	163,844	2,381,001

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

TOP 10 TENANTS

Pavilion REIT has a total combined tenancies list from the retail and office of 783 leases. Its ten largest tenants contributed to 15.0% of gross rental income for the reporting year.

Tenant's Name	Trade Sector	Expiry Year
Adidas (Malaysia) Sdn Bhd	Fashion	2023
Apex Excellent Sdn Bhd	Food and Beverage	2022
Gagan (Malaysia) Sdn Bhd	Fashion	2022
H & M Retail Sdn Bhd	Fashion	2022
JD Sports Fashion Sdn Bhd	Fashion	2022
Legendary Fashion Trading Sdn Bhd	Fashion	2022
Padini Dot Com Sdn Bhd	Fashion	2022
Parkson Corporation Sdn Bhd	Fashion	2022
Richard Mille (Malaysia) Sdn Bhd	Jewellery, Timepiece & Writing Instrument	2023
Richmont Luxury (Malaysia) Sdn Bhd	Jewellery, Timepiece & Writing Instrument	2023

TENANCY PROFILES

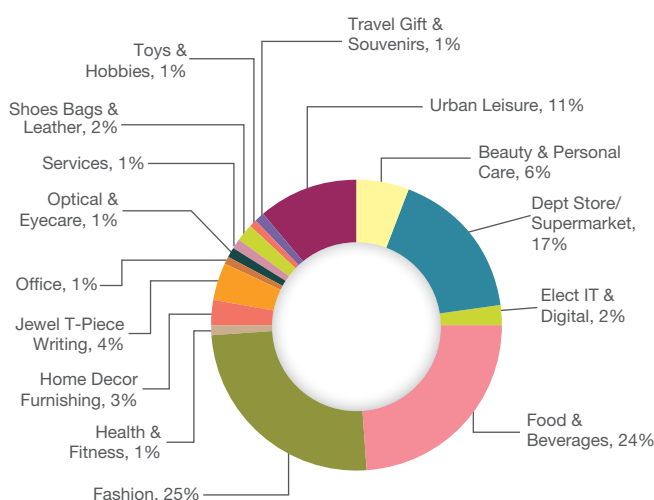
Renewal process has been challenging in 2021 due to the Covid-19 pandemic as tenants re-evaluate their position and options with most renewals done at similar to its last committed rental rate. Tenant mix is critical to retail malls located in central business district. Hence, the Manager would not just randomly allow trades to operate to maintain high occupancy in these malls.

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

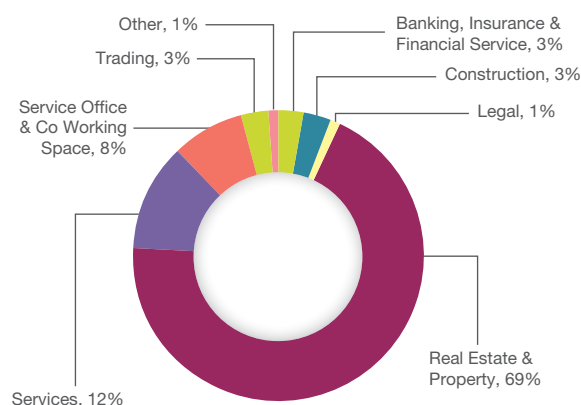
The weighted average lease expiry ("WALE") as at year end has been reduced to 0.98 years against 2020 of 1.46 years, with WALE for retail and office being 0.97 and 1.05 years respectively.

Food & beverages as well as fashion remain the two largest trade category 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



MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

MARKET REVIEW

Malaysia's 2021 inflation rose by 2.5% against 2020 reduction of 1.2%. Maybank Investment Bank Berhad forecast 2022 inflation to increase by 2.5% mainly on expectations of continued elevated food inflation in the near term due to the lingering impact from recent adverse weather condition, coupled with the assumption of continued 'blanket' fuel price subsidies amid the currently elevated crude oil prices as well as slacks in the economy to mitigate demand-pull and age-driven inflation eg negative output gap and sub-optimal job market conditions.

AmBank Research projects Malaysia's 2021 GDP to grow by 3.4% with global economy by 4.8% following global GDP's contraction of 3.3% in 2020. Global economy is projected to expand by 4.5% in 2022 with stimulus measures and support from governments and central banks globally. Continuous vaccine rollouts and gradual resumption of economic activities are also expected to provide impetus to growth. However, global recovery remains uneven as different countries have different challenges due to policy approaches, vaccination rates and renewed outbreaks of virus. Inflation is also expected in some economies as they re-open for business due to rapid increase in demand that has pushed up prices in key commodities such as oil, metals and food. Supply chain issues are expected to persist into 2022 due to new virus variant that could lead to new shut-downs.

Private consumption, domestic driven private investment and implementation of approved foreign direct investments (from manufacturing and services sectors) besides public expenditure are expected to drive Malaysia's GDP growth to around 5.4% in 2022. Besides the low base of 2021 at 3.4%, exports and firm commodity prices are also expected to support growth. With macroeconomic policy focus on supporting economic growth after the underwhelming recovery in 2021 from the pandemic-triggered recession in 2020, challenges foresee that will derail growth are fear of new Covid-19 variants, rising living cost, roll-back of domestic relief measures and policy changes as well as liquidity threat and global financial market volatility.

International Monetary Fund latest review forecast world economic growth at 4.4% and 3.8% for 2022 and 2023 respectively assuming that bad health outcomes from Covid-19 recede to low levels in most countries by the end of 2022, vaccination rates improves and treatments become more available. Risks are tilted to the downside, with new variants threatening to extend the pandemic as bringing the pandemic to an end depends on ending vaccine inequality.

As per Knight Frank Research, cumulative supply of retail space in Klang Valley stands at about 64.9 million square feet as at 2nd half of 2021 with about 10 shopping centres or supporting retail components with a collective retail space of about 6.6 million square feet scheduled for completion in 1st half of 2022. The pandemic has caused the closure of some historic food and beverages outlets such as Coliseum Café in Jalan Tuanku Abdul Rahman and Rasa Food Arena in Suria KLCC. Other notable retail closures are FOS, Topman and Topshop, Miss Selfridges and Dorothy Perkins. However, there were notable new retail entrants too, such as Chanel Shoe Boutique, Dadi Cinema, Essentials Malaysia, Hublot and Samurai Sushi Malaysia. Driven by structural changes including the shift in consumer behaviour and flexible working arrangements, retailers continue to introduce unique concepts and adopt digital strategies to boost sales and drive footfall such as BookXcess incorporating creativity and artistry with uniquely designed display shelves, chic café and art gallery.

In December 2021, Retail Group Malaysia (RGM) projected a 6.0% retail growth in 2022 as the country's retail industry looks forward to recovery following the impact from Covid-19 pandemic driven restrictions. Cumulative nine months retail sales in 2021 contracted 11.9% as compared to the same period a year ago due to Covid-19 strict containment measures and closure of non-essential retail business in 2021. This resulted in RGM revising its full year retail industry sales growth forecast to 0.5% for 2021.

As published by the Malaysian Institute of Economic Research, the latest consumer confidence index has fallen below the optimism threshold driven by subdued income and job expectations alongside growing concerns over rising prices. Household spending plans are also expected to trend higher. Business conditions index improved by 25.0 points to settle at 122.0 in the 4th quarter of 2021 primarily driven by increase in both domestic sales, external orders as well as capital investment.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

Following the easing of restrictions with more economic sectors and business allowed to re-open under Phase 4 of the national recovery plan effective from 18 October 2021, foot traffic to shopping malls have been building up and almost all local shoppers have returned to all major shopping malls located throughout the country. It is observed that in general, Malaysians still like to shop and enjoy the experience in physical stores and online retail purchase have not replace brick & mortar store. However, sales have yet to returned to pre-pandemic level for many retailers due to limit on in-store number of shoppers and controlled seating capacity for food and beverages sectors. Shortage of manpower is also one of the major issues that many retailers are facing as many of them had let go of their employees and non-renewal of foreign workers' employment pass during the lock down period. It will take time to recruit and train new employees.

As per Hong Leong Investment Bank Research, more retail players with establish online businesses are expected to increase their visibility into physical stores and incorporate omnichannel sales approach.

The Manager is cautiously optimistic that retail growth momentum is sustainable following the re-opening of the economy, high vaccination coverage with the ongoing booster rollout. Fear of new variants emerging may affect discretionary spending. The Manager is committed to stay resilient and continue to improve and support its tenants by sustaining healthy occupancy levels through proactive lease management, leveraging on digital and media presences to engage and draw visitors to its malls. Operating cost will continue to be monitored to optimise efficiency in adherence to Government's standard operating procedures.

Kuala Lumpur's stock of purpose-built office space increased to 9.4 million square metre as at third quarter of 2021 while the supply of purpose-built office space in Selangor stood at 4.0 million square metre. As per Henry Butcher Malaysia, ten buildings or 230,300 square metre of office spaces were completed in Kuala Lumpur in 2021. Another 966,000 square metres or 13 buildings are expected to be completed in Kuala Lumpur with Selangor to add another 412,000 square metres of space. A number of proposed office development projects that have been announced have yet to commence development, some of which are redevelopment projects which may not proceed in the immediate future due to the current oversupply situation. Occupancy rate of purpose-built office in Kuala Lumpur decline to 70.6% as at the third quarter of 2021 from 77.6% the year before.

Dated office buildings are expected to undergo repositioning/upgrading works to cater to the needs of occupiers with some owners exploring plans to repurpose for new/alternative uses as future trend of working remotely and/or hybrid model may result in downsizing by occupiers. The strategy for 2022 is to continue to retain good tenants with continuous upkeep of property to maintain and enhance the standard of its facilities.

Distribution policy for 2022 is expected to be maintained as per 2021 with continuous look-out for yield accretive assets.

RISK MANAGEMENT

Risk forms part and parcel of a business environment. Hencewith, the Board, is committed to establishing risk management processes are embedded into each and every key activities and business processes in all its properties as well as the Fund to ensure that risks are identified and mitigated in achieving Pavilion REIT's objective.

MAIN RISK FACTORS ARE AS FOLLOWS:-

- a) Acquisition and investment risk refers to risk of assets/investments not being yield accretive, affecting the overall performance of the Fund. The Manager is very cautious in its proposed investments and evaluate them (from financial, legal and technical aspects) prior to recommending to the Board for approval. For related party transactions, the relevant Board members of the Manager will declare their interest and abstain from voting, with such related party acquisition being driven by the Audit Committee.
- b) Valuation risk refers to risk that valuation of property may not be sustainable, hence affecting the Fund's asset value, profitability and gearing. Main parameters for valuation are rental rate, occupancy rate as well as operational cost. The Manager will closely monitor these factors in each of the Fund's property to ensure they are not compromised/mitigated with appropriate strategies such as tenant mix/concept, continuous engagement with tenant to build relationship for further improvement, cost management and prudent spending with relevant marketing activities. However, as a general guide, newly acquired properties will need time to stabilize as the Manager makes improvement to tenant mix, enhancements and streamlining some of the operational practises.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

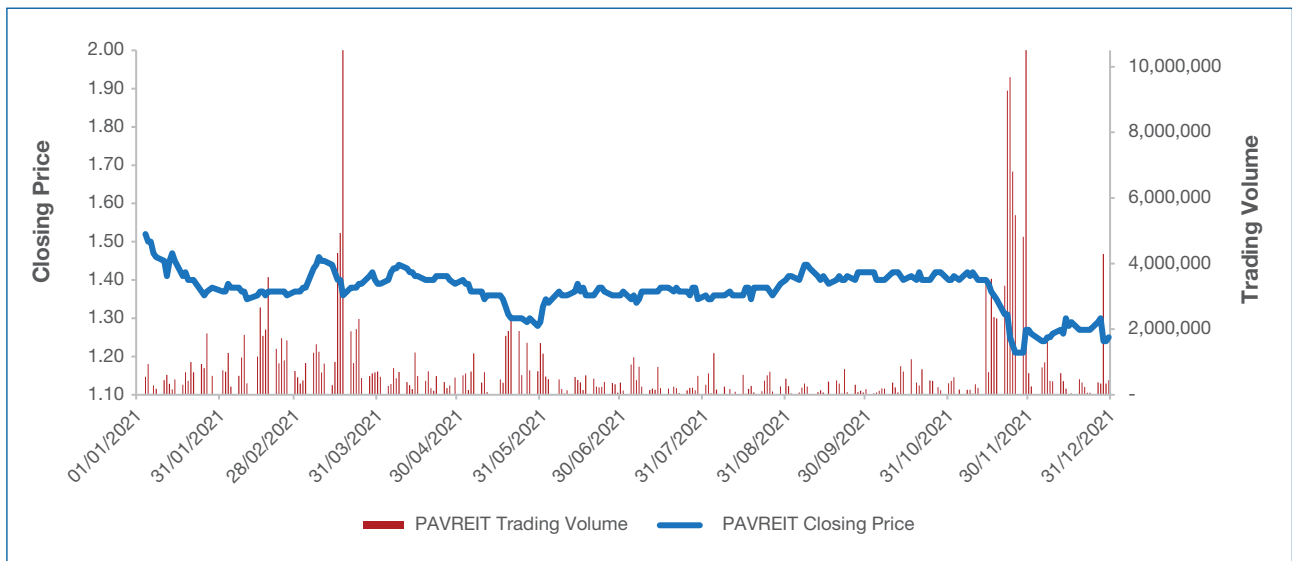
- c) Credit risk and liquidity risk of non-payment by its tenants or counterparties are mitigated by credit evaluation prior to entering into letter of offer or agreement with constant monitoring of outstanding balances to ensure minimum credit exposure is monitored via stringent collection policy. This is to ensure that there are adequate resources to fulfil the requirements of Pavilion REIT's operations and distribution of income to unitholders.
- d) Tenant concentration risk of relying on only a handful of tenants are mitigated as the top ten tenants' contribution is 13.1% of the Fund's gross revenue with the main tenant contributing only 5.7% of the Fund's gross revenue as at 31 December 2021.
- e) Financing risk refers to risk of not being able to obtain fresh facilities or renew its facilities when due, either from financial institution or debt capital market. The Manager has established a RM8.0 billion medium term note programme of 20 years from 25 March 2016, which can either be rated or unrated and to be on either fixed or floating rate. At the same time, the Manager will also continue to engage with various financial institution as well as potential bond holders to determine the best options in the future. Currently, 18.1%, 32.2% and 49.7% of the Funds borrowings are each due in 2022, 2023 and 2026 respectively.
- f) Interest rate risk refers to the potential unfavourable movement in floating interest rate that will affect income before taxation. Besides closely monitoring interest rate to possibly convert to them to fixed rate when timing is deemed appropriate, swap line has also being extended by certain financial institutions to be exercised when appropriate. Borrowing on floating rate is RM1.3 billion or 57.5% of total borrowings.
- g) Operational risk at property is mitigated by having standard operating procedures that are adopted and being continuously reviewed for all the properties under the Fund which comprises operational guide, control and monitoring procedures. Some examples of reports are :-
- i) management of call centre, preventive maintenance, management of incidents
 - ii) inventory control and purchasing procedure
 - iii) rental of promotional space, visual merchandising
 - iv) sourcing, negotiating with potential/existing tenants, tenancy administration
 - v) billing, payment, collection and refund
 - vi) staff training and recruitment
- h) Legal and regulatory compliance. The Manager has a compliance officer, reporting to the Board who is responsible to provide guidance to ensure that all regulatory and compliance matters are adhered to.
- i) Disaster recovery planning. As management information technology plays an important role, the Manager has arranged for daily back-up of information to be housed externally to facilitate recovery in the event of a disaster. All Pavilion REIT properties also have their own emergency response and crisis management plans. Annual fire drills involving all occupants in each property were also held to ensure occupants are kept updated on routes to use and procedures to adhere to in the event of occurrence of disaster.
- j) Currency risk is currently not applicable to the Fund as Pavilion REIT does not have any properties located outside Malaysia, with all collections and borrowings denominated in Ringgit Malaysia. There is only negligible payments to be made in foreign currency.
- k) Staff resources risk of not being able to attract and retain capable staff are mitigated via staff engagement, periodic staff dialogues, annual review and training with a planned remuneration package that is in line with industry practice.
- l) As part of business continuity planning, during the conditional movement control order period, all properties and departments have split their staff into separate teams (and working from different locations where possible) as contingency to enable support in the event of emergency. Enhancements were also made to information technology and information systems to ensure IT disruptions, operations and key business needs will be minimise in the event of unplanned disruptions.

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 9th annual general meeting was held virtually on 25 March 2021 whereby its unitholders were updated on the performance of Pavilion REIT for the financial year ended 31 December 2020.

Pavilion REIT’s Monthly Trading Performance



Pavilion REIT’s Unit Price Performance against FBM KLCI



INVESTORS RELATION AND FUND MANAGEMENT

(cont'd)

Trading Summary	FY2017	FY2018	FY2019	FY2020	FY2021
Net Asset Value per Unit (RM)					
- As at 31 December	1.30	1.31	1.31	1.27	1.27
- Lowest during the year	1.27	1.28	1.29	1.27	1.25
- Highest during the year	1.30	1.31	1.31	1.28	1.27
Closing unit price (RM) as at 31 December	1.61	1.64	1.74	1.50	1.25
Highest traded price during the year (RM)	1.93	1.78	1.92	1.82	1.53
Lowest traded price during the year (RM)	1.61	1.32	1.61	1.35	1.19
Capital appreciation/(depreciation) (%) ¹	(15.26)	1.86	6.10	(13.79)	(16.67)
Annual total return (%) ²	(10.14)	7.21	10.98	(11.04)	(13.14)
Average total return over 3 years (%)	9.42	8.00	2.68	2.38	(4.40)
Average total return over 5 years (%)	9.12	10.99	9.29	4.79	(3.23)
Units in circulation ('000)	3,030,094	3,036,705	3,041,090	3,045,307	3,050,059
Market capitalisation (RM'000)	4,878,451	4,980,196	5,291,497	4,567,961	3,812,574

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.

PORTFOLIO DETAILS

(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	14 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	2,250,684 square feet
Net Lettable Area	1,347,361 square feet
Number of Car Park Bays	2,391
Occupancy Rate as at 31 December 2021	90.2%
Date of Acquisition	7 December 2011
Acquisition Price	RM3,190 million
Appraised Value	RM4,850 million
Date of Latest Valuation	31 December 2021
Independent Valuer	C H Williams Talhar & Wong Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM396 million
Net Property Income	RM213 million
Ten Largest Tenants	Adidas, Cartier, Dadi Cinema, Food Republic, Hermes, Padini Concept Store, Parkson Elite, Polo Ralph Lauren, Richard Mille, Zara

PORTFOLIO DETAILS

(cont'd)

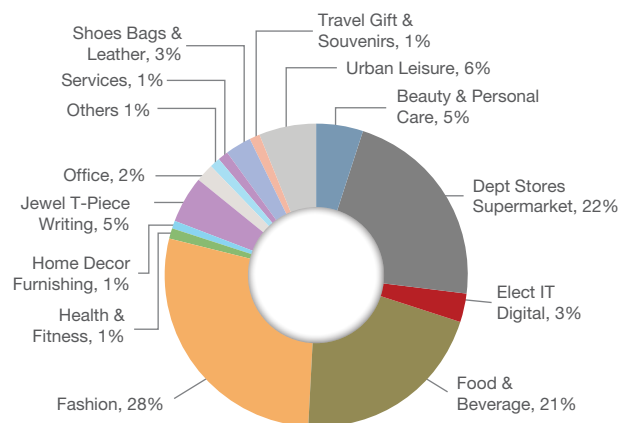


Tenancy Expiry Profile

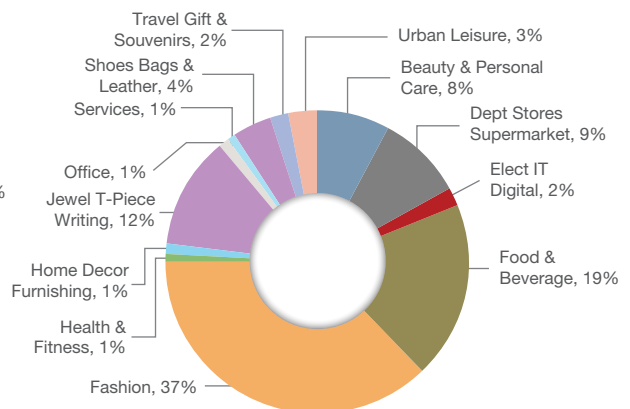
Period	% of Occupied NLA	% of Gross Rental
Monthly	8	8
FY2022	61	57
FY2023	24	27
FY2024 and thereafter	7	8
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO 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	9 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 2021	83.6%
Date of Acquisition	25 March 2016
Acquisition Price	RM160 million
Appraised Value	RM180 million
Date of Latest Valuation	31 December 2021
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM23 million
Net Property Income	RM9 million
Ten Largest Tenants	Hanare, Hua Wei, In Colonial, Jaya Grocer, McDonald's, MST Golf, Oriental Landmark, Primrose Hill Active Learning, Skechers, SportsDirect.com

PORTFOLIO DETAILS *(cont'd)*

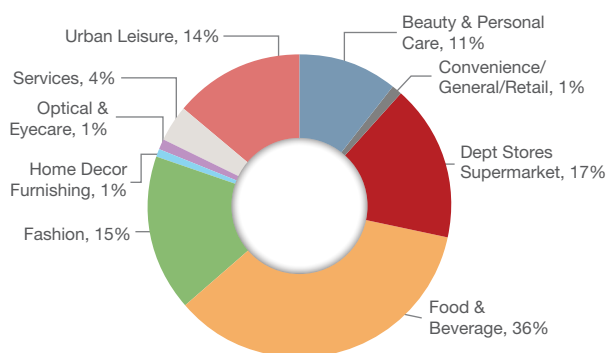


Tenancy Expiry Profile

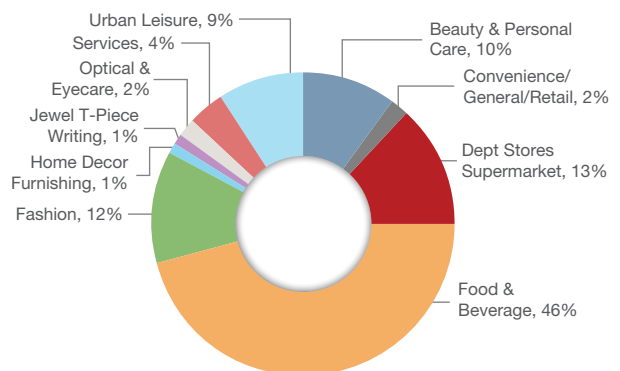
Period	% of Occupied NLA	% of Gross Rental
Monthly	5	6
FY2022	62	58
FY2023	10	15
FY2024 and thereafter	23	21
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO 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	6 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	419,517 square feet
Number of Car Park Bays	1,638
Occupancy Rate as at 31 December 2021	62.3%
Date of Acquisition	25 March 2016
Acquisition Price	RM487 million
Appraised Value	RM180 million
Date of Latest Valuation	31 December 2021
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate –Reversionary	6.50 %
Gross Revenue	RM11 million
Net Property Loss	RM9 million
Top Ten Tenants	BookXcess, Chi-X Fitness, Dadi Cinema, Grand Harbour Restaurant, Home's Harmony, Jaya Grocer, Mr DIY, Music Box, Nam Heong Ipoh, Swensen's

PORTFOLIO DETAILS
(cont'd)

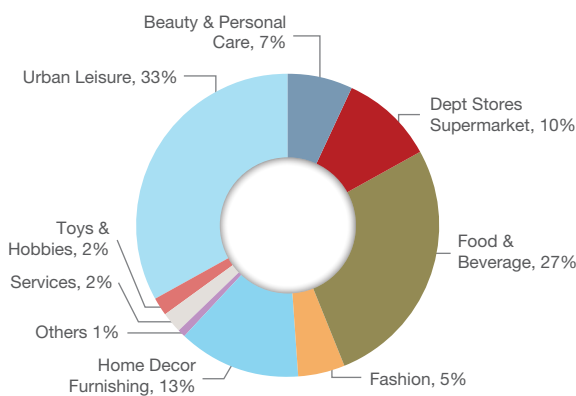


Tenancy Expiry Profile

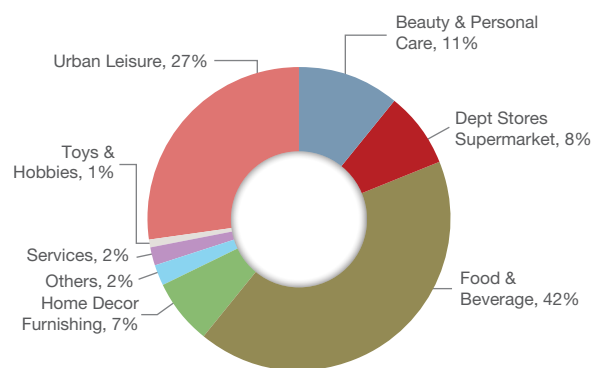
Period	% of Occupied NLA	% of Gross Rental
Monthly	24	32
FY2022	35	31
FY2023	25	24
FY2024 and thereafter	16	13
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO 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	5 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	227,785 square feet
Number of Car Park Bays	50
Occupancy Rate as at 31 December 2021	86.4%
Date of Acquisition	27 April 2018
Acquisition Price	RM580 million
Appraised Value	RM540 million
Date of Latest Valuation	31 December 2021
Independent Valuer	C H Williams Talhar & Wong Sdn Bhd
Capitalisation Rate – Reversionary	6.25% for Elite Pavilion
Gross Revenue	RM46 million
Net Property Income	RM18 million
Ten Largest Tenants	Coach, COS, Cotton On, JD Sports, Haidilao Hotpot, Lukfook Jewellery, Lululemon, MAC, Muji & Café, Red Box Plus

PORTFOLIO DETAILS

(cont'd)

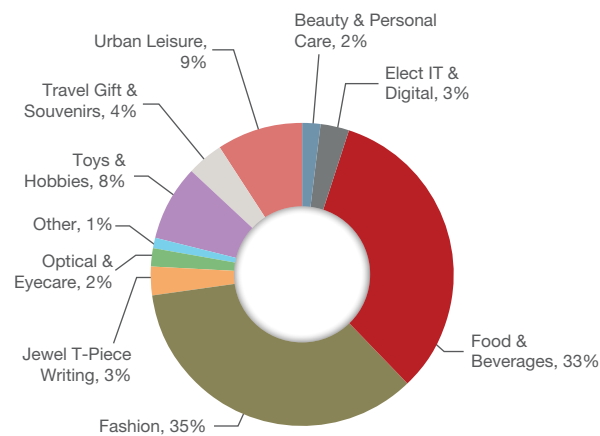


Tenancy Expiry Profile

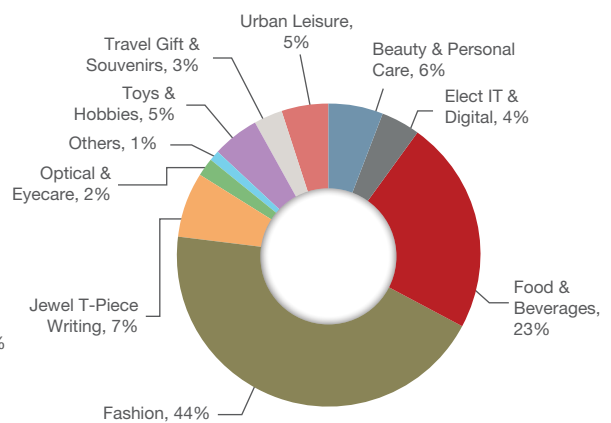
Period	% of Occupied NLA	% of Gross Rental
Monthly	15	9
FY2022	56	73
FY2023	16	10
FY2024 and thereafter	13	8
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO 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	14 years
Title	Pajakan Negeri 53757 Lot 20020, Sekyzen 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 2021	79.1%
Date of Acquisition	7 December 2011
Acquisition Price	RM123 million
Appraised Value	RM130 million
Date of Latest Valuation	31 December 2021
Independent Valuer	C H Williams Talhar & Wong Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM11 million
Net Property Income	RM5 million
Top Ten Tenants	Clever Eagle Sdn Bhd, First East Export Bank, 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, MRails Tram (Melaka) Sdn Bhd, Pan-Asia Property Management Sdn Bhd

PORTFOLIO DETAILS

(cont'd)

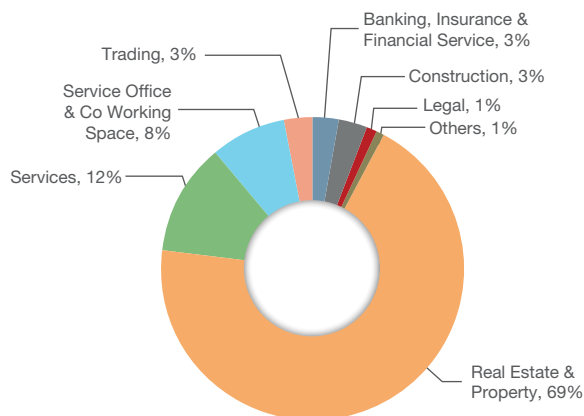


Tenancy Expiry Profile

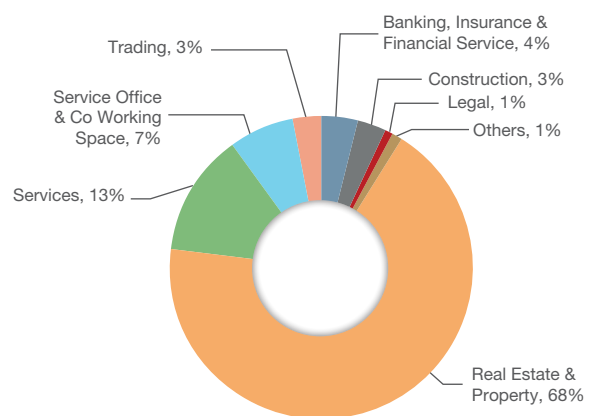
Period	% of Occupied NLA	% of Gross Rental
Monthly	16	16
FY2022	48	48
FY2023	28	28
FY 2024 and thereafter	8	8
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



SUSTAINABILITY STATEMENT

45	Introduction
45	About The Sustainability Statement
46	Governance
48	Stakeholder Engagement
51	Materiality
52	Economic
55	Environmental
58	Social
63	Conclusion
64	GRI Standards - Core Option Index

SUSTAINABILITY STATEMENT

(cont'd)

INTRODUCTION

The Manager is pleased to present Pavilion REIT's Sustainability Statement for the financial year ended 31 December 2021. This report covers the progress in adopting sustainable management practices of the Fund's properties and tracks the impact from an Economic, Environmental and Social ("EES") perspective to its stakeholders.

About the Business

Pavilion REIT is a real estate investment trust listed on the Main Market of Bursa Malaysia since 7 December 2011 and is managed by Pavilion REIT Management Sdn Bhd ("the Manager"). 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 with the objective of providing its unitholders with regular and stable distributions while achieving long-term growth in net asset value based on an appropriate capital structure. Pavilion REIT currently has five properties in its portfolio consisting of four retail malls and an office tower. Three of the malls and the office tower are located in the commercial centre of Kuala Lumpur while the remaining mall is in the vibrant Subang Jaya neighbourhood. There were no significant changes in the business as compared to the last financial year. The Fund's investment properties have an aggregate value of RM5.9 billion as at 31 December 2021.

Approach and Commitment to Sustainability

The Manager been applying appropriate strategies and practices centred around good corporate social responsibility and governance in order to enhance long-term values with sustainability objectives as follows:-

- Delivering profitable and sustainable business growth to achieve a long-term growth in net asset value per unit;
- Provide unitholders with regular and stable distributions;
- Be a valued partner to the Fund's tenants and vendors;
- Prioritise health and safety;
- Its employee well-being; and
- Practice responsible environmental stewardship.

Sustainability remains an important part of Pavilion REIT's long-term strategy in guiding decision-making and engagement with stakeholders.

ABOUT THE SUSTAINABILITY STATEMENT

In the preparation of this report, the Manager has been guided by the Global Reporting Initiative (GRI) Standards - Core Option. The reporting period is on an annual basis from 1 January 2021 to 31 December 2021. As Pavilion REIT does not have any employees, the information reported in relation to employees are made in reference to the employees of the Manager. The Manager does not have collective bargaining agreements with its employees. Current year sustainability reporting includes all Pavilion REIT properties with environmental reporting being focused on Pavilion Kuala Lumpur Mall which contributes to about 90% net property income of Pavilion REIT with waste management covering Pavilion Malls (which contributes to about 98% of net property income) with no material restatements from the previous reporting year. Exclusions took into consideration monitoring cost effectiveness and the materiality to Pavilion REIT as a whole.

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

As part of ongoing efforts to improve our ESS reporting, stakeholders could submit any query or comment to info@pavilion-reit.com

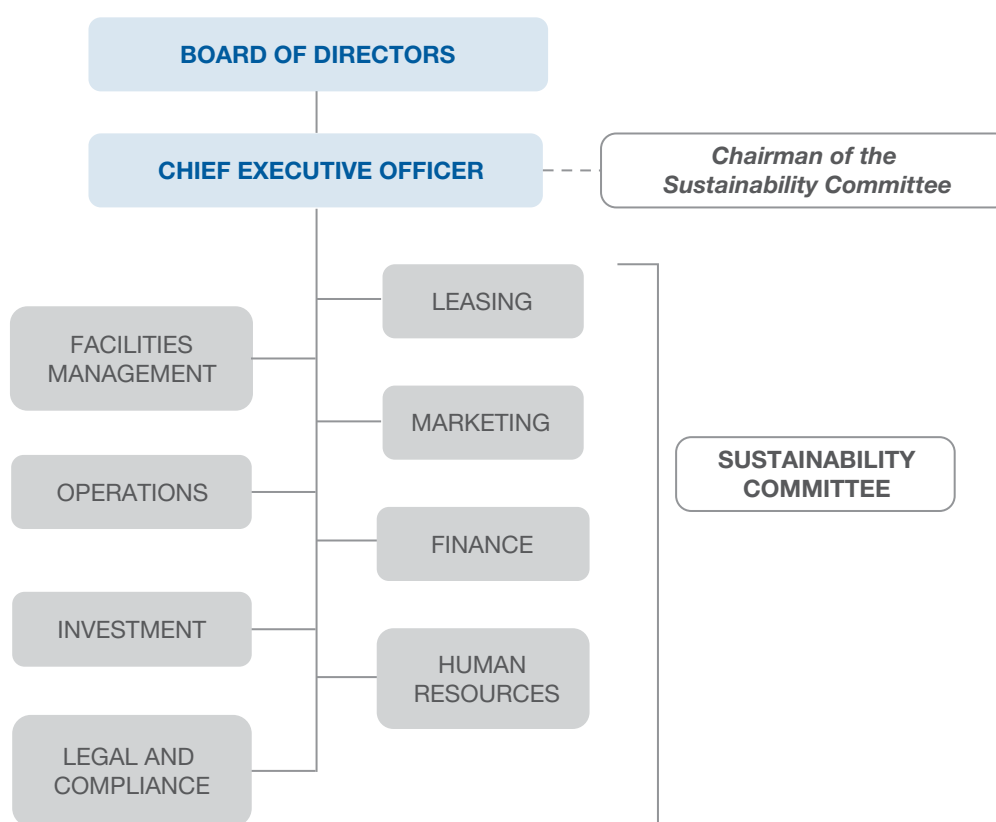
SUSTAINABILITY STATEMENT

(cont'd)

GOVERNANCE

Governance Structure

As the Manager of Pavilion REIT, we are cognisant of the responsibility entrusted on us to act in the interests of the Fund's unitholders, with integrity, due care and diligence. We believe in the importance of adopting an effective corporate governance culture and have therefore established a sustainability committee with representation and participation from the various divisions in the operations. The members of the sustainability committee regularly discuss, initiate, implement and track sustainability initiatives and to ensure alignment with the overall strategy of the Fund. The Sustainability Committee (as detailed in the diagram below) is led by the Chief Executive Officer, acting as the committee chairman, who reports to and updates the Board of Directors on matters in relation to the initiatives and progress of Pavilion REIT's sustainability endeavours.



Risk Management

The key risks identified for Pavilion REIT during the financial year under review are as follows:-

No	Key Risk Type	Risk Description	Sources of Opportunities	Existing Control /Mitigation Plan
1.	Acquisition & investment risk	Risk of non-accretive yield of assets/investments affecting the overall performance of the Fund	Distribution to unitholders will increase as a result of successful acquisition and investment in properties with higher yield	<ul style="list-style-type: none"> Cautiously evaluate proposed investment from financial, legal and technical aspects Related party acquisition has to be evaluated by Audit Committee

SUSTAINABILITY STATEMENT

(cont'd)

No	Key Risk Type	Risk Description	Sources of Opportunities	Existing Control /Mitigation Plan
2.	Valuation risk	Risk that valuation of property may not be sustainable, hence affecting the Fund's asset value, profitability and gearing	Pavilion Malls form a part of the Bukit Bintang and KLCC ("BB-KLCC") retail hub, representing a vibrant retail and tourism belt with Intermark Mall located about 2 km from Kuala Lumpur City Centre. DA MEN Mall is a neighbourhood mall in a matured integrated township development of UEP Subang Jaya. The malls are well positioned to attract diverse customers and tenants	<ul style="list-style-type: none"> • Closely monitor investment parameters such as rental rate, occupancy rate as well as operational cost • Maintain appropriate tenant mix/concept • Continuous engagement with tenants • Cost management and prudent spending on promotional activities • Periodically review strategy for repositioning of properties
3.	Credit risk	Liquidity risk of non-payment by tenants/customers	Tenants with strong credibility can support the confidence of unitholders	<ul style="list-style-type: none"> • Conduct credit evaluation on counterparties prior to entering into letter of offer or agreement • Have a stringent collection policy in place
4.	Tenant concentration risk	Risk of relying on only a handful of tenants	A diversified tenant base can cater for requirements and needs of customers with different purchasing power and increase the sales of malls	<ul style="list-style-type: none"> • The top 10 tenants only contributed to 15.0% of the Fund's total gross rental income for FY2021 • The Manager has established a leasing team which is responsible for monitoring the sales performance of its tenants
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	Strong credit service capability and credit rating will attract confidence from financiers for funding support	<ul style="list-style-type: none"> • Continuous engagement with various financial institutions, potential bondholders and other financiers to determine the appropriate financing options
6.	Interest rate risk	Risk refers to the potential unfavourable movement in floating interest rate that will affect income before taxation	Careful management of the debt portfolio between fixed and floating rates	<ul style="list-style-type: none"> • Closely monitor interest rates and consider funding options • Swap lines have been extended by certain financial institutions
7.	Operational risk	Risk of incurring loss resulting from inadequate procedures or existing system failure	Managing operational risk provides a channel to reinforce discipline within the organisation	<ul style="list-style-type: none"> • Regularly review standard operating procedures ("SOPs") which comprises operational guide, control and monitoring procedures • Ensure employees are well trained to act according to the SOPs

SUSTAINABILITY STATEMENT

(cont'd)

No	Key Risk Type	Risk Description	Sources of Opportunities	Existing Control /Mitigation Plan
8.	Legal and regulatory compliance risk	Risk that a non-compliance in required laws, rules and regulation will materially impact the operation of Fund and its stakeholders	Compliance to required laws, rules and regulation will boost confidence of unitholders and other stakeholders in the Fund	<ul style="list-style-type: none"> Compliance officer is responsible for providing regulatory guidance and ensuring regulatory compliance
9.	Disaster risk	Risk of loss and damage due to incidents arising from natural disaster	Leveraging on technology for assistance and reinforce discipline within the Fund	<ul style="list-style-type: none"> Disaster recovery planning includes daily back-up of information All properties under Pavilion REIT have their own emergency response and crisis management plans
10.	Staff resources risk	Risk of not being able to attract and retain capable staff	Ensuring a skilled and committed workforce can create sustainable value to business	<ul style="list-style-type: none"> Remuneration package that is in line with industry practice Periodic staff engagement and staff dialogues Annual review and training for staffs
11.	Business continuity plan	Risk of business not being able to operate at optimal level	Leveraging on technology for assistance	<ul style="list-style-type: none"> Activation of separate teams and working from different locations during the Covid-19 pandemic Enhancement to information technology and its system

Business Ethics/Core Values

The core values serve as a guiding light to how business is conducted. The Manager adheres to the principles of ethical and responsible business practices and have in place measures against unacceptable behaviour such as fraud and corruption.

Whistle-blowing policy has been setup to provide a safe channel for employees and other person to report potential or actual improprieties within the Manager or the Fund via <https://bdoethics.com/v1/r/QxgwQn00Ey5cz2z6DILFLAGx4xDL6x9>.

In addition, the Manager has also put in place its Anti-Bribery & Corruption policy as well as its standard operating procedures that provides detailed guidance on eliminating corrupt practices within the business. The Manager's employee handbook provides guidance on generally accepted procedures and practices for business conduct.

Policies and procedures will be regularly be reviewed and any shortcomings noted will continuously be reviewed and rectified.

STAKEHOLDER ENGAGEMENT

Of paramount importance to the strategies on sustainability is the engagement with Pavilion REIT's stakeholders. They offer the means in which the Manager can have insights into what matters and measure the effectiveness of the Fund's approaches to sustainability. The Manager has identified Pavilion REIT's key stakeholder groups by the relevance of actual and potential impact that they may have on the Funds operations as well as how any actions affect them.

SUSTAINABILITY STATEMENT

(cont'd)

Stakeholder Engagement Table

The Sustainability Committee undertook a materiality assessment taking into consideration the stakeholder groups the Fund engages with and identified the key stakeholders as well as the methods by which Pavilion REIT engages them on their expectations. The table below presents the method and frequency of engagement with the Fund's key stakeholders to discuss pertinent issues and the constructive solutions offered to address their concerns:-

Stakeholder	Method of Engagement	Frequency	Stakeholder Expectations	Addressing Expectations
EMPLOYEES	<ul style="list-style-type: none"> Performance appraisals Training programmes Dialogue with senior management 	Annual Ad hoc As required	<ul style="list-style-type: none"> Employee welfare Fair compensation and benefits Safe and conducive working environment Training and career development opportunities Work-life integration 	<ul style="list-style-type: none"> Fair and transparent appraisals Equal opportunity for all with no discrimination Ensure a conducive and safe working environment Facilitate training programmes and seminars Respect personal values and ambitions
INVESTMENT COMMUNITY	<ul style="list-style-type: none"> Announcements General meetings Individual meetings Investor roadshows Electronic communication 	As required Annual As required As required Ad hoc	<ul style="list-style-type: none"> Performance of assets Business strategy Stable and sustainable returns Corporate governance Timely and transparent reporting Prudent risk management 	<ul style="list-style-type: none"> Agile in responding to changes in the business environment in order to enhance the value of the Fund's assets and maintain stable profitability Focus on providing unitholders with a secure and regular income stream as well as sustainable long-term growth Ensure timely release of announcements and financial results Adherence to all applicable regulations and laws
CUSTOMERS/ SHOPPERS	<ul style="list-style-type: none"> Festive performances and activities Promotional events Customer satisfaction surveys Information concierge 	Seasonal Ad hoc Ad hoc Ad hoc	<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.

SUSTAINABILITY STATEMENT

(cont'd)

Stakeholder	Method of Engagement	Frequency	Stakeholder Expectations	Addressing Expectations
TENANTS	<ul style="list-style-type: none"> Update of asset activities Tenant meeting 24 hours hotline and help desk available 	<p>Annual</p> <p>As required</p>	<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
VENDORS, CONTRACTORS AND SERVICE PROVIDERS	<ul style="list-style-type: none"> Meetings Safety briefings and workshops 	<p>As required</p> <p>Ad hoc</p>	<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
REGULATORY AUTHORITIES	<ul style="list-style-type: none"> Direct dialogue Policy briefings Consultation sessions and conferences 	<p>As required</p> <p>Ad hoc</p> <p>Ad hoc</p>	<ul style="list-style-type: none"> Compliance with regulatory requirements Keeping abreast on policy and regulatory changes 	<ul style="list-style-type: none"> Constant monitoring of economic, environmental, social and governance policies and procedures to ensure alignment with regulatory requirements through regular attestations, compliance monitoring programmes and reporting Work with professional subject experts
LOCAL COMMUNITIES	<ul style="list-style-type: none"> Corporate social responsibility programmes Relevant authorities to improve mobility and traffic congestion 	<p>Ad hoc</p> <p>Ad hoc</p>	<ul style="list-style-type: none"> 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"> Media launches Media interviews Media releases 	<p>As required</p> <p>As required</p> <p>As required</p>	<ul style="list-style-type: none"> Timely and transparent communication Market 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

SUSTAINABILITY STATEMENT

(cont'd)

MATERIALITY

The Sustainability Committee conducted the following to derive the materiality matrix:

STEP

1

- Identifying the economic, environmental and social material matters that impact the business and influence the decision-making of key stakeholder groups

2

- Ranking the selected matters on its importance to the different stakeholder groups

3

- Ranking the selected matters on its importance to Pavilion REIT's business operations

Based on the Manager's review, material matters identified in the previous year have been revisited in order to understand how they have impacted the Fund's operating environment and its stakeholders, taking into consideration any pertinent external influences. Based on assessment, the Manager has deemed the following material matters to be relevant in the current reporting year:-



Legend		
◆ Economic	◆ Environmental	◆ Social

SUSTAINABILITY STATEMENT

(cont'd)

Material Matter	Description
Economic Performance	The financial value generated for stakeholders
Health & Safety	Processes and policies for the prevention, detection, risk assessment and reporting of health and safety matters
Grievance Mechanism	Establishment of process for complainants who may be adversely impacted
Cyber Security	Concern to information technology system on data security and privacy protection
Market Presence	Contribution to the economic development in the local areas and communities where the Fund operates
Brand Value and Recognition	Strategies to maintain reputation and top-of-mind status among shoppers
Training and Education	Constant development and improvement of employees' skills and competencies
Indirect Economic Impact	Benefits derived from investments that is indirectly converted into public conveniences including infrastructure or complimentary services
Employee Retention	Efforts to reduce employee turnover through providing a rewarding working environment
Diversity and Equal Opportunity	Merit based employment policies that promote diversity and equality at work
Community Engagement	Interaction with those who are within the sphere of property from an economic, social, cultural or environmental perspective
Customer Privacy	Management and care of sensitive and private information of customers
Waste Management	Management of effluents and waste covering the treatment and disposal of waste and toxic substances that can result in adverse health and environmental impacts
Water Consumption	Management of water use such as water recycling and reuse to be eco-friendly
Energy Consumption	Management of energy use such as having energy-efficient installations and equipments to minimise environmental impact
Procurement and Supply Chain	Policies and practices that govern the selection of and transactions with vendors

ECONOMIC

Pavilion REIT is committed to playing its part in contributing to the economy in a sustainable and responsible way. The Fund strives to deliver value to all its stakeholders based on an established culture of care and accountability.

Economic Performance

The property industry has remained as one of the largest contributors to Malaysia's growing economy. Despite the evolving economic and political conditions in the recent years, the real estate industry has and will maintained its stability. The Manager oversees Pavilion REIT's business operations, including operating cash flows, financing arrangements as well as investment and debt maturity profile to ensure that the expectations of the Fund's stakeholders are met and business operations continues to generates economic value through its performance.

In managing cost effectiveness and financing risks, the Manager maintains investor confidence amidst the pandemic risks. Challenges are overcome through prudent business practices, pro-active business strategies and optimal capital management.

In addition, Pavilion REIT proposes to distribute at least 90% of our distributable income to eligible unitholders for the financial year ending 31 December 2022.

SUSTAINABILITY STATEMENT

(cont'd)

Indirect Economic Impact

As a 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, Pavilion REIT works with the associations to initiate efforts towards economic growth, environmental conservation, good corporate governance and community development. Community messaging and sharing updates with associations for communication to general public are activities that have been undertaken besides holding regular discussions with relevant authorities on matters of importance for the benefit of its stakeholders.

Cyber Security

With digitalization being a necessity to business operations with data security and privacy protection being risk factors, the Manager is committed to continuously review and enhance its information security system. Independent vendors would be engaged to periodically review the Fund’s information system besides continuous dissemination of update and training for staff.

Brand Value and Recognition

The Manager is committed to sustainable development through value creation by managing ESS risks which subsequently enhances brand value and recognition within the REIT industry. Pavilion REIT’s brand value proportionally improves with better recognition in the industry, leading to higher tenant engagement and unitholder investments.

Various marketing tools are used to enhance marketing and branding efforts as presented in the illustration below. The Manager believes that rigorous promotions significantly boost the Pavilion Malls’ positioning as the defining authority in shopping, dining and urban leisure. The Manager uses both physical and digital avenues to create customer awareness of latest offerings in the malls and tenants’ demographic at the building.



To date, Pavilion Kuala Lumpur Mall has achieved 47 accolades from both local and international councils or associations

SUSTAINABILITY STATEMENT

(cont'd)

Market Presence

The Manager manages market presence from business perspective and human resource perspective. In addition to expanding the Fund's portfolio through acquisition of new investments, the Manager endeavours to extend brand visibility to grow the national economy by ensuring fair and equal remuneration and local hiring. Most of the Manager's senior managers are Malaysians and we practice equal gender wage ratio, thereby emphasising on integrating local culture into our business practices as well as affirming our stance on maintaining equal opportunity regardless of gender, race or religion.



Procurement and Supply Chain

Pavilion REIT's supply chain comprises all the business partners that contribute to the efficiency of the Fund's business and the maintenance of its assets. These include vendors who offer services such as property management, building maintenance, landscaping, security, marketing and promotions products/services. There are no significant changes in the supply chain as compared to last financial year. The Manager prioritise ethical and transparent behaviour in procurement based on the following policies:-

Quality & Compliance	Assess the quality level of service or product including its technical expertise and specifications and ensure that it is in full compliance with requirements and product certification where applicable.
Price	Evaluation is based on the competitiveness of the pricing taking into consideration the quality of the product or service and potential cost variations.
Prompt Delivery	To maintain efficiency, the Fund requires prompt and reliable delivery from its vendors who are evaluated based on their reaction and delivery timelines.
Service	Services offered by each vendor are evaluated based on requirements and suitability as well as the past experience and track record of the vendor.
Support	The Manager considers vendors as business partners and therefore require them to be able to provide advice and assistance beyond just product or service delivery. Hence the need to evaluate their capability in providing the necessary support.

For this reporting year, we are proud to disclose that approximately more than 99% of our vendor services are procured locally and with less than 1% of supplies or services coming from international service providers for information technology, marketing and promotional purposes. The Manager's anti-bribery & corruption standard operating procedures have been shared with the Fund's vendors to enhance the value in the supply chain.

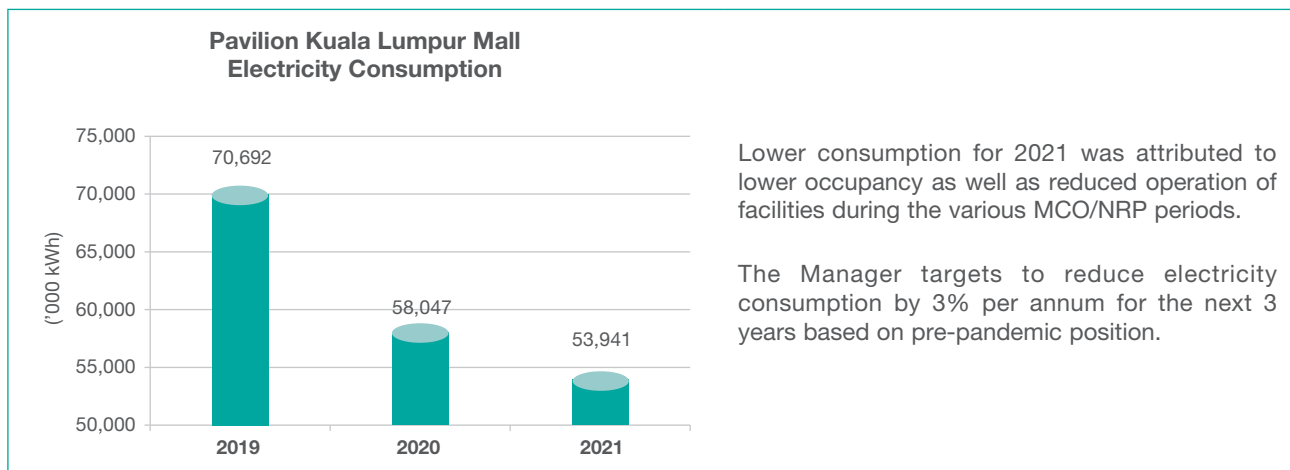
SUSTAINABILITY STATEMENT

(cont'd)

ENVIRONMENTAL

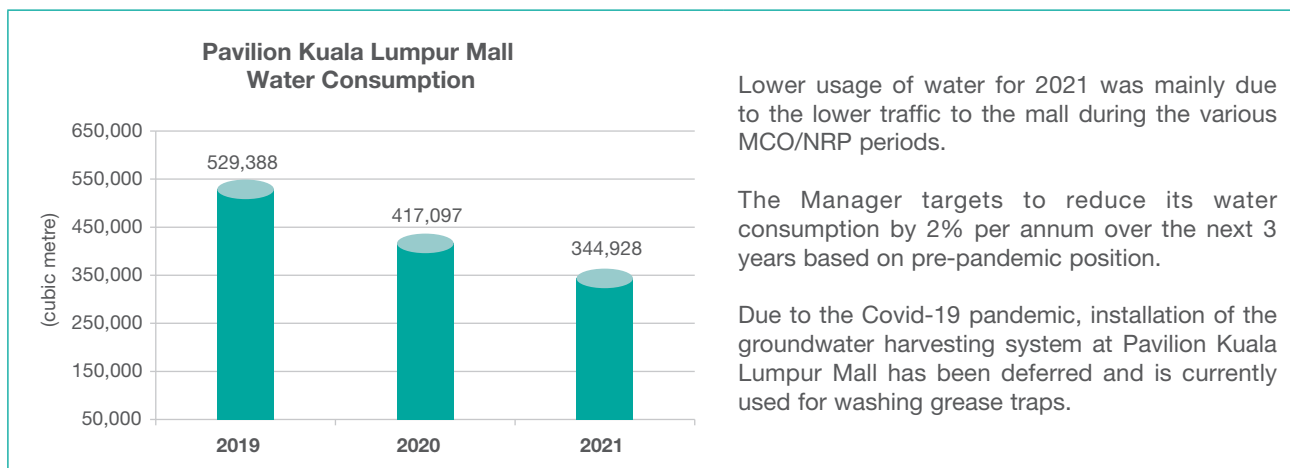
Environmentally sustainable operations requires the management of resources and operations efficiently. The Manager will continue to minimise any adverse impact on the environment by adopting environmentally friendly practices as well as explore new avenues to improve energy, water and waste management.

Energy Consumption



Water Consumption

Water usage at public restrooms including sanitary facilities constituted the largest portion of water consumption in the mall's daily operation followed by water consumed in operating air conditioning systems, cooling towers and chilled water expansion tanks. Alternative supply will be sourced should there be water rationing from Syabas, the water vendor.



Waste Management

With the increasing volume of waste produced by rising population levels, it has become imperative for everyone to practise proper waste management to mitigate the threat posed to our fragile ecosystems. The Manager has always implemented a waste management work flow to address the waste generated from Pavilion REIT properties.

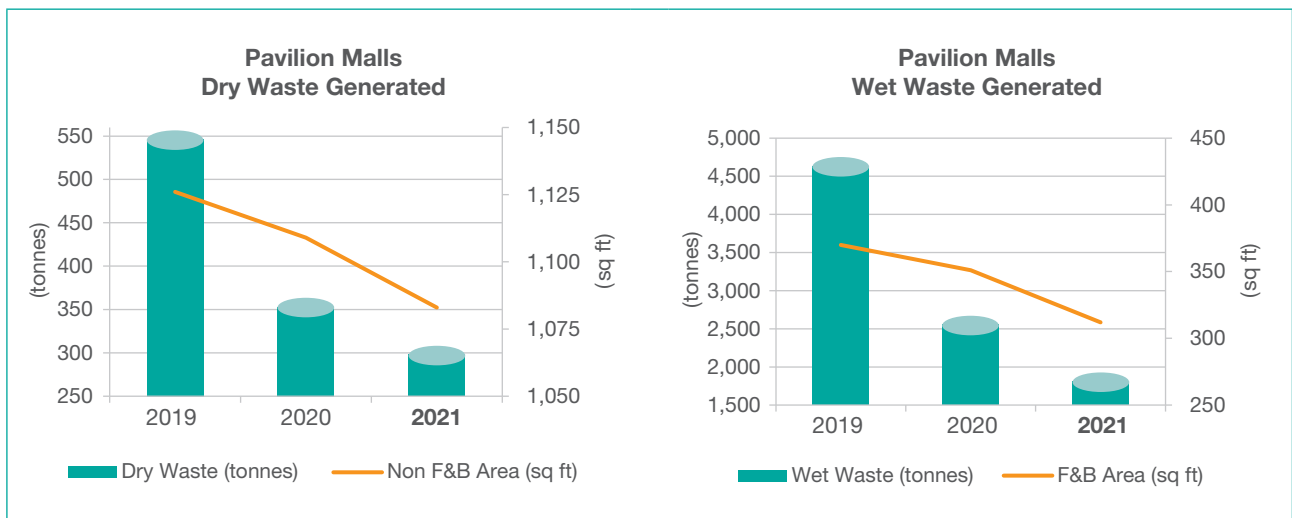
SUSTAINABILITY STATEMENT

(cont'd)

The main categories of waste generated are wet waste or food waste and dry waste, which are managed by the respective properties (as detailed in the diagram below) except for Intermark Mall. Intermark Mall's waste management is undertaken by Intermark Management Corporation, as part of an integrated mixed commercial development that comprises the Intermark Mall, two corporate office towers as well as a hotel. Waste separation are undertaken to ensure they are disposed off legally with recyclable waste being sent to recycling companies by the appointed waste disposal vendors. Generally, the increase in waste is due to increase in tenants or occupiers of the property.



Lower waste generated in 2021 was due to lower activities and shorter operating periods by tenants during the various MCO periods.

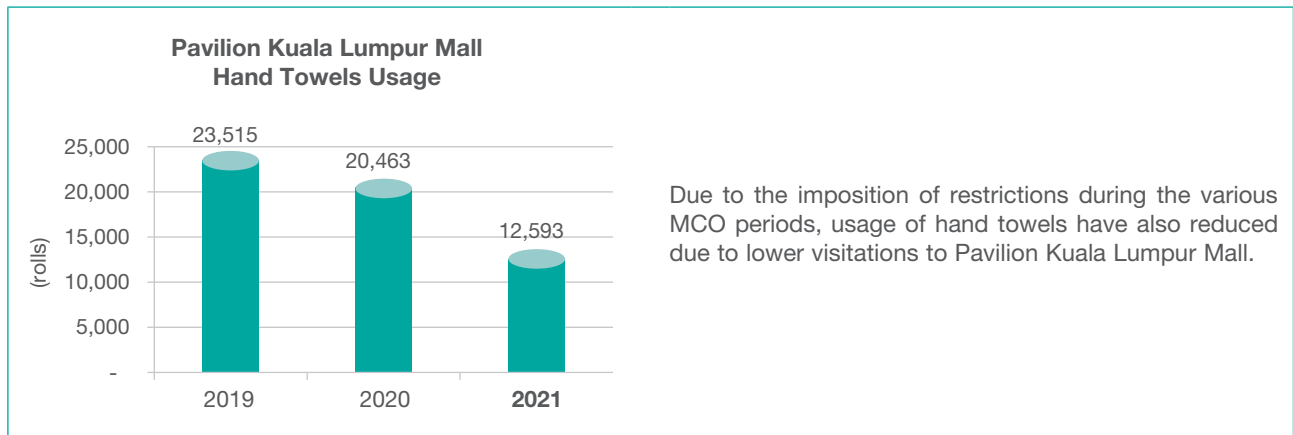


SUSTAINABILITY STATEMENT

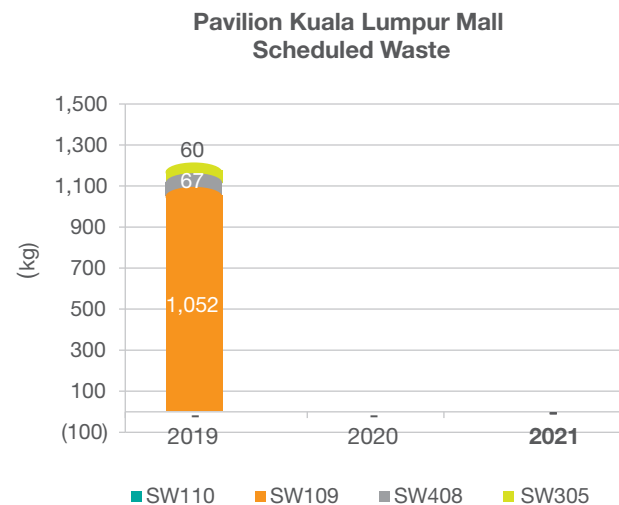
(cont'd)

To encourage shoppers and visitors to participate in responsible dry waste segregation, recycle bins are placed on every floor of the malls. To facilitate the waste management work flow, general workers are engaged at Pavilion Kuala Lumpur Mall refuse chamber room for manual segregation of recyclable wastes from Pavilion Kuala Lumpur and Elite Pavilion Malls.

Recycled Waste (kg)	2019	2020	2021
Paper	191,850	119,900	77,500
Plastics	1,700	200	0
Metal	1,700	1,000	1,050



Scheduled waste is referred to as waste streams regulated under the Environmental Quality (Scheduled Waste) Regulations, 2005 which is enforced by the Department of Environment (“DOE”), Malaysia. In accordance to the regulation, the Manager engages DOE-licensed contractors occasionally for the disposal of scheduled waste to authorised recycling and/or disposal facilities. The quantity of scheduled waste consisting of computer waste (SW110), spent fluorescent tubes (SW109), saw dust contaminated with oil (SW408) and spent lubricating oil (SW305) that were recycled is as illustrated in the chart with no disposal made in 2020 and 2021.



Climate and Greenhouse Gas Emission

The adverse effects of climate change have caused devastating weather occurrences such as flood, landspouts, storm, heat waves and wildfires. Climate risk are investment and business risk as can be seen from the recent flood disaster that had caused displacement and massive damages to neighbourhood besides extensive loss and damages to businesses in selected areas of Klang Valley in late December 2021. The Manager intends to minimise impact to the physical environment by selecting sustainable located properties and adopting green practices to reduce embodied carbon.

Pavilion REIT does not have properties located at flood prone areas. Pavilion Kuala Lumpur Mall’s cooling tower plants are being upgraded which will improve operational productivity besides increasing energy efficiency. Renewable energy assessments will continue to be evaluated as previous assessments were not viable.

SUSTAINABILITY STATEMENT

(cont'd)

SOCIAL

As an operator of public space, Pavilion REIT is aware of its social role and the impact that can be made to the community. The Manager places great importance on what can be done to enhance the experience for and well-being of its employees as well as Pavilion REIT’s shoppers, tenants and vendors as well as the general public.

Community Engagement

The Manager believes in cultivating a responsible, caring and supportive environment in the communities that the properties operate in and understand the need to have the ability to make a difference. By organising events that are geared towards promoting the well-being and social advancement of our communities, the Fund hope to engage with its customers for a mutually beneficial experience.

Due to Covid-19 pandemic, social activities were minimised. However, the neighbourhood DA MEN Mall continued its support of the community by organizing the below :-

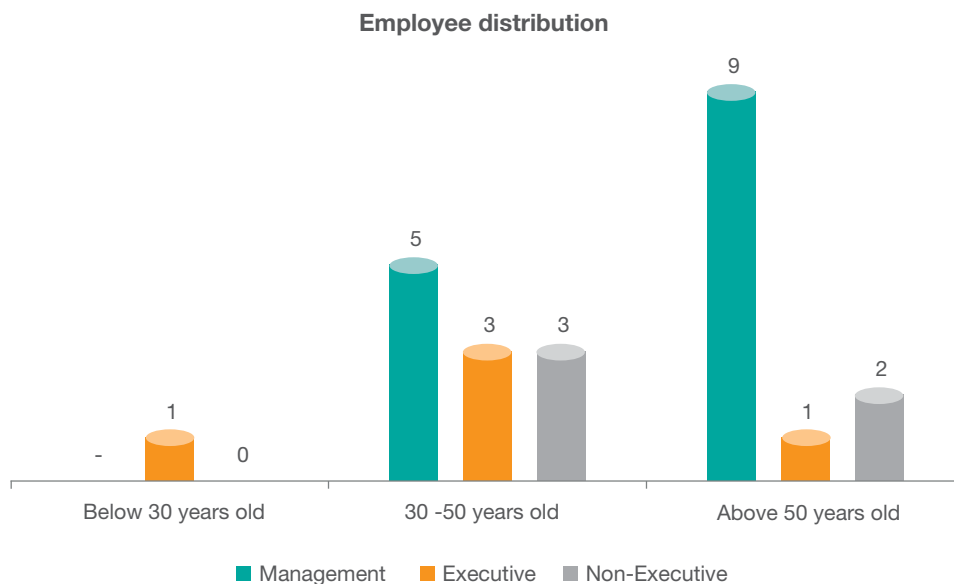
- incubating a new non-profit organisation, *What a Waste* that champions urban and food wastage as part of the Hari Raya bazaar, aimed at raising awareness and funds through sale of rescued goods
- engaging youths via a restroom makeover contest in collaboration with the Inti Centre of Art and Design
- participated in the White Flag Movement initiative and collaborated with Subang Jaya City Council to set up a Kindness Bank to collect food items

Intermark Mall continued with its annual support of autism community by collaborating with international savant artist Art Jamila on her first ever solo public exhibition titled ‘Art and Autism’ exhibition whereby a portion of sales proceeds was donated to The National Autism Society of Malaysia.

As a responsible corporate citizen, Pavilion REIT supported the Government’s call and pledged a donation to the Malaysia Red Crescent Society to aid and support the flood disaster relief efforts.

Diversity and Equal Opportunity

The Manager hires a total of 24 employees, of which 8 are male and 16 are female, representing a percentage breakdown of 1:2. The Manager’s recruitment practices and hiring decision are not biased as they are based on meritorious grounds of potential candidates, regardless of their gender, race and religion. The employee distribution graph below illustrates the age distribution of its employees within each employment category. While management category comprises assistant managers and above, the executive category comprises all the executives and senior executives.



SUSTAINABILITY STATEMENT

(cont'd)

Employee Retention

3 of the Manager’s employee resigned during the year with 2 recruitments engaged in FY2021. The Manager maintains a fair and productive work environment for its employees besides encouraging a work-life balance lifestyle by offering various benefit plans.

The benefits offered to all employees include, but not limited to health insurance and medical check-up, subsidies for meals, travelling and mobile phone allowances, different types of leave allowance as well as financial support for education.



- **Medical**
 - Outpatient
 - Inpatient
 - Health Insurance
 - Annual Medical Check-Up
- **Allowance**
 - Travel
 - Handphone
 - Car Park
 - Meal
 - Mileage claim
- **Leave**
 - Maternity
 - Paternity
 - Marriage
 - Compassionate
 - Examination
- **Others**
 - Subscription of Professional Membership
 - Sponsorship of Development Programme

Training and Education

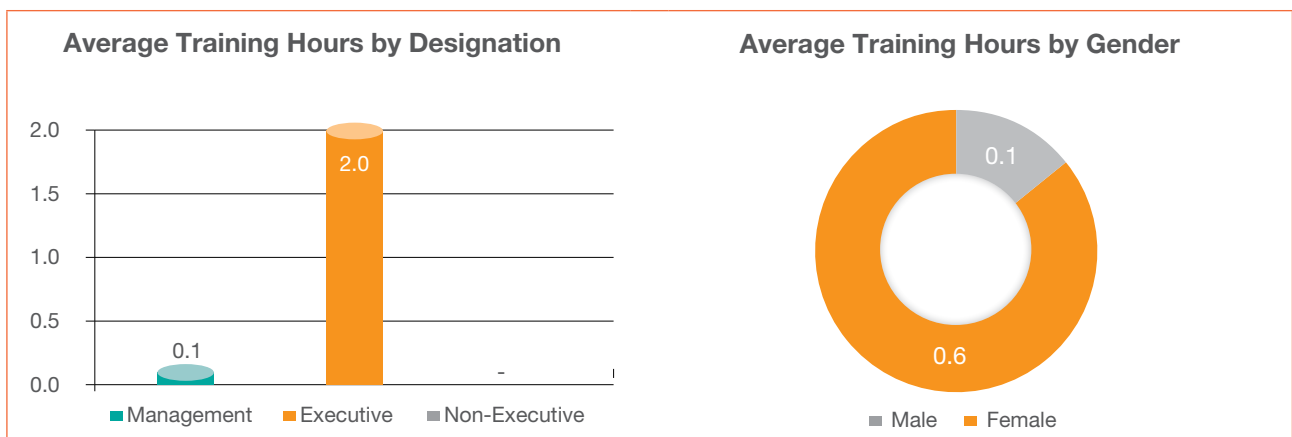
The Manager believes that its workforce attractiveness can be enhanced by ability to nurture and develop human capital as continuous learning is essential for any workforce in this rapidly evolving economy. The Manager endeavours to support its employees’ educational development and skill improvement, which serve as a means to accommodate current investing trends and management approach in the real estate industry.

Key Programmes and Training Hours

The Manager is cognisant of extensive knowledge required in managing Pavilion REIT, especially with the change in investment trends within the real estate industry in order to attract investment from new unitholders and increase the occupancy rate of the Fund’s properties. The training programmes attended by its employees cover topical and current issues related to investment decision, financial matters and human resources aspect, many of which were available virtually without any fees payable due to the Covid-19 pandemic. Official key training programmes that were attended by its employees and recorded by Human Resource are as listed below:-

Training Programme	Hours
Anti-Bribery & Corruption Policy	1
Managing Changes to Our Employment Law	8

With business objectives to remain industry-relevant and achieve sustainable growth, the Manager continuously monitor learning curve of its talent and different types of training are offered to its diverse workforce in order to optimise and further develop their professional skills. As of December 2021, the official recorded average training hours for our male and female employees are 0.1 hours and 0.6 hours respectively.



SUSTAINABILITY STATEMENT

(cont'd)

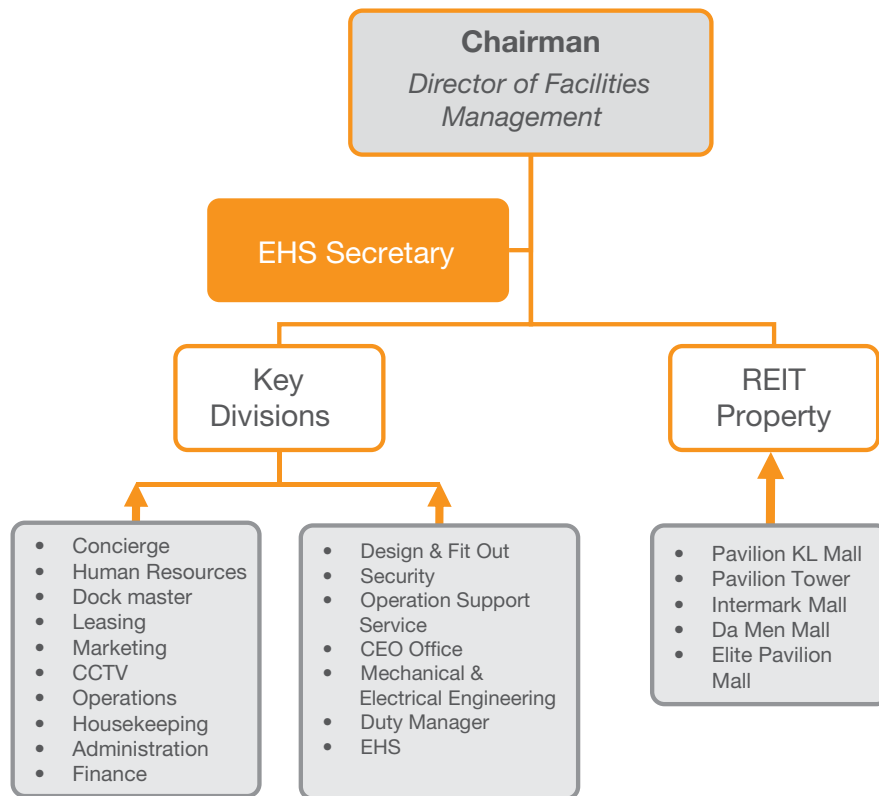
Health and Safety

Creating a Safe and Healthy Environment

Every effort is made to facilitate the health, safety and well-being of the Manager’s employees and all other stakeholders. The Manager understands the importance of having a culture of safe work practices and have in place an Environment, Health and Safety (“EHS”) committee working together with an Emergency Response Team (“ERT”) to ensure full compliance with all applicable occupational health and safety (“OHS”) regulations.

To effectively govern OHS performance, EHS committee and ERT which comprise members of workforce from various divisions have been established as illustrated below:-

Environment, Health and Safety Organisation Chart



Quarterly meetings are held to discuss, share and track all reported safety and health matters. Annual fire drills are conducted to familiarise tenants and employees with safety principles, evacuation routes and procedures. One of the precaution measures undertaken by Pavilion REIT to cater for health and safety of its stakeholders is to specially prepare rest areas and canteens for workers at properties covered by the Fund’s portfolio so that they are able to obtain sufficient and uninterrupted recharge during working breaks, thereby reducing the occurrence of health and safety issues.

EHS policy, endorsed by the Manager’s CEO, has been applied across all of Pavilion REIT properties since its inception to govern safe conduct when carrying out business activities and preserve safety of its stakeholders. The EHS policy encompasses prevention and continuous improvement measures as well as outlines the duty of employees to adhere to OHS requirement at work.


SUSTAINABILITY STATEMENT

(cont'd)

Due to the Covid-19 pandemic, more sanitizing and cleaning activities have been undertaken to provide a safe environment to patrons visiting Pavilion REIT's properties. Contactless temperature scanners and sensors have been procured to minimise physical contact besides only operating selective entrances to ensure there are enough resources to enforce the required compliances. Aqueous ozone water is also being used daily in Pavilion Malls to clean the entire malls. This ozone water also acts as sanitizer to remove dirt, bacteria, virus and mould. Indoor air quality assessment was also undertaken to evaluate its air quality as indoor air pollutants and thermal conditions can affect the health and comfort of the building's occupants. Ultraviolet-C light systems are installed at air handling units to reduce mold and algae formation on its cooling coil. In addition, it eliminates bacteria, viruses and germs. Hence, UV-C light promotes a healthier airconditioned environment and operational efficiency.

Besides ensuring all its outsource cleaners and guards are fully vaccinated with regular Covid-19 self-test, random checks are also done at their accommodation or dormitory at least once every quarter to ensure satisfactory compliance and conditions are upkeep. Regular reminders and guidance are also given to its tenants with duty manager remain contactable at all times for advise. The Manager had also activated its business continuity plan by dividing its work force into teams and maintaining different work locations to ensure its operations are able to function smoothly in the event staff are infected.

Safety Training



Pavilion REIT Management Environment, Health & Safety Policy

Prevention & Continuous Improvement	Duty of Employees
<ul style="list-style-type: none"> Provide adequate resources for effective environmental, health and safety management Prevent workplace accidents, near misses, dangerous occurrences and occupational diseases and occupational poisoning Provide adequate environment, health and safety training programmes Provide and maintain a safe and healthy workplace and environment 	<ul style="list-style-type: none"> Adhering to the EHS rules and regulations Reporting all work-related and environmental incidents Assisting in the investigations of accidents, near misses, dangerous occurrences, occupational diseases and occupational poisoning Participating in the EHS programmes and actively involved in peer guidance Working in a safe and healthy manner through self regulations principles

SUSTAINABILITY STATEMENT

(cont'd)

To ensure that Pavilion REIT properties are constantly kept abreast with the best practices in OSH management, training for emergency preparedness is organised regularly throughout the year for the staff as well as tenants and contractors. Trainings organised are in the categories of first aid, understanding and managing safety, specialist, and fire safety/emergency response. Each category is supported by relevant training programmes that key personnel are required to undertake to maintain their first aid qualifications and create awareness on handling emergency situations, as presented in the table below:

First Aid	Understanding and Managing Safety	Specialist	Fire Safety/Emergency Response
<ul style="list-style-type: none"> • CPR/AED Refresher • Pavilion Paramedic • Epilepsy 	<ul style="list-style-type: none"> • Safety Committee Inspection Training • Chemical Handling (Hazardous Material) & Personal Protective Equipment • Hazard Identification Risk Assessment and Risk Control & Determination • Trauma Tent (Emergency First Responder) • Working at Height • Food Safety & Hygiene Inspection Training • First Aid Training for Tenant • Communication Protocol • Workplace Threat & Violence • Elevator & Escalator Emergencies • Power Failure • Severe Weather • Water Pipe or Sprinkler Break • Flood Gate Simulation Exercise • Managing Child Birth • Contractor Safety Induction 	<ul style="list-style-type: none"> • GAS Authorise Inspector/ OB • Introduction, Safety, Legal, Handling of Weapons (Pistol), Bullets and Shooting Course • Building Lock Down – Tower • Standard Operating Procedure – Handling Bomb, Threat Call and Search Procedure • Bomb Threat • T’Baton Training • Civil Disturbance • Kidnapping • Earthquake • Handling Riot/Hostage 	<ul style="list-style-type: none"> • Fireman, Search & Rescue Training • Fireman Breathing Apparatus Training • Fire Safety Conference • Fire Drill Briefing for Tenant • Fire Training for Fire Marshall/Warden Floor/ Office Security Controller • Mall Fire Drill • Fire Extinguisher Practice • ERT & BOMBA Training • Introduction to Wet Riser & Hose Reel • Introduction to Fireman PPE • Fire Drill Table Talk (Simulation) • Historian, Operator/ Control Room Training • Natural Gas Leak • Medic Training for First Responder

Due to Covid-19 pandemic, all physical trainings were suspended. Regular updates were and are given via emails and notifications.

There were no injuries and no work-related fatalities among the employees of the Manager during the year. The Manager believes that the zero work-related injury and fatal incident rates among its employees are attributable to stringent OHS governance, compliance with safety procedures as well as regular reminders and OHS training provided within the organisation.

Visitor Health and Safety

The Manager views its visitors' health and safety as top priority and maintains preventive measures to minimise accidents in its properties. In addition to having CCTV surveillance system installed for strategic monitoring, panic buttons are also available in car park and remote public mall areas where there's less patronage. Wheelchairs, walking aids and disable facilities are also available at all Pavilion REIT's retail malls to increase shoppers' comfort.

Prompt investigation will be undertaken immediately followed by corrective action in the event of any threats to its visitor health and safety issues. The Manager is pleased to report that no material accident and injury has happened during the year.

SUSTAINABILITY STATEMENT

(cont'd)

Customer Privacy

The Manager is aware of the potential data privacy and security risks associated with using technology to streamline services and to enhance operational efficiency. The necessary checks and measures performed to prevent such risks are in place and these include:

- implementing in-house standards and policies to deal with confidential data
- educating employees to refrain from visiting suspicious websites
- educating employees to report the receipt of suspicious emails
- educating employees on the knowledge of major security flaw and its implications
- avoiding sub-contracting of IT services to a non-credible third party
- disallowing vendors to access our servers and databases
- only allowing selected staffs to gain access to servers and databases

The Manager has been adopting a transparent shopper data-gathering process which is performed directly by every shopper or assisted by customer service personnel. A shopper is required to acknowledge their authorisation for the collection of pertinent personal data through a privacy statement formulated in accordance with Personal Data Protection Act 2010. The privacy statement will be updated as and when required to incorporate any necessary change to ensure the compliance with regulation.

In 2021, there was no security breach or suspected breach identified as information technology systems are diligently monitored and updated to ensure they meet the operational and business requirements of performance, capacity and utilisation.

CONCLUSION

In recognising the impact of material ESS risks and opportunities on the portfolio and stakeholders of Pavilion REIT, the Manager is committed to embedding related ESS consideration into the daily business management to deliver long-term sustainable value to the Fund's stakeholders. The Manager is confident that the decision-making process which factors in ESS risks and opportunities could establish the resilience and credibility of Pavilion REIT in the long term.

SUSTAINABILITY STATEMENT

(cont'd)

GRI Standard		Reporting Section/Reference
GRI 100 - UNIVERSAL STANDARDS		
GRI 101: Foundation 2016		
101-1	Reporting Principles	Sustainability Statement
101-2	Using the GRI Standards for sustainability reporting	Sustainability Statement
101-3	Making claims related to the use of the GRI Standards	About the Sustainability Statement
GRI 102: General Disclosures 2016		
Organisational Profile		
102-1	Name of the organisation	Introduction
102-2	Activities, brands, products and services	About the Business, Portfolio Details*
102-3	Location of the headquarters	Corporate Information*
102-4	Location of operations	About the Sustainability Statement, Portfolio Details*
102-5	Nature of ownership and legal form	Salient Features of Pavilion REIT*, Pavilion REIT Structure*
102-6	Markets served	Portfolio Details*
102-7	Scale of the organisation	Highlight*, Portfolio Details*, Diversity and Equal Opportunity
102-8	Information on employees and other workers	Market Presence, Diversity and Equal Opportunity, Employee Retention
102-9	Supply chain	Procurement and Supply Chain
102-10	Significant changes to the organisation and its supply chain	Introduction, Procurement and Supply Chain
102-11	Precautionary Principle or approach	Risk Management, Statement of Risk Management and Internal Control*
102-12	External Initiatives	Business Ethics/Core Values
102-13	Membership of associations	Indirect Economic Impact
Strategy		
102-14	Statement from senior decision-maker	Message from the CEO*
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Business Ethics/Core Values
Governance		
102-18	Governance structure	Governance Structure, Corporate Governance Overview Statement*
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement Table
102-41	Collective bargaining agreements	About the Sustainability Statement
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement

SUSTAINABILITY STATEMENT

(cont'd)

GRI Standard		Reporting Section/Reference
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Note 5 to the Financial Statements*, About the Sustainability Statement
102-46	Defining report content and topic boundaries	Introduction, Stakeholder Engagement
102-47	List of material topics	Materiality
102-48	Restatements of information	About the Sustainability Statement
102-49	Changes in reporting	About the Sustainability Statement
102-50	Reporting period	About the Sustainability Statement
102-51	Date of most recent report	About the Sustainability Statement
102-52	Reporting cycle	About the Sustainability Statement
102-53	Contact point for questions regarding the report	About the Sustainability Statement
102-54	Claims of reporting in accordance with the GRI Standards	About the Sustainability Statement
102-55	GRI content index	GRI Standards – Core Option Index
102-56	External assurance	No external assurance has been provided on this Sustainability Statement
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Economic, Conclusion
103-2	The management approach and its components	Economic, Conclusion
103-3	Evaluation of the management approach	Economic, Conclusion
GRI 200 - ECONOMIC		
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed	Statement of Profit or Loss and Other Comprehensive Income*
201-2	Financial implications and other risks and opportunities due to climate change	Risk Management
201-3	Defined benefit plan obligations and other retirement plans	-
201-4	Financial assistance received from government	-
GRI 202: Market Presence 2016		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Market Presence
202-2	Proportion of senior management hired from the local community	Market Presence, Diversity and Equal Opportunity
GRI 203: Indirect Economic Impacts 2016		
203-1	Infrastructure investments and services supported	Economic Performance, Indirect Economic Impact
203-2	Significant indirect economic impacts	Indirect Economic Impact
GRI 204: Procurement Practices 2016		
204-1	Proportion of spending on local suppliers	Procurement and Supply Chain

SUSTAINABILITY STATEMENT

(cont'd)

GRI Standard		Reporting Section/Reference
GRI 205: Anti-Corruption 2016		
205-1	Operations assessed for risks related to corruption	Business Ethics/Core Values
205-2	Communication and training about anti-corruption policies and procedures	Business Ethics/Core Values
205-3	Confirmed incidents of corruption and actions taken	Business Ethics/Core Values
GRI 300 - ENVIRONMENTAL		
GRI 302: Energy 2016		
302-1	Energy consumption within the organisation	Energy Consumption
302-2	Energy consumption outside of the organisation	-
302-3	Energy intensity	-
302-4	Reduction of energy consumption	Energy Consumption
302-5	Reductions in energy requirements of products and services	-
GRI 303: Water 2016		
303-1	Water withdrawal by source	Water Consumption
303-2	Water sources significantly affected by withdrawal of water	Water Consumption
303-3	Water recycled and reused	Water Consumption
GRI 306: Effluents and Waste 2016		
306-1	Water discharge by quality and destination	-
306-2	Waste by type and disposal method	Waste Management
306-3	Significant spills	-
306-4	Transport of hazardous waste	Waste Management
306-5	Water bodies affected by water discharges and/or runoff	-
GRI 400 - SOCIAL		
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	Employee Retention
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employee	Employee Retention
401-3	Parental leave	Employee Retention
GRI 403: Occupational Health and Safety 2016		
403-1	Workers representation in formal joint management-worker health and safety committees	Creating a Safe and Healthy Environment
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Safety Training
403-3	Workers with high incidence or high risk of diseases related to their occupation	-
403-4	Health and safety topics covered in formal agreements with trade unions	-

SUSTAINABILITY STATEMENT

(cont'd)

GRI Standard		Reporting Section/Reference
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	Training and Education
404-2	Programmes for upgrading employee skills and transition assistance programmes	Training and Education
404-3	Percentage of employees receiving regular performance and career development reviews	-
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunity
405-2	Ratio of basic salary and remuneration of women to men	Market Presence
GRI 413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programmes	Community Engagement
413-2	Operations with significant actual and potential negative impacts on local communities	Community Engagement
GRI 416: Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	Visitor Health and Safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Visitor Health and Safety
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy

Note:-

* From other sections of annual report which is not part of this Sustainability Statement

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Pavilion REIT Management Sdn Bhd, the Manager of Pavilion Real Estate Investment Trust, 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 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 2017, 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 directors in a timely manner to ensure that the directors have sufficient time to review the matters under consideration. All members of the Board have access to the advice and services of the company secretary and 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 are non-independent executive directors, five non-independent non-executive directors and four independent non-executive directors.

Although the Chairman is an executive director with only one third 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 plan and policies established by the Board to manage the daily conduct of its business to ensure the smooth operations, supervision and management of Pavilion REIT. 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's independence and gender diversity will be updated by end 2024 to comply with the recommendation under the latest Malaysian Code on Corporate Governance.

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 director that has any interest, whether directly or indirectly, in a contract or proposed contract would have to declare his/her interest and not participate in deliberations and shall abstain from casting his/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.

Directors shall devote sufficient time to carry out their responsibilities. The Board will obtain this commitment from its members at the time of appointment. Directors 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 Directors are paid by the Manager and not Pavilion REIT.

The Board met five times during the financial year ended 31 December 2021 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	3/5
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	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	Independent Non-Executive Director	5/5

During the financial year under review, the Directors 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 Directors during the financial year were :

- 2021 Malaysian Banking and Finance Summit “Future of Banking in the New Normal – Disruptive Innovation, Technology and Transformation”
- A Key COG in an Effective Governance Structure
- Digital Acceleration and Innovation for Business Recovery and Growth
- Doubling Down on Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance (2021 Update)
- Economic Outlook 2021 : Investing at the Right Time and Sector
- KPMG’s Asia-Pacific Board Leadership Centre Webinar : Board and Audit Committee Priorities 2021
- The Impact of Current Global Financial Crisis and Covid-19 on Capital Markets
- The Malaysia Sustainability Leadership Summit 2021
- The Malaysian Economic Summit 2021 “Spurring Malaysia’s Productivity and Growth after the Covid-19 Pandemic”
- The National Recovery Summit, Winning the War against Covid – the Road to Recovery (KSI Strategic Institute for Asia Pacific and The Economic Club KL)
- Webinar CoronaVac Covid-19 Vaccine : Updates and Highlights
- WIEF-SIDC Power Talk Webinar 2021 – Post Pandemic Economic Landscape : Building Resilient Industries

The Nominating Committee had 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

(cont'd)

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 had 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. Hencewith, 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 timely basis. Annual general meeting is also another platform for unitholders to engage with the Manager to seek clarification, update 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 five Non-Executive Directors with a majority of independent directors.

Name of Directors	Designation	Number of Meetings Attended
Dato' Maznah binti Abdul Jalil (<i>Chairperson</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
Ooi Ah Heong	Non-Independent Non-Executive Director	2/2
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	2/2

The Nominating Committee is responsible to conduct the annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director and each of the Audit Committee member based on the required mix of skills, competence, expertise, knowledge, experience, integrity and other qualities of the Directors to ensure that the Board and Board Committees are functioning effectively and efficiently and 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.

The Nominating Committee is also tasked with identifying, nominating and orientating and recommending candidature for new directors based on the following criteria:

- (a) character, experience, competence, integrity and time;
- (b) skills, knowledge, expertise and experience;
- (c) professionalism;
- (d) integrity; and
- (e) for position of independent directors, the candidates' abilities to discharge their responsibilities and functions independently as expected from the independent director.

There were no new appointment of director considered during the financial year ended 31 December 2021.

The Board has not specified any gender policies in its evaluation of candidacy. However, the Board's independence and gender diversity is intended to be updated by end of 2024 to comply with the recommendation under the latest Malaysian Code on Corporate Governance.

During the financial year ended 31 December 2021, the Nominating Committee had assessed and reviewed the following aspects:

- (i) the performance of the Board and Board Committees;
- (ii) the contribution of each of the Directors;
- (iii) the independence of the Independent Non-Executive Directors;
- (iv) the term of office, performance of Audit Committee and each of its members;
- (v) to recommend those Directors retiring be nominated for re-election/re-appointment having regard to the individual's experience, contributions and performance; and
- (vi) the retention of the Independent Non-Executive Directors whose their tenure as Independent Director have exceeded 9 years.

The Nominating Committee is satisfied with the performance of the Board, Board Committees and contribution of each of the Directors. 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.

AUDIT COMMITTEE REPORT

The Audit Committee, formed on 24 October 2012 comprising of 4 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 (Chairman)	Independent Non-Executive Director	4/4
Dato' Maznah binti Abdul Jalil	Independent Non-Executive Director	4/4
Dato' Choo Chuo Siong	Independent Non-Executive Director	4/4
Navid Chamdia	Non-Independent Non-Executive Director	3/4

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

- reviewed and deliberated with the Manager's management 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 properties with close attention given to update under "Prospects"
- 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
- reviewed the internal control plan prepared by BDO Governance Advisory Sdn Bhd ("BDO GA")
- reviewed the design and implementation of information security controls by BDO Consulting Sdn Bhd ("BDO Consulting"). BDO GA and BDO Consulting are both referred to as BDO
- on 5 August 2021, 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
- 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.
- on 27 January 2022, the Audit Committee was briefed privately by KPMG PLT (without presence of the Manager's management) on status of its audit
- reviewed and commented on the audit committee report and statement of risk management and internal control for inclusion into the annual report
- evaluated the work scope, approach and fees to outsourced internal auditor and recommended for their engagement
- evaluated the approach and fees of external auditor and recommended for their engagement for the following year

For the year under review, BDO GA has been engaged to perform internal audit review for Pavilion REIT covering

- corporate governance review of board charter, terms of reference, reporting, policies and procedures as well as whistle-blowing; and
- compliance review on anti-bribery and corruption policies, procedures, training, communication with business partners and reporting.

BDO Consulting reviewed the design and implementation of information security controls by using relevant areas of the ISO/IEC 27001 standard on Information Security Management System (as a baseline). Areas covered included policies, system acquisition, development and maintenance, supplier relationship, information security incident management and aspects of business continuity management. Security from aspects of organisation, human resource, physical and environment control, operations as well as communication were also reviewed.

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 RM195,000 and RM12,000 respectively.

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 acquisitions and divestments of property.

The Audit Committee and 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. The CEO meets the management regularly to review, monitor and manage risks identified by the management and thereafter, update the Audit Committee as required.

Standard operating procedures for management of Pavilion REIT properties have been adopted, which comprise operational guide, control and monitoring procedures. Enterprise risk management committee, policy and procedures have also been formalized during the year.

BDO Governance Advisory Sdn Bhd ("BDO GA") has been appointed as internal auditor whereby they had performed internal control review of the following areas:-

- i) corporate governance review of board charter, terms of reference, reporting, policies and procedures as well as whistle-blowing; and
- ii) compliance review on anti-bribery and corruption policies, procedures, training, communication with business partners and reporting.

With digitalization being a necessity to business operations with data security and privacy protection being risk factors, BDO Consulting Sdn Bhd ("BDO Consulting") was engaged to review the design and implementation of information security controls by using relevant areas of the ISO/IEC 27001 standard on Information Security Management System (as a baseline). Areas covered included policies, system acquisition, development and maintenance, supplier relationship, information security incident management and aspects of business continuity management. Security from aspects of organisation, human resource, physical and environment control, operations as well as communication were also reviewed.

The execution strategies that both BDO GA and BDO Consulting adopts are one that is 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) consider the effectiveness and efficiency of processes and controls, ie 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 and BDO Consulting 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 improved and updated 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.

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 2021.

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 and achieve long-term growth in NAV per unit, while maintaining an appropriate capital structure.

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
 Ooi Ah Heong
 Dato' Mohzani Bin Abdul Wahab
 Dato' Maznah Binti Abdul Jalil
 Dato' Choo Chuo Siong
 Syed Mohd Fareed Bin Shaikh Alhabshi

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 1.1.2021	Bought	Sold	At 31.12.2021
Direct unitholdings in Pavilion REIT:				
Tan Sri Lim Siew Choon	845,425,0000	-	-	845,425,0000
Puan Sri Tan Kewi Yong	281,875,0000	-	-	281,875,0000
Dato' Lee Tuck Fook	100,0000	-	-	100,0000
Navid Chamdia	100,0000	-	-	100,0000
Ooi Ah Heong	100,0000	-	-	100,0000
Dato' Maznah Binti Abdul Jalil	100,0000	-	-	100,0000

MANAGER'S REPORT

(cont'd)

	Number of ordinary shares			At 31.12.2021
	At 1.1.2021	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 2021 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 2021, 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 2021 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.

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 2021.

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
27 January 2022

FINANCIAL STATEMENTS

PAVILION
KUALA LUMPUR

DOROTHY PERKINS

CHEAW SIFU
DRAGON BEARD
CANDY

79	Statement of Financial Position
80	Statement of Profit or Loss and Other Comprehensive Income
82	Statement of Changes in Net Asset Value
83	Statement of Cash Flows
85	Notes to the Financial Statements
123	Statement by the Manager
123	Statutory Declaration
124	Trustee's Report
125	Independent Auditors' Report

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Plant and equipment	4	740	1,172
Investment properties	5	5,880,000	5,863,000
Total non-current assets		5,880,740	5,864,172
Inventories		3,068	3,041
Trade and other receivables	6	42,656	33,452
Cash and bank balances	7	312,231	341,242
Total current assets		357,955	377,735
Total assets		6,238,695	6,241,907
Liabilities			
Borrowings	8	1,778,298	1,074,418
Payables and accruals	9	81,677	67,693
Total non-current liabilities		1,859,975	1,142,111
Borrowings	8	395,000	1,088,854
Payables and accruals	9	125,267	151,625
Total current liabilities		520,267	1,240,479
Total liabilities		2,380,242	2,382,590
Net asset value		3,858,453	3,859,317
Financed by:			
Unitholders' fund			
Unitholders' capital	10	2,945,255	2,938,844
Accumulated income		913,198	920,473
Total unitholders' fund		3,858,453	3,859,317
Net asset value ("NAV")			
Before income distribution		3,858,453	3,859,317
After income distribution*		3,779,761	3,782,575
Number of units in circulation ('000 units)	10	3,050,059	3,045,307
NAV per unit (RM)			
Before income distribution		1.2650	1.2673
After income distribution*		1.2392	1.2421

* after proposed final income distribution of 2.58 sen per unit (2020: 2.52 sen per unit)

The notes on pages 85 to 122 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
Rental income		447,857	464,520
Revenue from contract customers	11	31,468	34,918
Other income		9,266	10,782
Gross revenue		488,591	510,220
Utilities		(48,282)	(57,438)
Maintenance		(51,189)	(57,098)
Property taxes		(16,245)	(16,390)
Other operating expenses	6	(136,253)	(145,770)
Net property income		236,622	233,524
Net fair value changes on investment properties		(627)	(70,321)
Interest income		4,672	6,385
Net investment income		240,667	169,588
Manager's management fees	12	(25,815)	(25,731)
Trustee's fees	1(c)	(485)	(485)
Valuation fee		(413)	(699)
Other trust expenses	1(c)	(510)	(495)
Borrowing costs	13	(88,204)	(95,833)
Income before taxation		125,240	46,345
Tax expense	14	-	-
Income after taxation/Total comprehensive income attributable to unitholders		125,240	46,345
Income after taxation is made up as follows:			
Realised		125,867	116,666
Unrealised		(627)	(70,321)
		125,240	46,345
Basic/Diluted earnings per unit (sen)	15	4.11	1.52

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
for the year ended 31 December 2021
(cont'd)

	Note	2021 RM'000	2020 RM'000
Total comprehensive income		125,240	46,345
Distribution adjustments	A	9,422	79,497
Distributable income		134,662	125,842
Distribution per unit (sen) - interim		1.83	1.61
Distribution per unit (sen) - final		2.58	2.52
Note A			
Distribution adjustments comprise:			
Amortisation of transaction costs		1,815	2,334
Depreciation	4	526	409
Net fair value changes on investment properties		627	70,321
Manager's management fees payable in units	12	6,454	6,433
		9,422	79,497

The notes on pages 85 to 122 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE

for the year ended 31 December 2021

	Note	Unitholders' capital RM'000	Accumulated income RM'000	Total funds RM'000
At 1 January 2020		2,931,927	1,047,811	3,979,738
Income after taxation/Total comprehensive income for the year attributable to unitholders		-	46,345	46,345
Unitholders' transactions				
<i>Contributions by and distributions to unitholders</i>				
Issue of new units		6,917	-	6,917
Distribution to unitholders	16	-	(173,683)	(173,683)
Increase/(Decrease) in net assets resulting from unitholders' transactions		6,917	(173,683)	(166,766)
Net assets at 31 December 2020/1 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	16	-	(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		2,945,255	913,198	3,858,453
		Note 10		

The notes on pages 85 to 122 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
Cash flows from operating activities			
Income before taxation		125,240	46,345
<i>Adjustments for:</i>			
Borrowing costs	13	88,204	95,833
Depreciation	4	526	409
Net fair value changes on investment properties		627	70,321
Impairment loss on trade receivables		2,458	17,147
Interest income		(4,672)	(6,385)
Operating income before changes in working capital		212,383	223,670
Changes in inventories		(27)	(129)
Changes in receivables		(11,662)	20,477
Changes in payables		1,015	10,540
Changes in tenants' deposits		(6,978)	(4,513)
Net cash from operating activities		194,731	250,045
Cash flows from investing activities			
Interest received		4,672	6,385
Payment for enhancement of investment properties		(17,627)	(20,321)
Pledged deposit		5,707	(1,489)
Purchase of plant and equipment		(94)	(476)
Net cash used in investing activities		(7,342)	(15,901)
Cash flows from financing activities			
Distribution to unitholders		(132,515)	(173,683)
Interest paid		(86,389)	(73,270)
Payment of financing expenses		(5,027)	(260)
Proceed from borrowings		420,000	10,000
Repayment of borrowings		(406,762)	(26,100)
Net cash used in financing activities		(210,693)	(263,313)
Net decrease in cash and cash equivalents		(23,304)	(29,169)
Cash and cash equivalents at 1 January		277,309	306,478
Cash and cash equivalents at 31 December	(i)	254,005	277,309

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

*(cont'd)***Note to Statement of cash flows**

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2021 RM'000	2020 RM'000
Cash and bank balances	7	18,306	9,868
Deposits placed with licensed banks	7	293,925	331,374
		312,231	341,242
Less: Pledged deposits	7	(58,226)	(63,933)
		254,005	277,309

(ii) Cash outflows for leases as a lessee

	2021 RM'000	2020 RM'000
Included in net cash from operating activities		
Payment relating to short-term leases	236	192
Payment relating to leases of low-value assets	87	95
Total cash outflows for leases	323	287

The notes on pages 85 to 122 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 2021 comprise the 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 27 January 2022.

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 (2020: RM380,000) per annum (excluding goods 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:

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

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 (2020: 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 RM1,166 (2020: RM196) 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 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

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 – Classification of Liabilities as Current or Non-current and 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 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*

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

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

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments which are not applicable to Pavilion REIT.
- 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.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current period and prior period financial statements of Pavilion REIT.

(b) Basis of measurement

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

(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, Note 6 – trade and other receivables and Note 14 – tax expense.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

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.

Investments in subsidiaries are measured in Pavilion REIT's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(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.

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 the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Financial instruments (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Plant and equipment (cont'd)

(iii) Depreciation (cont'd)

The estimated useful lives for the current and comparative year 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 use their 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment (cont'd)

(i) Financial assets (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Revenue and other income (cont'd)

(ii) Other income

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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 2020	1,467	982	100	415	2,725	5,689
Addition	-	429	5	-	42	476
Write off	(1)	(10)	-	-	-	(11)
At 31 December 2020/ 1 January 2021	1,466	1,401	105	415	2,767	6,154
Addition	-	94	-	-	-	94
At 31 December 2021	1,466	1,495	105	415	2,767	6,248
Accumulated depreciation						
At 1 January 2020	1,080	977	53	130	2,344	4,584
Depreciation for the year	147	26	17	42	177	409
Write off	(1)	(10)	-	-	-	(11)
At 31 December 2020/ 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	1,372	1,150	87	214	2,685	5,508
Carrying amounts						
At 1 January 2020	387	5	47	285	381	1,105
At 31 December 2020/ 1 January 2021	240	408	35	243	246	1,172
At 31 December 2021	94	345	18	201	82	740

5. INVESTMENT PROPERTIES

	2021 RM'000	2020 RM'000
At 1 January	5,863,000	5,913,000
Enhancements/Capital expenditure	17,627	20,321
Change in fair values recognised in profit or loss	(627)	(70,321)
At 31 December	5,880,000	5,863,000

Investment properties are charged as securities for bank borrowings as disclosed in Note 8.

During the year, the variable lease income that does not depend on an index or a rate amounts to RM11,972,000 (2020: RM11,158,000).

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 31.12.2021		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		

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2020		Fair value as at 31.12.2020		Cost as at 31.12.2020		Percentage of fair value to NAV as at 31.12.2020
					%		RM'000	%	RM'000	RM'000	
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2020	Kuala Lumpur	Leasehold*	97		4,800,000		3,531,756		124
Pavilion Tower	7.12.2011	31.12.2020	Kuala Lumpur	Leasehold*	86		133,000		128,000		3
DA MEN Mall	25.3.2016	31.12.2020	Subang Jaya	Interest in perpetuity	69		180,000		511,157		5
Intermark Mall	25.3.2016	31.12.2020	Kuala Lumpur	Interest in perpetuity	86		180,000		164,191		5
Elite Pavilion Mall	27.4.2018	31.12.2020	Kuala Lumpur	Interest in perpetuity#	83		570,000		587,864		15
Investment properties							5,863,000		4,922,968		

* 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>		
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.	<ul style="list-style-type: none"> Risk-adjusted term capitalisation rates ranging from 6.00% to 6.75% (2020: 6.00% to 6.75%). Risk-adjusted reversion capitalisation rate of 6.25% to 6.50% (2020: 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>		
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.	<ul style="list-style-type: none"> Capitalisation rates of 6.50% (2020: 6.50%). Discount rate of 8% (2020: 8%). Average growth rate of rental per square feet over 10-year of 10% (2020: 7%). Progressive increase of occupancy rate from 69% to 100% over 10 years (2020: 77% 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 the Pavilion Kuala Lumpur Mall, Pavilion Tower and Elite Pavilion Mall 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 condition 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, Pavilion Tower and Elite Pavilion Mall 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.

Fair value estimates – caveats by valuers

In relying on the fair values estimated by the valuers, the Manager considered the inclusion by the external valuers of material valuation uncertainty statements in the valuation reports. The uncertainties are arising from the unknown future impacts, if any, of the Covid-19 pandemic might have on the real estate market. Consequently, the fair values as provided require a higher degree of caution to be placed on the valuations.

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 consist 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	2021 RM'000	2020 RM'000
Current			
Trade			
Trade receivables		53,076	46,388
Less: Impairment losses	6.1	(18,662)	(19,241)
		34,414	27,147
Non-trade			
Other receivables		3,999	1,616
Deposits		2,016	2,117
Prepayments		2,227	2,572
		8,242	6,305
		42,656	33,452

- 6.1 In order to assist tenants, the Manager has or is considering to waive rental charges or provide rental rebates to certain selected tenants. Included in the other operating expenses for the year ended 31 December 2021 are agreed rental waiver or rebates of RM92,643,000 (2020: RM80,917,000) and impairment loss of RM2,458,000 (2020: RM17,147,000).

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

7. CASH AND BANK BALANCES

	2021	2020
	RM'000	RM'000
Cash and bank balances	18,306	9,868
Deposits placed with licensed banks	293,925	331,374
	312,231	341,242

Included in the deposits placed with licensed banks is an amount of RM58,226,000 (2020: RM63,933,000) which is 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 8).

8. BORROWINGS

	Note	2021	2020
		RM'000	RM'000
Non-current			
Secured syndicated term loan	8.1	683,267	-
Unrated medium term notes	8.3	1,100,000	1,075,000
Less: Unamortised transaction costs		(4,969)	(582)
		1,778,298	1,074,418
Current			
Secured syndicated term loan	8.1	-	683,267
Secured term loan	8.2	-	406,762
Unrated medium term notes	8.3	395,000	-
Less: Unamortised transaction costs		-	(1,175)
		395,000	1,088,854
		2,173,298	2,163,272
Average interest rate of borrowings		4.0%	4.3%
Gearing/Borrowings ratio		34.8%	34.7%

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

8. BORROWINGS (cont'd)

8.1 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..

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 RM22,722,000 (2020: RM22,329,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

8.2 Secured term loan facilities of RM450.0 million

Pavilion REIT entered into a facility agreement and its supplementary letter of offer dated 22 March 2016, 23 March 2016 and 11 February 2019 respectively through its Trustee ("Borrower") for credit facilities of up to RM450.0 million with licensed bank (the "Bank") comprising term loan, revolving credit facilities and bank guarantee as follows:

- (i) TL - a term loan ("TL") facility of RM425.0 million to part finance the purchase consideration for the acquisition of the DA MEN Mall;
- (ii) RC - a revolving credit ("RC") facility of up to RM25.0 million to part finance its working capital requirements; and
- (iii) BG - a bank guarantee facility of up to the maximum aggregate principal amount of RM3.0 million subject always to the RC/BG combined limit for the issuance of performance and financial guarantee in respect of the DA MEN Mall.

The secured term loan facilities were fully repaid during the year. It was secured over DA MEN Mall and Intermark Mall as disclosed in Note 5 and an amount of RM13,908,000 maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

8. BORROWINGS (cont'd)

8.3 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 RM35,504,000 (2020: RM27,696,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

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

	At 1 January RM'000	Net changes from financing cash flows RM'000	Other changes Note 8.4.1 RM'000	At 31 December RM'000
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)
	<u>2,163,272</u>	<u>8,211</u>	<u>1,815</u>	<u>2,173,298</u>
2020				
Secured syndicated term loan	660,900	10,000	12,367	683,267
Secured term loan	425,000	(26,100)	7,862	406,762
Unrated medium term notes	1,075,000	-	-	1,075,000
Less: Unamortised transaction costs	(3,831)	(260)	2,334	(1,757)
	<u>2,157,069</u>	<u>(16,360)</u>	<u>22,563</u>	<u>2,163,272</u>

8.4.1 For prior year, included in RM22,563,000 was interest charges being capitalised following moratoriums granted by bankers to defer interest payments to maturity of the term loans.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

9. PAYABLES AND ACCRUALS

	Note	2021 RM'000	2020 RM'000
Non-current			
Trade			
Tenants' deposits	9.1	81,677	67,693
Current			
Trade			
Trade payables		19,210	14,035
Tenants' deposits	9.1	32,200	53,162
		51,410	67,197
Non-trade			
Other payables and accrued expenses	9.2	73,857	84,428
		125,267	151,625
		206,944	219,318

9.1 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.

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

	2021 RM'000	2020 RM'000
The Manager	5,099	4,510
Trustee	41	41
Urusharta Cemerlang (KL) Sdn. Bhd.	2,608	21,432
	7,748	25,983

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

Amount due to Urusharta Cemerlang (KL) Sdn. Bhd. ("UCKL") 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

(cont'd)

10. TOTAL UNITHOLDERS' FUNDS

10.1 Unitholders' capital

	2021 Number of units '000	2020 Number of units '000
Issued and fully paid with no par value		
At 1 January	3,045,307	3,041,090
Manager's management fees paid in units	4,752	4,217
At 31 December	3,050,059	3,045,307

	2021 RM'000	2020 RM'000
Issued and fully paid with no par value		
At 1 January	2,938,844	2,931,927
Manager's management fees paid in units	6,411	6,917
At 31 December	2,945,255	2,938,844

10.2 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
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
2020		
Issued at:		
i) RM1.6829 per unit for entitlement for the 6 months ended 31 December 2019	2,243	3,774
ii) RM1.5915 per unit for entitlement for the 6 months ended 30 June 2020	1,974	3,143
Total Manager's fees paid in units and RM	4,217	6,917

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

10. TOTAL UNITHOLDERS' FUNDS (cont'd)

10.2 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:

	2021		2020	
	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	1,261,125	1,008,900	1,513,350
Tan Sri Lim Siew Choon	845,425	1,056,781	845,425	1,268,138
Puan Sri Tan Kewi Yong	281,875	352,344	281,875	422,813
Employees Provident Fund Board	301,394	376,743	294,020	441,030
Kumpulan Wang Pesaraan (Diperbadankan)	186,512	233,140	186,054	279,081
<hr/>				
<i>The Manager's direct unitholdings in Pavilion REIT</i>	10,565	13,206	5,813	8,720
<hr/>				
<i>The Manager's Directors' direct unitholdings in Pavilion REIT:</i>				
Tan Sri Lim Siew Choon	845,425	1,056,781	845,425	1,268,138
Puan Sri Tan Kewi Yong	281,875	352,344	281,875	422,813
Dato' Lee Tuck Fook	100	125	100	150
Navid Chamdia	100	125	100	150
Ooi Ah Heong	100	125	100	150
Dato' Maznah Binti Abdul Jalil	100	125	100	150

Notes:

The market value of the units was computed based on the closing market price as at 31 December 2021 of RM1.25 (2020: RM1.50).

11. 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

12. MANAGER'S MANAGEMENT FEES

	2021 RM'000	2020 RM'000
Base fee	18,716	18,726
Performance fee	7,099	7,005
	25,815	25,731

During the financial year, the Manager received a base fee of 0.3% (2020: 0.3%) per annum of the Total Asset Value of Pavilion REIT, a performance fee of 3.0% (2020: 3.0%) per annum of Net Property Income.

Manager's management fees payable in units amounts to RM6,454,000 (2020: RM6,433,000) which represents 25% (2020: 25%) of the total manager's management fees payable.

13. BORROWING COSTS

	2021 RM'000	2020 RM'000
Interest expense	86,389	93,499
Amortisation of transaction costs	1,815	2,334
	88,204	95,833

14. TAX EXPENSE

14.1 Reconciliation of tax expense

	2021 RM'000	2020 RM'000
Income before taxation	125,240	46,345
Income tax using Malaysian tax rate of 24% (2020: 24%)	30,058	11,123
Non-deductible expenses	556	23,198
Non-taxable income	(1,122)	(1,532)
Tax incentive	(11,117)	-
Effect of income exempted from tax	(18,375)	(32,789)
	-	-

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 2021, no provision for taxation has been made for the current year.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

14. TAX EXPENSE (cont'd)

14.2 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 distributable income, the expected tax rate levied will be zero.

15. 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 RM125,240,000 (2020: RM46,345,000) divided by the weighted average number of units in circulation during the year of 3,048,237,859 (2020: 3,043,841,623).

16. DISTRIBUTION TO UNITHOLDERS

Distribution to unitholders is from the following sources:

	2021 RM'000	2020 RM'000
Rental income	447,857	464,520
Revenue from contract customers	31,468	34,918
Other income	9,266	10,782
Net fair value changes on investment properties	(627)	(70,321)
Interest income	4,672	6,385
	492,636	446,284
Less: Total expenses	(367,396)	(399,939)
	125,240	46,345
Distribution adjustments	9,422	79,497
Distributable income	134,662	125,842
Final distribution paid (2020/2019)	76,742	124,685
Interim distribution paid (2021/2020)	55,773	48,998
Distribution to unitholders	132,515	173,683

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

16. DISTRIBUTION TO UNITHOLDERS (cont'd)

	2021	2020
Interim distribution per unit (sen)	1.83	1.61
Final distribution per unit (sen)	2.58*	2.52
Net distribution per unit** (sen)	4.41	4.13

* The final distributable income for the 6 months ended 31 December 2021 is proposed to be 2.58 sen per unit or RM78.7 million to be payable on 28 February 2022.

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

	Withholding tax rate	
	2021	2020
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

17. MANAGEMENT EXPENSE RATIO

	2021	2020
Management expense ratio ("MER") (%)	0.71	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.

18. OPERATING SEGMENTS

Pavilion REIT has two reportable segments, Retail and Office. 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

18. OPERATING SEGMENTS (cont'd)

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	Office	Total
	RM'000	RM'000	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)
For the year ended 31 December 2020			
Segment profit	227,308	6,216	233,524
<i>Included in the measure of segment profit are:</i>			
Gross revenue	499,068	11,152	510,220
Property expenses	271,760	4,936	276,696
Net measurement of impairment loss	17,147	-	17,147
At 31 December 2020			
Segment assets and liabilities			
Segment assets	6,058,103	133,779	6,191,882
Segment liabilities	2,342,295	31,232	2,373,527
For the year ended 31 December 2020			
<i>Included in the measure of segment assets and liabilities are:</i>			
Additions to non-current assets	20,792	5	20,797
Net fair value changes to non-current assets	(70,321)	-	(70,321)

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

18. OPERATING SEGMENTS (cont'd)

Reconciliation of reportable segment profit

	2021	2020
	RM'000	RM'000
Total profit for reportable segments	236,622	233,524
Net fair value changes on investment properties	(627)	(70,321)
Interest income	4,672	6,385
Trust expenses	(27,223)	(27,410)
Borrowing costs	(88,204)	(95,833)
Income before taxation	125,240	46,345
Taxation	-	-
Income after taxation	125,240	46,345

Reconciliation of reportable segment assets and liabilities

	Segment assets	Segment liabilities
	RM'000	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)
2020		
Total reportable segments	6,191,882	(2,373,527)
Other non-allocated assets/(liabilities)	50,025	(9,063)
Total assets/(liabilities)	6,241,907	(2,382,590)

Geographical information

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. FINANCIAL INSTRUMENTS

19.1 Categories of financial instruments

	Carrying amounts RM'000	Amortised costs RM'000
2021		
Financial assets		
Receivables and deposits	40,429	40,429
Cash and bank balances	312,231	312,231
	<u>352,660</u>	<u>352,660</u>
Financial liabilities		
Payables and accruals	206,944	206,944
Borrowings	2,173,298	2,173,298
	<u>2,380,242</u>	<u>2,380,242</u>
2020		
Financial assets		
Receivables and deposits	30,880	30,880
Cash and bank balances	341,242	341,242
	<u>372,122</u>	<u>372,122</u>
Financial liabilities		
Payables and accruals	219,318	219,318
Borrowings	2,163,272	2,163,272
	<u>2,382,590</u>	<u>2,382,590</u>

19.2 Net gains and losses arising from financial instruments

	2021 RM'000	2020 RM'000
Financial assets at amortised cost	(90,429)	(91,675)
Financial liabilities at amortised cost	(88,204)	(95,833)
	<u>(178,633)</u>	<u>(187,508)</u>

19.3 Financial risks management

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

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. FINANCIAL INSTRUMENTS (cont'd)

19.4 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 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.

Impairment losses

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2021.

	Gross – carrying amount	Loss allowance	Net balance
	RM'000	RM'000	RM'000
2021			
Not past due	3,443	-	3,443
Past due	49,633	(18,662)	30,971
	53,076	(18,662)	34,414
2020			
Not past due	2,362	-	2,362
Past due	44,026	(19,241)	24,785
	46,388	(19,241)	27,147

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. FINANCIAL INSTRUMENTS (cont'd)**19.4 Credit risk (cont'd)****Receivables (cont'd)***Impairment losses (cont'd)*

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

	2021	2020
	RM'000	RM'000
Balance at 1 January	19,241	2,094
Amount written off	(3,037)	-
Net remeasurement of loss allowance	2,458	17,147
Balance as at 31 December	18,662	19,241

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.

19.5 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. FINANCIAL INSTRUMENTS (cont'd)

19.5 Liquidity risk (cont'd)

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
2021						
Financial liabilities						
Borrowings	2,173,298	3.04 - 4.90	2,396,253	449,539	747,268	1,199,446
Payable 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
2020						
Financial liabilities						
Borrowings	2,163,272	3.20 - 4.90	2,288,464	1,164,344	413,219	710,901
Payable and accruals	219,318	-	219,318	151,625	48,085	19,608
	2,382,590		2,507,782	1,315,969	461,304	730,509

19.6 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.

19.6.1 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. FINANCIAL INSTRUMENTS (cont'd)

19.6 Market risk (cont'd)

19.6.1 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:

	2021 RM'000	2020 RM'000
Fixed rate instrument		
Financial asset - Deposits placed with licensed banks	293,925	331,374
Financial liabilities - Borrowings	(925,000)	(925,000)
	<u>(631,075)</u>	<u>(593,626)</u>
Floating rate instruments		
Financial liabilities - Borrowings	(1,248,298)	(1,238,272)

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 2021 RM'000	100bp decrease 2021 RM'000	100bp increase 2020 RM'000	100bp decrease 2020 RM'000
Floating rate instruments	(9,487)	9,487	(9,411)	9,411

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

19. FINANCIAL INSTRUMENTS (cont'd)

19.7 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		
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)
2020					
Financial liabilities					
Tenants' deposits	-	-	(117,213)	(117,213)	(120,855)
Borrowings	-	-	(2,170,178)	(2,170,178)	(2,163,272)
	-	-	(2,287,391)	(2,287,391)	(2,284,127)

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.

20. 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

20. CAPITAL MANAGEMENT (cont'd)

As at 31 December 2021, Pavilion REIT recorded a gearing/borrowings ratio of 34.8% (2020: 34.7%) and interest coverage ratio in excess of the minimum requirement (2020: 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).

21. LEASES

21.1 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:

	2021 RM'000	2020 RM'000
Up to one year	334,316	388,492
More than one year up to two years	93,706	270,960
More than two years up to three years	18,646	42,700
	446,668	702,152

22. CAPITAL COMMITMENTS

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

	2021 RM'000	2020 RM'000
Capital expenditure commitments		
Investment properties		
<i>Authorised and contracted for:</i>		
- Within one year	6,583	8,814
	6,583	8,814

23. 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.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

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	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Pavilion REIT Management Sdn. Bhd.	Rental income and its related charges	461	461	5	5
Malton Berhad Group *	Rental income and its related charges	2,991	3,270	9	8
Lumayan Indah Sdn. Bhd. ∞	Procurement of hotel related services	(28)	(16)	-	-
Impian Ekspresi Sdn. Bhd. ◊	Rental income and its related charges	776	785	131	64
Kuala Lumpur Pavilion Sdn. Bhd. ^	Expenses of MRT station naming rights fee and its related charges	(1,250)	(1,200)	-	-
Urusharta Cemerlang (KL) Sdn. Bhd. Δ	Reimbursement of electricity supply to Pavilion Suites	1,509	1,658	116	146
	Reimbursement of shared common cost	55	-	-	-
	Shared common property maintenance charge and sinking fund	(393)	-	-	-
Harmoni Perkasa Sdn. Bhd. α	Reimbursement of electricity supply to Pavilion Hotel	2,311	2,361	229	443
	Procurement of hotel related services	(13)	(54)	-	-
Pavilion Management (DTC) Sdn. Bhd. ρ	Rental income and its related charges	248	250	43	43
Makna Mujur Sdn. Bhd. Ω	Rental expense and its related charges	(54)	(19)	-	-

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

23. 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 interest 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 deemed interest in PMDTC. Lim Shoo Wenn, the daughter of Tan Sri Lim Siew Choon is also a director of PMDTC. Puan Sri Tan Kewi Yong is the spouse of Tan Sri Lim Siew Choon.

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.

24. SIGNIFICANT EVENT

On 24 December 2021, the Board of Directors of the Manager announced that Pavilion REIT has accepted an invitation from Regal Path Sdn. Bhd. (a subsidiary of Malton Berhad) to commence discussions for the potential acquisition of Pavilion Bukit Jalil Mall.

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 79 to 122 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 2021 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: 27 January 2022

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 79 to 122 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 27 January 2022.

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 2021. 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 2021 are in line with and are reflective of the objectives of Pavilion REIT. Final income distribution of 2.58 sen per unit has been declared for the financial year ended 31 December 2021 and is payable on 28 February 2022.

For and on behalf of the Trustee,
MTrustee Berhad

Nurizan Binti Jalil
Chief Executive Officer

Selangor,

Date: 27 January 2022

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 2021, 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 79 to 122.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pavilion REIT as at 31 December 2021, 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.

The COVID-19 pandemic has also increased the uncertainties in the market conditions of investment properties. This has caused external valuers to include material valuation uncertainties declaration in their valuation reports.

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 competence of the external valuers.
- We compared the valuation methodologies used by the external valuers against those applied by other external valuers for similar property types.
- 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.
- We also interviewed the external valuers to understand the key assumptions and implications of COVID-19 pandemic to the valuations.

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.

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

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.

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:

- i) 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.
- ii) 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.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- iv) 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.
- v) 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.
- vi) 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 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: 27 January 2022

Thong Foo Vung

Approval Number: 02867/08/2022 J

Chartered Accountant

ANALYSIS OF UNITHOLDINGS

DISTRIBUTION OF UNITHOLDINGS AS AT 31 JANUARY 2022

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Unitholdings
Less than 100	81	0.77	1,223	0.00
100 - 1,000	2,683	25.60	1,716,605	0.06
1,001 - 10,000	5,647	53.88	25,841,619	0.85
10,001 - 100,000	1,845	17.61	55,516,826	1.82
100,001 to less than 5% of issued units	218	2.08	435,166,124	14.26
5% and above of issued units	6	0.06	2,531,816,684	83.01
Total	10,480	100.00	3,050,059,081	100.00

THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS AS AT 31 JANUARY 2022

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	33.08
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	22.63
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	9.24
4.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	224,871,184	7.37
5.	Kumpulan Wang Persaraan (Diperbadankan)	170,945,500	5.60
6.	UOBM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Siew Choon</i>	155,000,000	5.08
7.	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera</i>	71,135,400	2.33
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 (Affin-HWG)</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.	Amanahraya Trustees Berhad <i>Amanah Saham Malaysia 2 - Wawasan</i>	14,000,000	0.46
13.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (Life Par)</i>	13,475,500	0.44
14.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (LEEF)</i>	12,990,000	0.43
15.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (LSF)</i>	12,214,800	0.40
16.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (NP – Other – REITS)</i>	10,771,700	0.35

ANALYSIS OF UNITHOLDINGS

(cont'd)

THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS AS AT 31 JANUARY 2022 (Cont'd)

No	Name of Unitholders	No. of Units	%
17.	Pavilion REIT Management Sdn Bhd	10,564,681	0.35
18.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Principal Eqits)</i>	9,091,400	0.30
19.	Pertubuhan Keselamatan Sosial	7,691,500	0.25
20.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)</i>	7,553,000	0.25
21.	Amanahraya Trustees Berhad <i>Amanah Saham Malaysia 3</i>	7,001,500	0.23
22.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (LPF)</i>	6,558,700	0.22
23.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich General Insurance Malaysia Berhad (GI – REITS)</i>	6,389,100	0.21
24.	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera 2</i>	6,020,400	0.20
25.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (AP – REITS)</i>	5,558,600	0.18
26.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (LGF)</i>	4,523,500	0.15
27.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Nomura)</i>	4,445,400	0.15
28.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Rakuten Trade Sdn Bhd for Tong Seech WI</i>	4,043,000	0.13
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>The Bank of New York Mellon for BNY Mellon Emerging Income Fund</i>	3,973,000	0.13
30.	Amanahraya Trustees Berhad <i>Public Select Treasures Equity Fund</i>	3,591,400	0.12

MAJOR UNITHOLDERS (5% AND ABOVE) AS AT 31 JANUARY 2022

No	Name of Unitholders	Direct Interest No. of Units	%	Deemed Interest No. of Units	%
1.	Qatar Holding LLC	1,008,900,000	33.08	-	-
2.	Tan Sri Lim Siew Choon	845,425,000	27.72	-	-
3.	Puan Sri Tan Kewi Yong	281,875,000	9.24	-	-
4.	Employee Provident Fund Board	301,393,684	9.88	-	-
5.	Kumpulan Wang Persaraan (Diperbadankan)	186,512,300	6.12	-	-

ANALYSIS OF UNITHOLDINGS

(cont'd)

UNITHOLDINGS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AS AT 31 JANUARY 2022

No	Name of Unitholder	Direct Interest No. of Units	%	Deemed Interest No. of Units	%
1.	Tan Sri Lim Siew Choon	845,425,000	27.72	-	-
2.	Puan Sri Tan Kewi Yong	281,875,000	9.24	-	-
3.	Dato' Lee Tuck Fook	100,000	*	-	-
4.	Navid Chamdia	100,000	*	-	-
5.	Ooi Ah Heong	100,000	*	-	-
6.	Dato' Maznah binti Abdul Jalil	100,000	*	-	-
7.	Dato' Philip Ho Yew Hong	125,000	*	-	-

*: Negligible

MARKET OVERVIEW

GENERAL ECONOMIC OVERVIEW 2021 & OUTLOOK FOR 2022

2020's negative GDP growth of 5.6% was the second worst economic performance for Malaysia after the 7.3% decline recorded during the Asian financial crisis in 1998. The economy showed signs of recovery in 2021 and although GDP shrank 4.5% in the third quarter, overall growth for 2021 is projected by the Ministry of Finance to clock in at around 3% to 4% before improving to between 5.5% to 6.5% in 2022.

The country went through another round of lockdown under the Movement Control Order (MCO) 3.0 which was in force nationwide from 3rd May to 28th June 2021. When the infection rates continued to rise, the government implemented a Full Movement Control Order (FMCO) nationwide from 1st June to 14th June 2021 and an Enhanced Movement Control Order (EMCO) for certain districts of some states from 3rd July to 16th July 2021 and then under the National Recovery Plan (NRP) phase 1 which took effect on 16 August 2021 before the SOPs were relaxed progressively under subsequent phases of the NRP. The lockdowns in the early part of the third quarter had a negative impact on businesses classified as non-essential which were not allowed to open and this slowed down the country's economic recovery process.

Nevertheless, the country, after a hesitant start, has caught up in its vaccination programme and by end 2021, has reached a stage where more than 78% or more than 25 million people have been fully vaccinated and have started to provide booster shots. This has helped to bring down the daily infection rates and the government has now allowed all sectors of the economy to reopen, with interstate travel and dine-ins permitted within the SOP guidelines. This has provided a lifeline to struggling businesses and given a boost to domestic tourism. The huge influx of visitors to favourite holiday destinations in Langkawi and Penang when interstate travel was allowed, shows that Malaysians, by and large, have overcome their fears of going out and adapted to living with the new normal of wearing masks, clocking in and out with their MySejahtera apps, and disinfecting/washing their hands frequently. The government has also announced the Langkawi Travel bubble effective 15 November 2021 where fully vaccinated travellers from approved countries are allowed to enter Langkawi and the establishment of a Vaccinated Travel Lane (VTL) arrangement with Singapore effective 29 November 2021. VTLs will also be established with other selected countries from 1 January 2022. When this happens, businesses serving the tourism industry including hotels, shopping malls, F&B outlets as well as transport service providers will benefit from the expected surge in tourist arrivals.

Private final consumption declined marginally by 1.5% in the first quarter of 2021 but recovered and increased by 11.6% in the second quarter, attributed to higher consumption on transport, F&B and communication. However, arising from the lockdowns due to the implementation of strict containment measures under the NRP phase 1, private consumption declined by 4.5% in the third quarter. Public final consumption on the other hand expanded by 9.0% in the second quarter compared to 5.9% in the first quarter, largely due to an increase in spending on supplies and services on the healthcare sector.

Malaysia continued its stellar trade performance with exports registering its 15th consecutive month growth since September 2020 and the 10th consecutive double digit growth since February 2021. Exports in November 2021 grew year-on-year by 34.9% to RM205.5 billion and for the 11 months period in 2021, rose 25.7% to RM 1.12 trillion. The export growth was contributed by strong demand for petroleum products, palm oil and palm oil based agricultural products, electrical and electronic (E&E) products, mainly electronic integrated circuits used in the production of smartphones, cars, computers and home appliances as well as rubber products. Exports to all major markets namely ASEAN, China, the United States (US), the European Union (EU) and Japan recorded double-digit expansion. Imports for the period January to November 2021 increased 23.3% to RM 894.42 billion and the trade surplus shot up 36.2% to RM 221.53 billion. Overall, trade surpassed the RM 2 trillion mark for the first time.

Foreign direct investments (FDIs) rebounded in the first nine months of 2021 to RM 30.2 billion after falling to RM14.6 billion in 2020. Most of these investments went into the manufacturing sector followed by the financial and wholesale and retail trade sectors. Economists expect a stronger inflow of FDIs in 2022 in line with the implementation of the 12th Malaysia Plan, The National Investment Aspirations and the forging ahead with the Fourth Industrial Revolution (IR4.0).

MARKET OVERVIEW

(cont'd)

Crude oil prices trended down due to a drastic decline in oil demand following the lockdowns and travel restrictions imposed as part of efforts by governments worldwide to combat the Covid-19 pandemic. The price of crude oil dropped to a low of <US\$20 per barrel in April 2020 but have since moved up & touched US\$85 per barrel, the highest since 2014, before easing back to below US\$75 by year end. As oil exports contribute substantially to Malaysia's GDP, the recovery of crude oil prices is a positive development for the country.

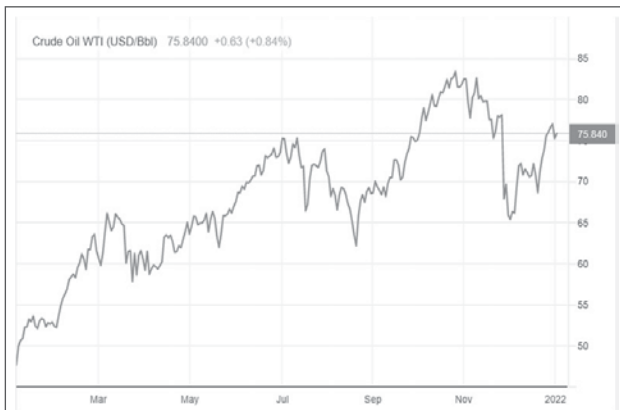


Chart 1 : Price Movement of WTI Crude
(Source: Trading Economics)

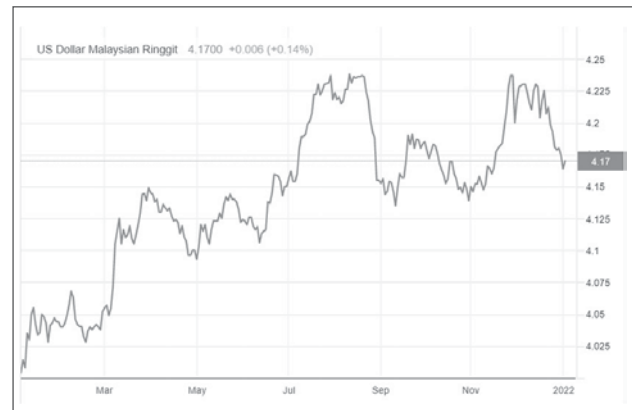


Chart 2 : Performance of Ringgit in 2021 against US\$
(Source: Trading Economics)

The Ringgit rose to a high of RM4.004 against the US dollar on 4th January 2021 before easing off to close at RM4.18: US\$1.00 on 31st December 2021 (Source: TradingView.com). The Malaysian Ringgit is the cheapest amongst Asian ex-Japan currencies followed by the Indonesian rupiah and South Korean won based on the latest valuations compiled by DBS Bank Ltd. Analysts believe the ringgit and rupiah are likely to be the two Asian currencies that stand to benefit most from rising commodity prices.

The FBM KLCI started the year at 1,602.57 points but was negatively impacted by the lockdowns implemented by the government under MCO 3.0, FMCO and NRP phase 1 in the early part of the third quarter and hit a low of 1,489.80 on 6th August 2021 before settling at 1,567.53 on 31st December 2021. The news of the emergence of Omicron, a new Covid 19 variant which the World Health Organisation (WHO) has listed as a “variant of concern” has battered stock markets worldwide which have since then stabilised as investors regained their composure especially as news reports surfaced that this new variant, although more infectious, is mild and less deadly than the Delta variant before it.

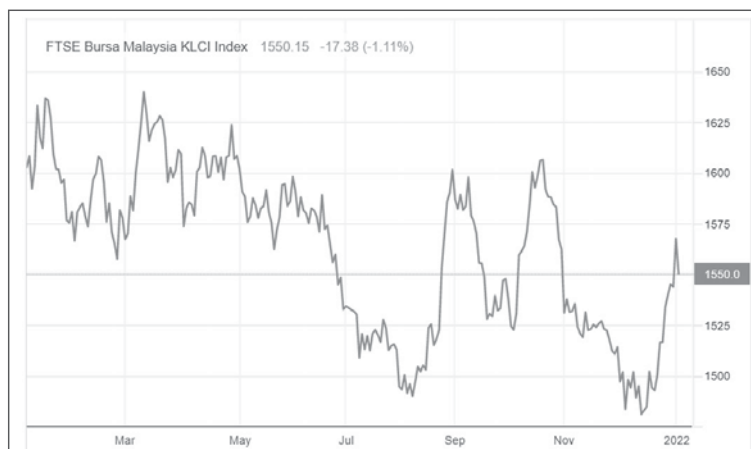


Chart 3 : KLCI Performance 2021 (Source: Trading Economics)

MARKET OVERVIEW

(cont'd)

SECTORAL REVIEW

THE RETAIL SECTOR

Klang Valley - Supply & Demand of Retail Space in 2021

As at December 2021, Klang Valley (ie. Kuala Lumpur, Selangor and Putrajaya) had 286 shopping centres with a total supply of more than 83 million square feet of retail space as per the table below :

Table 1 : Retail Supply and Demand in Klang Valley, 2021

No.	Location	No. of Malls #	Total Nett Floor Area (square feet)	Average Rental Rate (RM per square feet per month)*	Average Occupancy Rate (%)
1	Kuala Lumpur	121	37,574,465	11.65	74.6
2	Selangor	161	43,388,456	9.77	69.7
3	Putrajaya	4	2,318,000	7.57	83.6
	TOTAL	286	83,280,921	10.09	72.3

Notes:

- include hypermarket malls and arcades

* - exclude rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley, etc.

Source: Henry Butcher Retail

On the whole, the average occupancy rate of shopping centres in the Klang Valley declined from 73.5% in 2020 to 72.3% in 2021. For Kuala Lumpur, the average occupancy rate over this period dropped from 75.9% to 74.6%. As in the previous year, this decline was due mainly to the impact of the Covid-19 pandemic which affected almost the entire period of 2021. The average occupancy rate of shopping centres in Selangor came down from 71.0% in 2020 to 69.7% in 2021. Similarly, the decline was due mainly to the emergence of the Delta variant of the Covid-19 virus. Despite the pandemic, the average occupancy rate of shopping centres in Putrajaya was maintained at 83.6% in 2021.

The average rental rate for the Klang Valley dropped marginally from RM10.10 per square feet per month in 2020 to RM10.09 per square feet per month in 2021. This average did not include rental rates of anchor tenants such as supermarkets, department stores, cineplexes, bowling alleys, etc., and also did not take into account the rental rebates extended by many shopping centre owners during the various stages of the lockdowns. During 2021, many existing shopping centre owners continued to offer rental rebates or reduce rental rates in order to retain existing tenants. Some tenants agreed to the rental package restructuring in order to achieve a win-win situation for all.

The pandemic affected all shopping centres in the Klang Valley. During the year, many tenants were not allowed to open due to restrictions imposed by the federal government. Many other tenants also operated shorter hours due to reduced shopping traffic.

MARKET OVERVIEW

(cont'd)

New Shopping Centre Opened in 2021

Two new shopping centres and one mall extension were opened in 2021 with a total nett floor area of more than 2.3 million square feet. These are listed in the table below :

Table 2 : New Shopping Centres in Klang Valley which Opened in the 2021

No.	Name	Location	Nett Floor Area (square feet)
1	Setia City Mall Phase 2	Setia Alam	450,000
2	Permata Sapura Tower	KLCC	70,000
3	Pavilion Bukit Jalil	Bukit Jalil	1,800,000
	TOTAL		2,320,000

Source: Henry Butcher Retail

- Setia City Mall added a new wing to its existing shopping mall which opened in March 2021. Lulu hypermarket is its anchor tenant. As at December 2021, many retail shops were still in the process of opening.
- The 52-storey Permata Sapura Tower office development has 2 levels of retail space. As at 30 November 2021, retail shops had yet to be opened to the public.
- Pavilion Bukit Jalil opened on 3 December 2021. Anchor tenants which have opened to the public included Parkson, HOHM, The Food Merchant, Eight Avenue, Mr DIY, Toys R Us and Harvey Norman. Other upcoming anchor tenants include Dadi Cinema, Food Republic, Discover Siam by Siam Piwat and an ice skating ring.

Performance of Klang Valley Shopping Centres in 2021

Year 2 of the Covid-19 Pandemic

Two rounds of lockdowns disrupted the business of shopping centres in the Klang Valley for the most part of 2021. When the second Movement Control Order (MCO 2.0) was implemented from 13 January 2021 till 4 March 2021, the majority of retail trades inside shopping centres were ordered to close. Popular shopping malls in the Klang Valley suffered a drop in shopping traffic by as much as 90% as compared to December 2020. Shopping traffic however more or less recovered when MCO 2.0 ended on 5 March 2021. Shopping malls in the Klang Valley received large crowds on the first weekend after the movement restriction was lifted and some tourist areas also witnessed a good crowd during the weekends. However, in April 2021, shopping traffic started to drop again. The high daily positive cases of more than 2,000 for about 2 weeks affected shopping traffic of shopping malls in the Klang Valley. Despite the Hari Raya festival, consumers tried not to go out as often as the period in March.

The interstate travel ban continued to be enforced throughout the Hari Raya festival and shopping malls located in Bukit Bintang and KLCC shopping districts were affected by this. Many shopping malls in Kuala Lumpur city centre relied on tourists for about 15%-20% of their retail sales. Since the second MCO started in January 2021, Malaysians from all parts of the country were not able to visit the high quality malls in Kuala Lumpur that were not found in their own hometowns. After surging daily positive cases, the third Movement Control Order (MCO 3.0) was implemented from 3 May 2021 until 31 May 2021. During this period, retailers in shopping centres suffered from poor sales when Malaysian shoppers avoided enclosed places. Starting from 7 May 2021, only individuals with 'Low Risk' status on their My Sejahtera applications were allowed to enter shopping centres.

Covid-19 driven Hotspot Identification for Dynamic Engagement (HIDE) system started from 8 May 2021. A long list of shopping centres and hypermarket malls in the Klang Valley were ordered to close for 3 days because they were identified as potential pandemic risk locations. However, this application was removed a few days after appeals from shopping centre operators, retail tenants and consumers.

MARKET OVERVIEW

(cont'd)

Beginning 25 May 2021, many shopping centres in the Klang Valley discontinued manual logbook registration and non-users of MySejahtera application were not allowed to enter the shopping centres. The government also imposed a maximum of 2 hours of shopping time for every shopping centre and hypermarket mall for each shopper.

When the Full Movement Control Order (FMCO) was enforced from 1 June 2021, shopping traffic in shopping malls dropped by 95% as non-essential retailers were ordered to shut their doors. When the National Recovery Plan (NRP) Phase 1 was introduced on 15 June 2021, shoppers were asked to stay home. The rule of maximum of 2 persons per vehicle was imposed by the government. In addition, children under 12 years and below were not allowed inside shopping centres.

The Enhanced Movement Control Order (EMCO) was implemented in the all the urban areas in Selangor and selected areas of Kuala Lumpur from 3 July 2021 for a period of 2 weeks. During this period, the retail sector in the Klang Valley was severely hit. It is noted that the retail market in Kuala Lumpur and Selangor accounted for 60% of the total market size in Malaysia. On 6 July 2021, the National Security Council announced that department stores were allowed to open for states under NRP Phase 1. Isetan and Sogo opened on 9 July 2021 but closed 3 days later due to confusing SOPs.

Starting from July 2021, retail landlords were actively trying to get all its staff, retail tenants and third-party contractors to be fully vaccinated. Several vaccination centres were set up inside shopping centres, including Mid Valley Megamall, 1 Utama, IDCC Shah Alam, Centro Klang, KL Gateway Mall and Tropicana Gardens Mall. KLCC Convention Centre (next to Suria KLCC) and Setia City Convention Centre (next to Setia City Mall) were also set up as major vaccination centres.

During the month of August, Klang Parade closed entirely for 2 weeks due to cluster infection.

Beginning 16 August 2021, shopping centres in Klang Valley only allowed entry of shoppers who were fully vaccinated. By October, shopping centres allowed fully vaccinated adults to bring children who were 17 years' old and below.

Shopping traffic began to build up from August 2021 and during the last 2 months of the year, shopping traffic have returned in all major shopping malls located in the Klang Valley. Major shopping malls were packed with shoppers and diners and traffic jams inside shopping mall car parks also returned.

Since interstate travel was allowed from the middle of October, retail businesses that have been dependent on tourists received good response. Malaysians from all parts of the country travelled to the Klang Valley for shopping, gathering and meeting.

Rental Waivers and Rental Rebates

- a) Many retail landlords in the Klang Valley gave rental rebates to non-essential retailers during the two major lockdowns in 2021.
- b) Rental rebates were only given to tenants on a case-by-case basis during the implementation of the lockdowns. Rental defaulters were however not alarming due to government wage subsidies and delay of loan repayment offered by financial institutions. Some retail landlords allowed tenants to pay outstanding rentals on an installment basis without interest or penalty.
- c) Unlike 2020, rental rebates did not apply to all tenants that closed during MCO 3.0, FMCO and NRP Phase 1 because retail landlords were not getting the full loan moratorium from their banks. This was different from MCO 1.0 between March and May last year when the bank moratorium was applied automatically. This time round, automatic moratorium applied only to individuals and small & medium enterprises (SMEs). Shopping centre owners were not eligible.
- d) Majlis Amanah Rakyat (MARA) granted a 3-month rental exemption for all its tenants in commercial properties owned by them from July until September 2021. It also gave a 30% discount on rental payment from October to December 2021. This benefited 5,913 tenants.

MARKET OVERVIEW

(cont'd)

- e) In August 2021, Sunway introduced the Sunway Malls SME Retailers Relief Financing Programme for its qualified SME retail tenants. Its retail tenants could apply for RHB Bank financing facilities of up to RM500,000 with a loan tenure of 7 years, whereby up to 80% of the principal financing amount was guaranteed by Credit Guarantee Corporation Malaysia Bhd.
- f) In addition to rental rebates and instalments, AEON Malls offered financial loans to its tenants through Aeon Credit Service (M) Bhd.

Major Closures and Replacements

There were several major replacements of tenants during the year:

- a) After the acquisition by Charoen Pokphand Group from Thailand in December 2020, Tesco Malaysia changed the names of its 62 stores to Lotus's Malaysia.
- b) The anchor space vacated by Robinsons in The Shoppes at Four Seasons Place was tenanted by pop-up stores including fashion brands such as Club 21, Dressing Paula, Boy London, Andy Sulaiman, Eric Choong, Liren, etc.
- c) The anchor space formerly occupied by Robinsons in The Gardens Mall was taken by The Isetan as a pop-up store.
- d) Jaya Grocer replaced Cold Storage in Jaya Shopping Centre at the end of 2020.
- e) Mercato replaced Cold Storage in Solaris Mont Kiara at the end of 2020.
- f) Jaya Grocer replaced Village Grocer at SS15 Courtyard in February 2021.
- g) Bangsar Market closed down in KL Eco City Mall on 31 August 2021.
- h) LAC Malaysia took over most of GNC Live Well outlets in Malaysia.
- i) Parkson closed down in Plaza OUG after operating for 18 years.
- j) TF Value-Mart replaced Matahari in Palazzo 19 Mall (formerly known as The 19 USJ City Mall).
- k) TF Value-Mart replaced Giant hypermarket at CMC Centre Taman Connaught.
- l) Leisure Grocer replaced Oliver's Gourmet as anchor tenant of Cheras Leisure Mall.
- m) Hero Mall opened in November at the former Giant hypermarket building in Bandar Puteri Puchong. This newly refurbished building is anchored by Hero Market and numerous speciality stores and F&B outlets. Other tenants include NOKO, A&W, Subway, Caring Pharmacy, etc.
- n) NSK Grocer replaced AEON as its anchor tenant in Quill City Mall.
- o) Lulu Grocer replaced SKM Market in Amerin Mall.
- p) Food District replaced Food Republic in 1 Utama.

There were a few major closures of retailers during the year:

- a) eCurve closed on 31 March 2021 for redevelopment after operating for 14 years.
- b) Food Junction closed down in Mid Valley Megamall.
- c) AEON Big closed down its large hypermarket located in 3 Damansara in October 2021.

MARKET OVERVIEW

(cont'd)

- d) Oliver Gourmet closed down all its 3 outlets.
- e) Most of the tenants, including Parkson, in Plaza OUG have moved out. This shopping centre will be demolished for re-development into a 3-storey shopping centre with residential towers.

Sale and Refurbishment

- a) The 19 USJ City Mall was renamed Palazzo 19 Mall in early 2021 under new ownership.
- b) Golden Screen Cinema acquired the majority of the assets of MBO Cinema in March 2021.
- c) Plaza Pelangi Astana in Pelangi Damansara was put up for sale again at a lower price of RM34.8 million. Formerly occupied by Houz Depot, it has a floor area of 74,357 square feet.
- d) Hextar Rubber Sdn Bhd became a substantial unitholder of KIP Real Estate Investment Trust (KIP REIT) after taking over the stakes held by the late Datuk Chew Lak Seong and KIP REIT's co-founder Datuk Ong Kok Liong.
- e) Sungai Mas Plaza, formerly occupied by The Store, completed its refurbishment in the middle of 2021 and re-opened with new tenants including Hero Market, NOKO, Boost Juice Bars, Bread History, Krispy Kreme, Tealive, etc.
- f) Cheras Plaza undertook a major renovation to focus more on offices.
- g) Rubberex Corp (M) Bhd collaborated with Alliance Premier Sdn Bhd, EXSIM Holdings Sdn Bhd and JT Momentum Sdn Bhd to develop and operate Empire City Mall. The mega shopping centre is targeted for opening in 2023.
- h) AEON Mall Alpha Angle started a facelift from 8 November 2021 and it is expected to complete by April 2022.
- i) Starhill Gallery in Bukit Bintang completed its major refurbishment in the 4th quarter of 2021.
- j) Grab Holdings Ltd bought 100% ordinary shares and 75% preference shares of Jaya Grocer in December 2021.

Klang Valley Retail Market

After retailers struggled for almost a year from the pandemic, hopes for a recovery in 2021 was completely dashed when daily confirmed Covid-19 cases jumped to historical highs during the early part of the year.

Quarterly Retail Sales Performances

- a) For Q1 2021, the Malaysian retail industry recorded a negative growth rate of 9.9% in retail sales, as compared to the same period in 2020. The Movement Control Order (or MCO 2.0) was reinstated from 13 January 2021 until 4 March 2021. During the initial period of this lockdown, the majority of retail trades were ordered to shut but later, some non-essential retail shops were allowed to open but received few customers even during peak shopping hours. The situation was worse than MCO 1.0 in March 2020. More retail businesses were later allowed to open in stages from 5 February 2021. Shopping traffic recovered when MCO 2.0 ended on 5 March this year.

MARKET OVERVIEW

(cont'd)

- b) For Q2 2021, Malaysia's retail industry recorded a positive growth rate of 3.4% in retail sales compared to the same period in 2020. The positive growth during the quarter was due solely to the low base effect a year ago. During this quarter, the Malaysian retail industry suffered a year-on-year decline of 30.9% because of business closures. Shopping traffic recovered when MCO 2.0 ended in March 2021. After surging daily confirmed cases, MCO 3.0 was re-imposed from 3 May 2021 and ended on 31 May 2021. During this period, the majority of retailers suffered from poor sales as shoppers avoided enclosed places. Effective 1 June 2021, Phase 1 of the FMCO ran for a period of 2 weeks. During this time, non-essential retailers were ordered to close and Malaysians nationwide were asked to stay at home. The NRP which was staggered over 4 phases, was implemented effective 15 June 2021. Similar to the FMCO, non-essential retailers remained closed and Malaysian consumers were asked to remain at home.

Table 3 : Malaysia Retail Sale and Other Economic Performances, 2021

Economic Indicator (%)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Whole Year
Retail sales	-9.9	3.4	-27.8	18.3 (e)	0.5 (e)
GDP	-0.5	16.1	-4.5	NA	3.0-4.0 (e)
Private consumption	-1.5	11.7	-4.2	NA	NA
Inflation rate	0.5	4.1	2.2	NA	NA

NA - not available

(e) - estimate

Source: Retail Group Malaysia/Bank Negara Malaysia

- c) For Q3 2021, Malaysia's retail industry recorded a disappointing growth rate of -27.8% in retail sales. Most retailers were forced to shut down during the first half period of the third quarter of 2021. The EMCO was enforced in a large part 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 NRP Phase 1 were 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 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. 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 the NRP. They included shops or outlets selling personal care, toys, antique, outdoor, tobacco, carpet, used items, photography, souvenirs and craft, nurseries as well as florists.
- d) Retail Group Malaysia expected the retail industry to gain momentum on its recovery by the end of the year. For Q4 2021, the growth rate estimate has been revised upwards from 12.7% (estimated in September 2021) to 18.3%. Retailers were hopeful that retail sales will climb higher in December this year due to two upcoming major festivals-Christmas and Chinese New Year. Starting from 1 October 2021, spa, wellness centres and massage centres were allowed to re-open to fully vaccinated public. Interstate travel ban was lifted on 11 October 2021 after 90% of the adult population has been fully vaccinated. Domestic tourism brought more sales to retailers in the Klang Valley that had been dependent on tourism spending.
- e) For the entire year of 2021, Retail Group Malaysia estimated the Malaysian retail industry growth rate to be 0.5%. This has been the fifth revision of the retail sale growth rate since end of 2020.

MARKET OVERVIEW

(cont'd)

Retailing Trends in the Klang Valley

Malaysia went through another two major lockdowns in 2021. During these periods, the majority of retail trades were ordered to shut down.

Similar to the first year of the Covid-19 pandemic, Malaysian retailers turned to online shopping platforms and deliveries to stay alive. Again, online shopping became a major channel of distribution of retail goods and services during this period. When retail stores were allowed to reopen and food & beverage outlets were allowed for dine-in, online purchases dropped significantly as most Klang Valley residents returned to their favourite physical outlets.

Several retail and services trades in the Klang Valley enjoyed more-than-usual success in 2021:

- Small-format grocery-related shops enjoyed better sales during the lockdown period. Mini-markets, snacks' specialty stores, food specialty stores and ready-to-eat convenience stores were small-sized grocery stores that competed directly with supermarkets and hypermarkets.
- Fixed-price stores and second-hand stores became popular in 2021 due to their very affordable retail goods.
- Courier service providers expanded aggressively during the last 2 years to capitalise on the high demand for delivery goods. POS store had the most number of outlets with more than 700 in Malaysia.
- Despite many closures during the Covid-19 pandemic, Malaysian individuals and companies were still investing in new food & beverage outlets including cafes, restaurants, food stalls, food kiosks and food trucks.
- The popularity of food delivery during the pandemic gave birth to cloud kitchens in the Klang Valley. Operators included Foodpanda, Grab Kitchen, My Ghost Kitchen, Cookhouse, Cloud Hawker, Kloud Kitchen, Kitchen Connect, Delivery Ghost Kitchen, Foodle, COOX, TapasTapas Cloud Kitchen, Go Virtual Kitchen, KitchenCo, KEATchen, Makan Factory, Foodlab, etc.

Closures and Opening of Foreign Retailers in the Klang Valley

During 2021, Klang Valley retail market witnessed closures of several overseas retailers. A drastic reduction in sales due to another year of the Covid-19 pandemic was the main cause of their closures in Malaysia. The retailers included:

- Element Fresh (China)
- 108 Matcha Saro (Japan)
- Hong Kong Sheng Kee Dessert (Singapore)
- Pho Street (Singapore)
- Yoshinoya (Japan)
- Hanamaru Udon (Japan)
- Good Day Good Time (Taiwan)
- Kam's Roast (Hong Kong)
- Wild Honey (Singapore)

MARKET OVERVIEW

(cont'd)

During the same period, many overseas retailers chose Klang Valley shopping centres to open their first outlets in Malaysia. They included at least 15 brands from 11 countries:

Table 4 : Opening of First Stores (Shopping Centre Only) in Malaysia by Foreign Retailers

No	Country of Origin	Brand Name	Trade
1	Japan	Don Don Donki	Specialty supermarket
2		% Arabica	Foods & beverages
3	Germany	Adidas Sneaker Connect	Fashion & fashion accessories
4	Singapore	Esentials	Health & beauty
5	Hong Kong	Jenny Bakery	Foods & beverages
6	Taiwan	LOHAS	Foods & beverages
7	Spain	Yolo	Foods & beverages
8	China	Dadi Cinema	Entertainment
9		Tianyue Teajoy	Arts & crafts
10	United States	Tom Ford	Fashion & fashion accessories
11		The Cheesecake Factory	Foods & beverages
12		Microsoft Experience Centers	ICT
13	South Korea	CU	Convenience store
14	United Kingdom	Elemis	Health & beauty
15	Iran	LIMON	Home

Source: Henry Butcher Retail

Closures of Local Retailers in the Klang Valley

A high number of retail closures happened immediately after the MCO ended in May 2020. A second round of major closures took place after the bank moratorium ended in October 2020. The third round was during MCO 2.0 in 2021 and the next wave of closures began after MCO 3.0. However, many retail outlets closed down not due to the Covid-19 pandemic. They were already not doing well before the spread of the virus and the situation worsened during the pandemic. The continuing lockdowns just led them to close down permanently.

During the year, Maxvalue Ringgit Store closed down all its outlets and Oliver Gourmet closed down all its 3 outlets. PappaRich, Boat Noodle and Station One Kopitiam closed down numerous outlets. Several iconic retail and F&B operators closed down in the Klang Valley during 2021:

- Chili's first outlet in Malaysia was located in Bangsar Shopping Centre. It closed down in January after operating for 27 years
- Coliseum Cafe & Grill Room at Jalan Tuanku Abdul Rahman closed down in June after operating for 99 years
- Sin Hoy How in Jalan Tun HS Lee closed down in July after operating for 84 years
- Rasa Food Arena in Suria KLCC closed down in August after operating for 22 years
- Oriental Craving in 1 Utama closed down after operating for 17 years
- FOS in Mid Valley closed down after operating for 22 years
- McDonalds in Jalan Silang, next to Kota Raya
- Nando's in Jalan Sultan, Chinatown

MARKET OVERVIEW

(cont'd)

In addition, several popular cafes and restaurants closed down in Klang Valley during the year:

- Anther & Stigma, Plaza Arkadia
- ToastLab, Taman Segar
- Menya Shi Shi Do, Jaya One
- Kohi Yatta, Jalan Sungei Besi
- Little Rimba, TTDI
- Bouchon Enfin, Pavilion KL
- Departure Lounge closed down all its 3 outlets

The Rift, a virtual reality theme park, closed down in Mid Valley Megamall.

Tourist Arrivals

Malaysia received 4.3 million foreign tourists in 2020. This was an 83.4% decrease from 2019 (tourist arrivals to Malaysia was 26.1 million in 2019) and was the worst ever recorded in Malaysia's tourism industry. The surge of virus infections at the beginning of 2021 closed the international borders again. For the first 11 months of 2021, foreign tourists from overseas were not allowed to enter the country.

On 23 November 2020, the Ministry of Tourism, Arts and Culture (MOTAC) announced a detailed recovery plan in its efforts to revive the Malaysian tourism industry in 2021. Tourism Malaysia will work with airlines, travel-related companies and travel-related associations to offer vouchers, discounts and cash rebates that will encourage Malaysians and people residing in Malaysia to travel around the country to boost domestic tourism. Tourism Malaysia was also planning for green travel bubbles with immediate ASEAN neighbours by the first half of 2021. Cross border tourism would help to boost tourism spending in Malaysia. Countries included Singapore, Brunei, Thailand as well as Indonesia. However, all these plans were aborted due to the several lockdowns in 2021.

MOTAC estimated a loss of RM165 billion in tourist expenditure for 2021 due to closures of international borders.

The Langkawi domestic travel bubble was launched on 16 September 2021. In less than 2 months, it received more than 240,000 visitors.

The interstate travel ban was lifted on 11 October 2021 after 90% of the adult population have 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 received good responses.

Rental Rates of Selected Shopping Centres in Klang Valley

The rental rates of selected shopping centres in Klang Valley were detailed out in the table below :

Table 5 : Rental Rates of Selected Shopping Centres in Klang Valley, 2021

Name	Rental Rate (RM psf per month)					
	Lower Ground	Ground Floor	First Floor	Second Floor	Third Floor	Fourth Floor
Suria KLCC	46.00 – 214.00	42.00 – 94.00	42.00 – 96.00	37.00 – 84.00	49.00 – 95.00	45.00 – 63.00
Low Yat Plaza	28.00 – 30.00	19.00 – 48.00	23.00 – 33.00	10.00 – 31.00	14.00 – 40.00	11.00 – 23.00
Cheras Leisure Mall	17.00 – 32.00	13.00 – 22.00	10.00 – 28.00	8.00 – 21.00	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 – 15.00	9.00 – 19.00	NA
SACC Mall	2.00 – 7.00	4.50 – 14.00	4.50 – 12.00	2.60 – 7.00	2.50 – 4.50	NA

Note:

NA - not applicable

Source: Property Market Report, NAPIC/Henry Butcher Retail

HENRY BUTCHER MALAYSIA

International Asset Consultants



MARKET OVERVIEW

(cont'd)

The achieved rental rates excluded temporary rental waivers and rental discounts given to selected tenants during the various stages of the lockdowns in 2021. The achieved rental rates also did not include rental rates of anchor tenants such as supermarkets, department stores, cineplexes, bowling alleys, etc.

Klang Valley Retail Supply in 2022

At least 7 new shopping centres and 1 mall extension are expected to open in 2022 with a total nett floor area of over 4.7 million square feet. They are located in all parts of the Klang Valley.

The list of new shopping centres in the Klang Valley include:

Table 6 : New Shopping Centres in the Klang Valley for the Year 2022

No.	Name	Location	Nett Floor Area (square feet)
1	Mitsui Shopping Park Lalaport	Bukit Bintang	861,000
2	Datum Mall	Setiawangsa	319,000
3	Ecohill Walk Mall	Semenyih	170,000
4	IOI City Mall Phase 2	Putrajaya	1,000,000
5	The Exchange TRX	Jalan Tun Razak	1,300,000
6	8 Conlay	KLCC	130,000
7	KSL Esplanade Mall	Klang	700,000
8	Senada Shopping Centre	Bukit Kiara	231,000
	TOTAL		4,711,000

Source: Henry Butcher Retail

- Targetted for opening on 20 January 2022, Mitsui Shopping Park Lalaport Kuala Lumpur will offer over 300 retail shops and F&B outlets, as well as ZEPP Kuala Lumpur, a 100,000 square feet Malaysian Grand Bazaar, as well as a concert hall and entertainment hub with 2,500 seats equipped by Sony Music Entertainment. Jaya Grocer is its grocery anchor.
- Datum Mall was completed in Q2 2021 but it has yet to open to the public. Confirmed anchor tenants include Pacific Marketplace, Pacific Concept Store and Pak Tam wedding hall.
- EcoHill Walk Mall was completed in 2021 but has yet to open to the public. Lulu Grocer is its anchor tenant.
- IOI City Mall Phase 2 will be opening to the public by Q2 2022. It will offer a wide selection of retail shops and F&B outlets, a canopy-covered outdoor street retail promenade, a 40,000 square feet exhibition hall, a cineplex with IMAX hall, edutainment centre, entertainment centre as well as a rooftop sports centre with gym. Confirmed anchor tenants include AEON, GSC with IMAX hall, Best Denki, Food Empire, Maju Home and Proton.
- Anchor tenants secured by The Exchange TRX include Seibu department store, an upscale supermarket by Dairy Farm's International and a new cinema concept by GSC.
- 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.
- 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.
- The 3-storey Senada shopping centre is part of Senada Residence development that includes 2 residential towers and an office block.

MARKET OVERVIEW

(cont'd)

Outlook of the Klang Valley Shopping Centre Market in 2022

The prospects of Klang Valley shopping centres in 2022 is highly dependent on the development of the Covid-19 pandemic as well as Malaysian government policies on lockdowns and social distancing guidelines. The new variant, Omicron, has caused many uncertainties for Malaysian retailers and consumers.

The Klang Valley Consumer Market

Retail Group Malaysia projects a 6.0% growth rate in retail sales for 2022. The Ministry of Finance Malaysia (MOF) expects Malaysia's economy to grow between 5.5% and 6.5% next year.

Malaysia's retail industry looks forward to recovery from the Covid-19 pandemic of almost 2 years. However, several challenges remain:

- a) The high daily positive cases remain worrisome. A new variant, Omicron, is now spreading rapidly across the world. The first case in Malaysia was announced on 3 December 2021. The Malaysian government has decided to delay the country's transition into the endemic phase due to uncertainty over the virus transmission. A potential fourth-wave pandemic is haunting Malaysian retailers. Malaysian non-essential retailers cannot afford another forced closure of physical stores.
- b) Foreign tourists' arrival in Malaysia will be affected due to the new borders' closures. The current entry requirements for foreign tourists into Malaysia are troublesome and discourages leisure travellers from overseas. This will affect Klang Valley retail businesses that have been dependent on leisure travellers from overseas.
- c) Prices of basic necessities and many consumers' goods have risen since November 2021. Many F&B outlets have increased their prices and the rising prices are expected to continue into the first half of 2022. The higher cost of living will affect the purchasing power of Malaysian households.
- d) The Covid-19 pandemic has caused a reduction in take-home pay for most Malaysians. The take-home pay of Malaysian workers are highly dependent on the pace of recovery of the Malaysian economy in 2022. When Malaysian economic activities are vibrant, more people will get jobs, and more people will get higher pay. When take-home pay become higher, people will be willing to spend more on consumer goods and services.

Several new measures introduced by the federal government during Budget 2022 will have an impact on retailers, organisations and individuals operating online shopping platforms in 2022:

- a) Income tax will be imposed on Malaysian residents on income derived from foreign sources and received in the country from 1 January 2022. (The government subsequently decided that the tax will now be exempted for the next five years till 2026)
- b) Sales tax levy will be imposed on low-value goods from abroad sold by online merchants and sent to consumers in Malaysia via air courier services.
- c) Service tax will be levied on e-commerce platforms except for food and beverages delivery and logistics.

Direct cash aid programme, rebranded as Bantuan Keluarga Malaysia (BKM), will continue in 2022. Families with income of less than RM2,500 a month and with 3 or more children will receive RM2,000. Single parents with income of less than RM5,000 will receive an additional RM500 whilst an additional RM300 will be distributed to households with senior citizens.

The Kumpulan Wang Simpanan Pekerja (KWSP) minimum contribution tax deduction from 11% to 9% will be extended for another 6 months until June 2022. This will bring more monthly take-home pay to Malaysian workers.

MARKET OVERVIEW

(cont'd)

New foreign retailer entries expected in the Klang Valley for Year 2022 include:

The Coffee Academics	Gordan Ramsay Bar & Grill
NITORI	Seibu
Nojima	Apple Store
Mini One by DONQ	Eslite Bookstore
Yakiniku Sizzle by Yakiniquest	Bacha Coffee
Balmain	David Rocco's Dolce Vita
Philipp Plein	Omotosando Koffee
Discover Siam by Siam Piwat	Fat Daddy
32 Parfait	Etc.

The Klang Valley Shopping Centre Market

Since November 2021, shopping traffic has returned to all major shopping malls located throughout the country. On weekends, major shopping malls in the Klang Valley are packed with shoppers and diners. Traffic jams inside shopping mall car parks have returned. The shopping behaviour and patterns of Klang Valley consumers are back to pre-pandemic levels. Almost all retail trades have been allowed to open for business. The only retail related business that is still not allowed to open is night entertainment outlets.

When interstate travel was allowed since the middle of October 2021, retail businesses that have been dependent on tourists have received good response. Shopping centres in Kuala Lumpur city centre, Petaling Jaya, Damansara and Bandar Sunway have welcomed Malaysians from other states of Malaysia in large numbers. Shopping traffic in Klang Valley shopping centres will continue to grow until the second month of 2022 due to two major festivals - Christmas and Chinese New Year.

A new virus variant, Omicron, will however, undermine the ability of Malaysian shopping centres to fully recover in 2022. The danger of another total lockdown in the near future is haunting Malaysian mall owners as well as retail tenants.

Foreign tourists are still missing in Malaysia and it may take up to another 6 months to see a meaningful number of tourist arrivals. The current entry requirements are too much of a hassle to attract leisure tourists. This will have a negative impact on major shopping malls located in Kuala Lumpur city centre, Petaling Jaya, Damansara, Sunway and Sepang. These shopping centres were favourites of foreign tourists in 2019.

Due to the Covid-19 pandemic and current retail oversupply, Klang Valley shopping centres targeted for opening in 2022 will face challenges to fill up most of their retail lots upon their opening. To attract permanent tenants to open in their shopping centres, retail landlords will need to lower their rental rates and/or offer longer rent-free periods. At the same time, they need to seek temporary tenants to fill up empty lots, especially at prime locations.

The Covid-19 pandemic has forced retail landlords to pay attention to greater digitization of their businesses. Retail landlords in the new normal are expected to invest more in digital infrastructure (including software, hardware and human) that allows its shoppers to buy goods and services in multiple formats with ease.

Malaysian Tourism in 2022

The Langkawi international travel bubble was launched on 15 November 2021. However, the SOPs for international travellers were only finalised 2 weeks later. The Vaccinated Travel Lane (VTL) by air between Malaysia and Singapore's major international airports was introduced from 29 November 2021. In addition, VTL by land at the causeway in Johor Bahru started on the same day. This travel bubble between Malaysia and Singapore allows fully vaccinated visitors to move between the two countries without the need for quarantine.

The National Recovery Council, chaired by former prime minister of Malaysia Tan Sri Muhyiddin Yassin, proposed in November 2021 for Malaysia's borders to be fully opened to all international tourists by 1 January 2022. However, the emergence and spread of the latest virus variant around the world will delay this re-opening.

MARKET OVERVIEW

(cont'd)

Under Malaysia Budget 2022, several measures were introduced to revitalise the tourism industry:

- the extension of personal tax relief of RM1,000 for domestic travel industry for another year,
- targeted wage subsidy programme for tourism operators who are seeing a dip in revenue of at least 30%, and
- a 'Business Travellers Center' will be set up in Johor for short-term business visitors from Singapore.

PURPOSE BUILT OFFICE SECTOR

Existing & incoming supply

The supply of privately owned purpose-built offices (PBOs) in Kuala Lumpur went up marginally by 1.3% from 9.275 million square metre as at 2H 2020 to 9.391 million square metre as at Q3 2021 whilst the supply of PBOs in Selangor stood at 4.075 million square metre.

There were 3 buildings completed in Selangor in 2021 which added another 96,800 square metre of net lettable floor space to the supply whilst 10 new buildings added 230,300 square metre in Kuala Lumpur. Based on Naptic's records, the incoming supply of office space will see another 13 buildings with 966,000 square metre of space in Kuala Lumpur whilst Selangor will witness 3 more completions with a total of 412,000 square metre of space.

Table 7 : Total Supply of PBOs in KL & Occupancy Rates (as at Q3 2021)

Location	No. of Buildings	Total Space (million square metre)	Occupancy %
City Centre	306	7.488	71.3
Outside City Centre	107	1.903	67.5
Total	413	9.391	70.5

Source: Naptic

Table 8 : Total Supply of PBOs in Selangor & Occupancy Rates (as at Q3 2021)

No. of Buildings	Total Space (million square metre)	Occupancy %
237	4.075	66.9

Source: Naptic

Table 9 : Incoming Supply of Office Space in Kuala Lumpur (as at Q3 2021)

Status/Location	No. of Buildings	Total space (million square metre)
Completion		
City Centre	8	0.580
Outside City Centre	0	0
Total	8	0.580
Incoming supply		
City Centre	9	0.822
Outside City Centre	4	0.144
Total	13	0.966

Source: Naptic

HENRY BUTCHER MALAYSIA

International Asset Consultants



MARKET OVERVIEW

(cont'd)

Table 10 : Incoming Supply of Office Space in Selangor (as at Q3 2021)

Status	No. of Buildings	Total space (million square metre)
Completion	1	0.046
Incoming supply	3	0.412
Total	4	0.458

The following tables show the new PBOs which were completed in 2021 as well as those which are expected to be completed over the next few years.

Table 11 : New Office Buildings Completed in 2021

Building	Nett Lettable Area (square metre)
Selangor	
Menara Imazium, Damansara Uptown	46,000
Menara HCK, Empire Damansara	41,200
Quill 9 Annexe, Jalan Professor Khoo Kay Kim	9,600
Kuala Lumpur	
Permata Sapura, Jalan Kia Peng	11,600
Menara IQ (HSBC), TRX	52,700
TS Law Tower, Jalan Tun Razak	33,600
Menara Great Eastern 2	20,000
Menara UOB 2	17,200
The Stride, BBCC (strata offices)	38,900
Plaza Conlay Tower 1, Jalan Conlay	56,300

Source: Henry Butcher Research

MARKET OVERVIEW

(cont'd)

Table 12 : New Office Buildings Due for Completion from 2022 Onwards

Building	Location	Nett Lettable Area (square metre)	Estimated Completion
Kuala Lumpur			
Menara Affin	TRX	76,600	2022
The MET Corporate Tower	Dutamas	55,700	2022
Merdeka 118	Changkat Stadium	157,900	2022
Pavilion Damansara	Damansara Heights	139,000	2022
Menara Felcra	Jalan Semarak	104,000	N.A.
Total		456,600	
Petaling Jaya			
PJ Sentral PKNS	Section 52, Petaling Jaya	80,000	TBA
Paramount Tower 1 & 2	Jalan Universiti PJ	53,000	2022
Fraser Square	Section 13 PJ	22,000	TBA
PJCC	PJ	27,000	TBA
Petaling Tin redevelopment	PJ	28,000	TBA
One City Phase 3	USJ	139,000	2026
Total		349,000	
Grand Total		805,600	

Source: Henry Butcher Research

In addition, there are a number of proposed office development projects that have been announced which, if the developers proceed with the construction, 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.

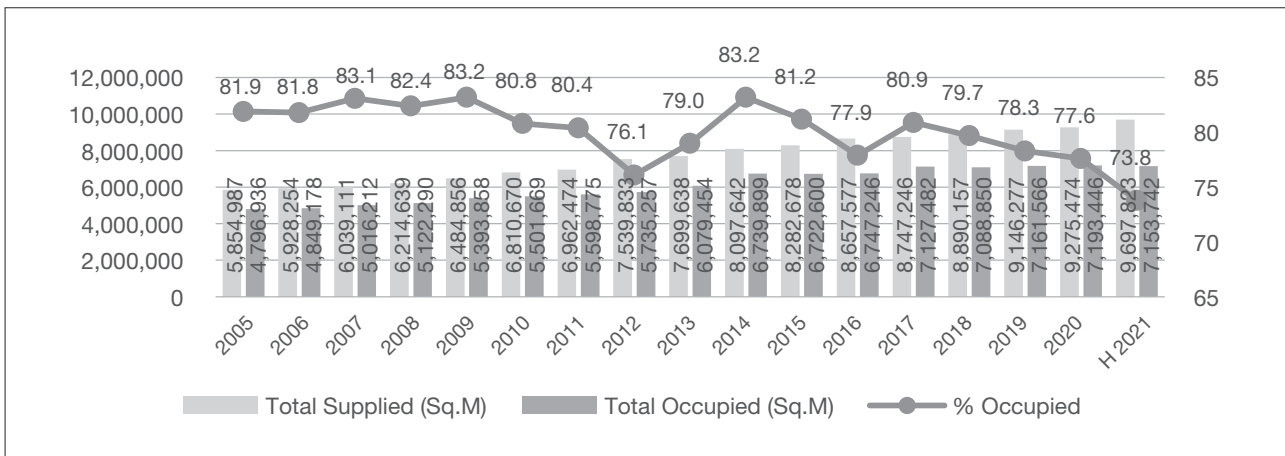
- Lot 185 KLCC – 500,000 square feet of retail & office space & a hotel
- Bukit Bintang City Centre (BBCC) Signature Tower by Eco World Group
- Former Brickfields District HQ – Seni Nadi
- Tradewinds Square, Jalan Sultan Ismail (redevelopment of Kompleks Antarabangsa & Crowne Plaza Hotel) – proposed 110-storey corporate tower, 61-storey mixed use tower and a retail mall
- 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

MARKET OVERVIEW *(cont'd)*

Office Occupancy Rates & Rentals

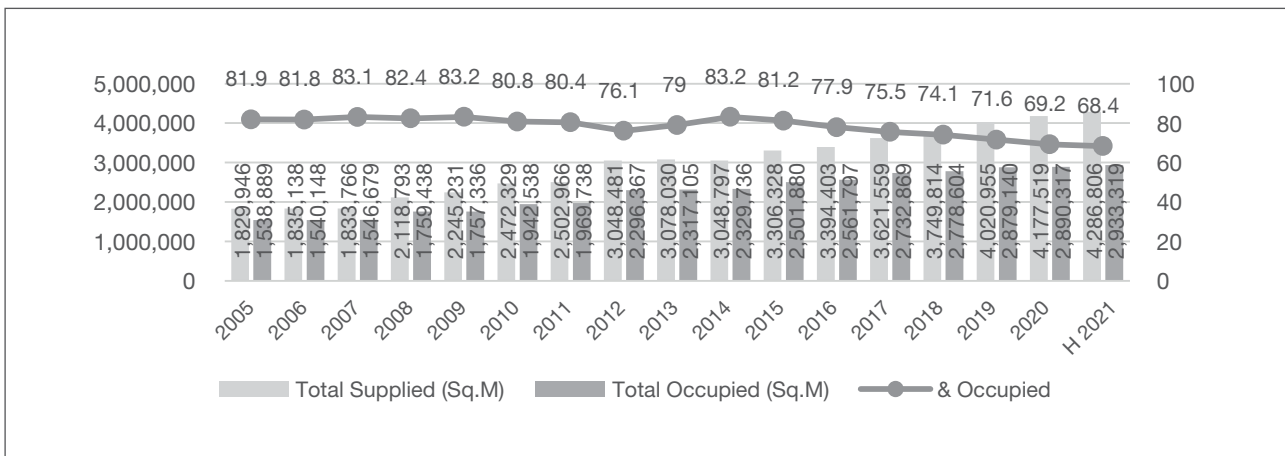
The occupancy rate of PBOs in Kuala Lumpur declined to 70.6% as at Q3 2021 from 77.6% the year before. PBOs located outside the city centre have a lower occupancy rate (67.5%) compared to those located within the city centre (71.3%). Meanwhile, the occupancy rate of PBOs in Selangor as at the Q3 2021 is at 66.9%, down from 69.2% the year before.

Chart 4 : Supply and Occupancy Rates of Privately Owned Office Buildings in Kuala Lumpur (2005 to Q2 2021)



Source: Napic

Chart 5 : Supply and Occupancy Rates of Privately Owned Office Buildings in Selangor (2005 to Q2 2021)



Source: Napic

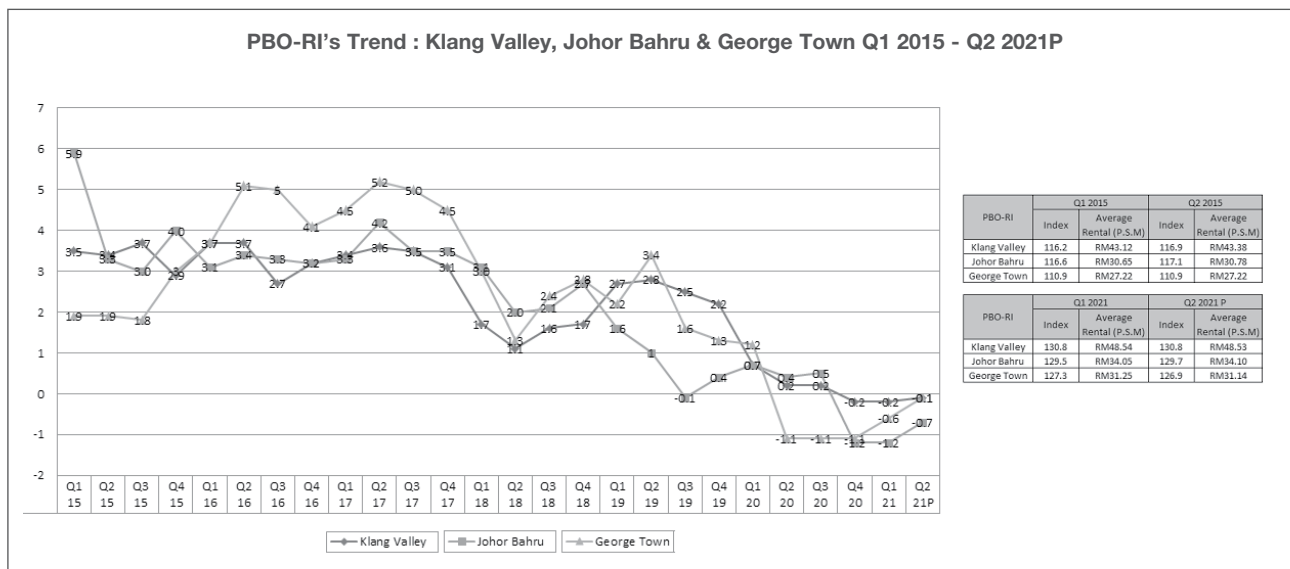
MARKET OVERVIEW

(cont'd)

The substantial supply of office space due to come onto the market over the next few years is expected to result in an increase in vacancy rates when these new buildings are completed, adding pressure on landlords to reduce rental rates in the coming years unless demand increases substantially. Nevertheless, in view of the current oversupply situation, some developers may decide to defer their projects and thus avoid worsening the situation.

Based on Naptic's report for the first half of 2021, the rental index for PBOs for Klang Valley registered only a marginal decline of 0.1% in the first half of 2021 even though there is widespread concern over the looming oversupply and the drop in occupancy rates. The projected increase in supply of office space over the next few years is expected to put added downward pressure on occupancy rates and consequently impact rental rates going forward.

Chart 6 : Purpose Built Office Rental Trend Q1 2015 – Q2 2021



Source: Naptic

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.

Table 13 : Overall Range of Office Rentals (Q3 2021)

Location	Rental range (RM per square feet per month)
KLCC/GT	
Grade A+	8.50 – 14.00
Grade A	7.00 – 8.80
Grade B	5.00 – 6.50
CBD	
Grade A	5.50 – 6.50
Grade B	3.50 – 4.50
WCC	5.50 – 9.00
Suburbs	4.00 – 7.00

Source: HBM Research

MARKET OVERVIEW

(cont'd)

Table 14 : Rentals of Selected Grade A Purpose Built Office Buildings, KLCC Area

Building	Location	Rental (RM per square feet)
Public Bank Tower 2	Bukit Bintang	5.00 - 6.50
Pavilion Office Tower	Bukit Bintang	7.00 - 8.00
Menara AIA (formerly Standard Chartered Tower)	Bukit Bintang	6.50 - 8.00
Petronas Twin Tower (Tower 2)	KLCC	12.00 - 14.00
Citibank Tower	KLCC	6.50 - 8.00
Petronas Tower 3	KLCC	12.00 - 13.00
Binjai Tower	KLCC	7.50 - 8.80
Darussalam Tower	KLCC	8.50 - 11.00

Table 15 : Rentals of Selected Grade A Purpose Built Office Buildings, KL CBD Area

Building	Location	Rental (RM per square feet)
Capsquare Office Tower 2	Jalan Munshi Abdullah	5.50 - 6.00
Menara Multi Purpose	Jalan Mushi Abdullah	5.00
Wisma Lee Rubber	Jalan Melaka	5.00 - 6.50
Menara AIA	Jalan Ampang	5.50 - 6.00
Menara Olympia	Jalan Raja Chulan	4.50 - 6.00

Table 16 : Rentals of Selected Grade A Purpose Built Office Buildings, WCC Area KL

Building	Location	Rental (RM per square feet)
Setia Tower @ KL Eco City	Jalan Bangsar	6.00 - 7.50
Southpoint Tower	MidValley City	7.00 - 8.00
Menara Kembar Bank Rakyat	Brickfields	5.50
Menara CIMB	KL Sentral	7.50 - 8.00
Menara Shell	KL Sentral	7.50 - 9.00

Source: Henry Butcher Research

MARKET OVERVIEW

(cont'd)

Major Tenant Movements/Relocations

The table below contains a list of the known major tenant movements which took place during 2021.

Table 17 : Major Office Tenant Movements

Building	Tenant	Space Taken Up (square feet)	Type
Exchange 106	Spaces (Regus)	30,000	New Lease
Menara TCM	Siemens	6,600	New Lease
Menara TCM	Embassy Papua New Guinea	6,800	New Lease
Mercu 2	Robert Walters	7,500	New Lease
Mercu 2	FedEx	15,000	New Lease
1 Powerhouse	Nestle	70,000	Relocation
1 Powerhouse	L'Oreal	25,000	Relocation
Menara BT	Grass Valley	20,000	Relocation
Symphony Square	Yonex	4,000	New Lease
The ICON	DAR Energy	30,000	New Lease
1 First Avenue	Sun Life Insurance	13,000	New Lease
Menara Binjai	Honor Technology	7,000	New Lease

Source: Henry Butcher Research

Major Office Sales Transactions

There were not many transactions of office buildings in Kuala Lumpur in 2021. The table below lists out the only known major office building transactions that took place during the year.

Table 18 : Major Office Transactions in 2021

Building	Location	Date	Nett Lettable Area (square feet)	RM per square feet	Price (RM)	Buyer
Balai Berita,	Bangsar	July	327,310	477	156,400,000	Media Prima
Wisma KFC	Jln Sultan Ismail	Dec	175,292	1,084	190,000,000	Hap Seng

Source: Henry Butcher Research

The proposed sale of Block 12, Corporate Park @ Star Sentral in Cyberjaya, an 8 storey office building by Awan Biru to Serba Dinamik Group was not completed and the deposit was forfeited. It was also reported that KWSP has put up several office buildings which it owns for sale – Bangunan KWSP Jalan Raja Laut KL, Bangunan KWSP Changkat Raja Chulan and Bangunan KWSP Damansara Fairway, PJ. The Paramount group has also announced that it will be selling the two office buildings that it is building in Section 13 Petaling Jaya.

MARKET OVERVIEW

(cont'd)

Outlook for the Office Sector

The resumption of lockdowns under various phases of the MCO in 2021 continued to impact the office sector as businesses have yet to recover fully from the business slowdown suffered during the pandemic. Without any significant increase in demand for office space, occupancy rates of office buildings are expected to decline especially with the increase in supply resulting from the completion of several new buildings over the next few years.

With the successful ramping up of the vaccination programme, Covid-19 infection rates have gradually been brought down. The government has also introduced several measures under Budget 2022 and the 12th Malaysia Plan to boost economic growth and this will provide a boost to businesses and lead to a recovery in demand for office space in the future. Nevertheless, the recent emergence of Omicron, a new and more infectious variant of the Covid-19 virus has caused governments throughout the world to exercise more caution and pull the handbrakes on unfettered international travel. The ability of the Malaysian government to prevent the spread of this and other new variants of the virus which could emerge in the future will be key to whether the government will be able to achieve a sustained economic recovery for the country.

Meanwhile, the office market is expected to face twin headwinds of a stagnant demand for office space and an increasing supply going into 2022. The political uncertainty emanating from the 15th general elections which must be held on or before July 2023 will continue to cause investors and businesses to be more cautious. A more stable political situation which supports sustained economic recovery will only come about after the dust has settled down post elections and a government with a strong mandate has been formed. Once the economy is put back on a stronger footing for future growth, the demand for office space will increase and this will help the office sector to recover.

THE MALAYSIAN REITS (M-REITS) MARKET OVERVIEW 2021

The Malaysian REITs sector was not spared from the humbling impact of the Covid-19 pandemic in 2020/21 although the impact it has on each REIT differs, depending on the portfolio of assets and business focus of the REITs. We analysed the financial performance of seven major REITs which own shopping malls, hotels and office buildings and our findings conclude that the all these REITs recorded a drop in both gross revenue as well as net property income for 2020.

REIT	Gross Revenue 2019	Gross Revenue 2020	% change in Gross Revenue 2020 vs 2019	Net Property Income 2019	Net Property Income 2020	% change in Net Property Income 2020 vs 2019
IGB Reit	552,132	465,239	-15.74%	398,786	316,678	-20.59%
SUN Reit	580,299	539,945	-6.95%	439,695	399,879	-9.06%
Pavilion Reit	585,353	510,220	-12.84%	375,184	233,524	-37.76%
UOA Reit	78,585,653	79,032,011	0.57%	725,242,159	706,554,728	-2.58%
YTL Reit	490,905	426,446	-13.13%	253,279	235,219	-7.13%
KIP Reit	63,065	74,540	18.20%	41,953	56,018	33.53%
Hektar Reit	137,089	111,139	-18.93%	75,436	52,971	-29.78%

M-REITs with asset portfolios focused on cyclical sectors such as retail and hotel were more severely affected by the stringent lockdowns under the various MCOs which negatively impacted footfalls in shopping malls and curbed travel-related activities. This in turn, negatively affected hotel occupancy rates. The reopening of international borders and the establishment of VTLs or Vaccinated Travel Lanes will bring back tourists and is eagerly awaited by REITs with hotels and leisure properties in their portfolios. On the other hand, REITs with a business focus on the industrial and services sectors, including healthcare and education, have been more resilient, especially as their tenants typically signed up on a long-term master lease with fixed step-up in rental rates. REITs which have diversified their asset portfolio instead of focussing on just a single asset class like retail malls have weathered the downturn better.

MARKET OVERVIEW

(cont'd)

During the business shutdown arising from the MCO lockdowns, M-REITs have provided rental relief and other forms of assistance to their tenants to ensure business continuity and long-term sustainability. At the same time, once malls were allowed to reopen, the mall owners, in the interest of ensuring the safety of shoppers, tenants, guests and employees in their premises, invested in equipment, technologies and additional manpower to enhance screening, cleaning and disinfecting of the premises. The waiver of rentals in addition to loss of income due to business closures or shrinking of space taken up by some tenants resulted in a reduction in income of the REITs and the additional spending on enhanced safety routines compounded the problem caused by the shortfall in income.

Meanwhile, office focused REITs have looked into various strategies to fill up space left vacant by tenants who have moved out or downsized, including repurposing under-utilised space for alternative uses such as smart commercial hubs and co-working spaces to adapt to future trends and hybrid styles of working from home and office.

The number of REITs listed on Bursa Malaysia remains unchanged at 18. AHP has been delisted from the official list of REITs on the Bursa effective February and has been replaced by IGB Commercial REIT (IGBCR). The largest REIT by market capitalization as at end 2021 is still KLCCP which maintained its top position at RM11.83 billion (down from RM12.78 billion in 2020) followed by IGB REIT at RM5.89 billion (2020 : RM6.12 billion), Sunway REIT at RM4.83 billion (2020 : RM5.13 billion) and Pavilion REIT at RM3.91 billion (2020 : RM4.56 billion). There are four other REITs (three in 2020) which have market capitalizations of above RM1 billion viz., Capitaland Malaysia Mall Trust, YTL Hospitality, IGB Commercial REIT and Axis Real Estate. Overall, the market capitalisation of Malaysian REITs declined compared to the year before due to the continued impact of the pandemic on the office, retail and hospitality sectors in 2021. The number of REITs which declared dividends of above 6% declined in number in 2021 with only six (nine in 2020) out of the eighteen REITs which had dividend yields of 6% or higher. Almost all the REITs recorded a decline in their ROEs as well as distribution yield for the year compared to 2020. Share prices were unsurprisingly impacted as well. The performance of the 18 REITs for 2020 are summarized in the table overleaf.

The anticipated recovery of the economy now that the country has reached a stage where more than 78% of its population are fully vaccinated and the government has refocused its attention on boosting economic activities and assisting businesses to recover from the damaging effects of the pandemic. This will provide the platform and impetus for the recovery and growth of the REITs sector. The attractive yields offered by REITs, coupled with the current low interest rate environment will draw investors' attention to this sector. Nevertheless, the emergence of any new and more infectious variants of the Covid-19 virus will pull a handbrake on the growth of the sector which also has to deal with declining occupancy and rental rates compounded by the incoming supply of new malls and office buildings over the next few years.

MARKET OVERVIEW

(cont'd)

Table 19 : Malaysian REITs – Performance as at 31 December 2021

No	Company	Property Portfolio	Market Capitalization (RM)	Last share price	P/E Ratio	Dividend Yield (%)	ROE (%)
1	Alaqar	Health Care	853.74m	1.16	36.25	5.87	2.51
2	Al-Salam	Islamic diversified	281.30m	0.49	59.15	4.29	0.79
3	AmFirst	Office/Retail	267.70m	0.39	1950.00	7.23	0.02
4	Amanah Raya	Diversified	378.33m	0.66	-	7.71	0.00
5	Atrium	Industrial	306.94m	1.50	12.56	6.00	9.09
6	Axis	Offices/Industrial/Retail	3.171b	1.94	21.18	4.70	6.21
7	Capitaland	Retail	1.225b	0.58	-	5.22	-4.43
8	Hektar	Retail	237.99m	0.51	-	1.78	-4.62
9	IGBCR	Commercial	1.466b	0.64	-	0.00	-
10	IGBREIT	Real Estate	5.894b	1.65	29.68	4.09	5.22
11	KIP	Retail	421.93m	0.84	12.14	8.19	6.80
12	KLCCP	Office/Retail	11.825b	6.55	30.82	4.58	2.94
13	Pavilion	Office/Retail	3.813b	1.25	91.91	3.30	1.10
14	Sentral	Office/Retail	969.96m	0.91	12.48	7.82	6.02
15	Sunway	Diversified	4.829b	1.41	-	1.70	-
16	Tower	Office	157.08m	0.56	-	3.95	-0.84
17	UOA	Office	776.94m	1.15	14.16	7.34	5.58
18	YTL Hospitality	Hotels	1.568b	0.92	19.33	4.52	3.03

NB : As most REITS have not yet completed its financial year for 2021, the dividends declared in 2021 were in respect of FY 2020.

Source: Bursa Malaysia & Malaysian Stock Biz

MARKET OVERVIEW

(cont'd)

CONCLUSION

The outlook for both the retail and office property sectors in 2022 continues to be challenging although the gradual improvement in overall sentiments and recovery of the business sector following the achievement of more than 97% vaccination rate of adults in the country would provide a boost to the retail, hospitality and office property sectors. Nevertheless, other considerations such as the emergence of the new Omicron Covid-19 variant and the political uncertainty surrounding the impending 15th General Elections may mean that a full-scale recovery will have to take a bit longer. The large supply of retail and office space due to come onto the market in the next few years will certainly not make the situation any easier for mall and office building owners although the reopening of international borders will provide a much needed boost to the retail and hospitality sectors.

Despite the challenging environment, established shopping centres which are popular, well-located, and well-managed and which have quickly adapted to changing market conditions and shopping preferences of their customers will be able to weather the challenges and continue to do well. In this regard, safety of their tenants and customers must continue to be given top priority and all possible measures to prevent infections and development of clusters within their premises must be taken to ensure that the malls will continue to operate without having to shut down for lengthy periods of time to disinfect and clean up.

Office and retail-based REITs will continue to grapple with issues of reduced demand and oversupply of space over the next few years whilst hotel-based REITs will have to hope that the proposed lifting of restrictions on inbound travel from overseas in 2022 will go ahead as announced by the government and will not be derailed by the emergence of any new variant of the Covid-19 virus. If the various stimulus measures taken by the government can lead to a sustained economic recovery, the office and retail sector may see better prospects in the coming year and these REITs may then see an improved performance of their retail and office assets. REITs which focus primarily on industrial and health care assets will continue to do well and REITs which own quality assets in strategic and prime locations will be able to withstand any challenges better. REITs with their stable and attractive yields, will be able to offer a safer and more attractive alternative to investors who are put off by the very low interest rates offered by banks on fixed deposits as well as those who are averse to the higher risks of investing in the stock or share market.

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
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
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
RMCO	:	Recovery Movement Control Order
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 Tenth Annual General Meeting (“10th AGM”) of Pavilion Real Estate Investment Trust (“Pavilion REIT”) will be conducted online through live streaming from the broadcast venue at The Crescent, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Wednesday, 30 March 2022 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 2021 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 Resolutions:

- PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED UNITS (“PROPOSED AUTHORITY”)** *Ordinary Resolution 1 (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 3,052,809,806 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;

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

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;

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.”

3. **ENHANCED GENERAL MANDATE FOR RIGHTS ISSUE OF UP TO 50% OF THE TOTAL NUMBER OF ISSUED UNITS IN PAVILION REIT ON A PRO RATA BASIS (“ENHANCED RIGHTS ISSUE MANDATE”)**

Ordinary Resolution 2
(Please refer
Explanatory Note III)

“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 the Directors of Pavilion REIT Management Sdn Bhd (“the Manager”) for the following:

- (a) to provisionally or otherwise to allot and issue new units in Pavilion REIT by way of a rights issue of up to 50% of the total number of issued units of Pavilion REIT for the time being comprising of 1,526,404,903 Units (“Rights Units”) on a pro rata basis to the unitholders of Pavilion REIT whose names appear on the Record of Depositors of Pavilion REIT as at the close of business on an entitlement date to be determined and announced later by the Directors of the Manager;
- (b) to determine the issue price of the Rights Units, which shall not be priced at more than a 30% discount to the theoretical ex-rights price of the units;
- (c) to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad for the listing of and quotation for the Rights Units;

THAT the Enhanced Rights Issue Mandate shall be effective and continue to be in force from the date the unitholders pass this resolution until 31 December 2022;

THAT any Rights Units which are not taken up shall be made available for excess applications to the entitled unitholders who have applied for the excess Rights Units; and are intended to be allocated on a fair and equitable basis to be determined by the Directors of the Manager;

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

THAT any fractional entitlements of the Rights Units arising from the rights issue, if any, shall be disregarded and dealt with in such manner as the Directors of the Manager shall in its absolute discretion deem fit and expedient, and is in the best interest of Pavilion REIT;

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 utilise the proceeds of the rights issue pursuant to the Enhanced Rights Issue Mandate and be authorised with full power to vary the manner and/or purposes of utilisation of such proceeds in such manner as the Directors of the Manager and the Trustee, may at their absolute discretion, deem fit, necessary, expedient and/or in the best interest of Pavilion REIT, subject to the approval of the relevant authorities, where required;

THAT the Rights Units will, upon allotment and issuance, be of the same class and rank *pari passu* in all respects with each other and the then existing Units, save and except that the Rights Units will not be entitled to any distributable income, rights, allotments and/or any other distributions which may be declared, made or paid to the unitholders of Pavilion REIT, the entitlement date of which is prior to or on the date of allotment of the Rights Units;

AND FURTHER THAT the Directors of the Manager and the Trustee, acting for and on behalf of Pavilion REIT be and are hereby authorised to sign and execute all documents, enter into any arrangements, agreements and/or undertakings with any party or parties, do all things as may be required to give effect to the Enhanced Rights Issue Mandate with full powers to assent to any conditions, variations, modifications and/or amendments including to vary the manner and/or the purpose of the utilisation of proceeds arising from the Enhanced Rights Issue Mandate, if necessary, in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Enhanced Rights Issue Mandate in the best interest of Pavilion REIT.”

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 2022

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

Notes :

1. As part of the safety measures to curb the spread of Covid-19 and taking into consideration the paramount safety and well-being of unitholders of Pavilion REIT ("Unitholders"), the 10th AGM of Pavilion REIT will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV"). Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) WILL NOT BE ALLOWED to attend the 10th AGM in person at the broadcast venue on the day of the meeting.

Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 10th AGM via RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its TIIH Online website at <https://tiih.online>. Please refer to the Procedure for RPV set out in the Administrative Guide for the Unitholders of Pavilion REIT on the 10th AGM.

2. A unitholder who is entitled to attend via RPV at the meeting is entitled to appoint not more than 2 proxies to participate 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.
3. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend via RPV at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
4. 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.
5. 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.
6. 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 not later than **Monday, 28 March 2022 at 10.00 a.m.** being 48 hours before the time appointed for holding the meeting or any adjournment thereof.
7. Only unitholders registered in the Record of Depositors as at 23 March 2022 shall be entitled to participate in the meeting via RPV or appointed proxies to participate and/or vote via online remote voting on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Ordinary Resolutions set out in the Notice of 10th AGM will be put to vote by way of poll.

Explanatory Notes on Ordinary Business:

- (l) 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.

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

Explanatory Notes 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 1, 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 3,052,809,806 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.

(III) Enhanced General Mandate for Rights Issue of up to 50% of the Total Number of Issued Units in Pavilion REIT on Pro Rata Basis

The Securities Commission Malaysia and Bursa Malaysia Securities Berhad had on 10 November 2020 introduced a temporary relief measure allowing listed issuers to undertake secondary fund raising via an enhanced general mandate for a rights issue of shares or units of up to 50% of the total number of issued shares (excluding treasury shares) or issued units, as the case may be, on a pro rata basis. The enhanced general mandate for rights issue is subject to certain conditions including, inter-alia, that the issue price of the shares or units shall not be priced at more than a 30% discount to the theoretical ex-rights price of the shares or units, and the eligible listed issuer must procure irrevocable letter(s) of undertaking from its existing controlling shareholders or unitholders, as the case may be, to subscribe for their full entitlements under the rights issue exercise. The enhanced general mandate may be utilised by an eligible listed issuer to issue new rights shares or units until 31 December 2021.

On 23 December 2021, Bursa Malaysia Securities Berhad had announced the extension of the implementation period of this general mandate until 31 December 2022 as part of its continuous support and assistance to the listed issuers in addressing their funding needs and working capital requirements by easing compliance and facilitate secondary fund raising during the challenging times amid the Covid-19 pandemic.

The Directors of the Manager, having considered the current economic climate affected by the Covid-19 pandemic and future financial needs of Pavilion REIT, is of the opinion that the Enhanced Rights Issue Mandate is in the best interest of Pavilion REIT and its unitholders as the Enhanced Rights Issue Mandate provides flexibility to Pavilion REIT in terms of fund raising options to meet Pavilion REIT's funding needs for 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 relevant laws and regulations. This also enables Pavilion REIT to raise funds via rights issue in an expeditious manner without delay and incurring additional costs to convene a separate general meeting to seek unitholders' approval.

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 GUIDE FOR THE UNITHOLDERS OF PAVILION REIT ON THE TENTH ANNUAL GENERAL MEETING (“10TH AGM”)

Day & Date of 10 th AGM	:	Wednesday, 30 March 2022
Time of 10 th AGM	:	10.00 a.m.
Meeting Platform	:	https://tiih.online
Broadcast Venue	:	The Crescent, Level 7 Pavilion Hotel Kuala Lumpur Managed by Banyan Tree 170, Jalan Bukit Bintang 55100 Kuala Lumpur Malaysia

1. MODE OF MEETING

As part of the safety measures to curb the spread of Covid-19 and taking into consideration the paramount safety and well-being of unitholders of Pavilion REIT (“Unitholders”), the 10th AGM of Pavilion REIT will be conducted on a virtual basis through live streaming from broadcast venue and online remote voting.

Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) WILL NOT BE ALLOWED to attend the 10th AGM in person at the broadcast venue on the day of the meeting.

Unitholders are advised to check the Management Company’s website at <http://www.pavilion-reit.com/Web/Home.aspx> and announcements from time to time for any changes to the administration of the 10th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, Securities Commission Malaysia and/or other relevant authorities.

2. REMOTE PARTICIPATION AND VOTING FACILITIES (“RPV”)

Unitholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely at the 10th AGM via RPV provided by Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”) via its TIIH Online website at <https://tiih.online>. Please refer to the Procedure for RPV set out below.

A unitholder who has appointed a proxy(ies) or corporate representative(s) or attorney(s) at this 10th AGM via RPV must request his/her proxy(ies) or attorney(s) or corporate representative(s) to register himself/herself for RPV at TIIH Online website at <https://tiih.online>. Please refer to Procedure for RPV set out below.

ADMINISTRATIVE GUIDE

(cont'd)

3. PROCEDURES FOR RPV

Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) who wish to participate in the 10th AGM remotely via RPV are to follow the requirements and procedures as summarized below:

Procedure	Action
BEFORE THE 10TH AGM DAY	
(a) Register as a user with TIIH Online	<ul style="list-style-type: none"> Using your computer, access the website at https://tiih.online. Register as a user under the “e-Services”. Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one working day and you will be notified via email. If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
(b) Submit your registration for RPV	<ul style="list-style-type: none"> Registration is open from Monday, 28 February 2022 until the day of 10th AGM on Wednesday, 30 March 2022. Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 10th AGM to ascertain their eligibility to participate the 10th AGM using the RPV. Login with your user ID and password and select the corporate event: “(REGISTRATION) PAVILION REIT 10TH AGM” Read and agree to the Terms & Conditions and confirm the Declaration. Select “Register for Remote Participation and Voting”. Review your registration and proceed to register. System will send an e-mail to notify that your registration for remote participation is received and will be verified. After verification of your registration against the General Meeting Record of Depositors dated 23 March 2022, the system will send you an e-mail on or after 28 March 2022 to approve your registration for remote participation and the procedures to use the RPV are detailed therein. In the event your registration is not approved, you will also be notified via email. <p><i>(Note: Please ensure to allow sufficient time required for the approval as a new user of TIIH Online as well as the registration for RPV in order that you can login to TIIH Online and participate the 10th AGM remotely).</i></p>

ADMINISTRATIVE GUIDE

(cont'd)

Procedure		Action
ON THE DAY OF THE AGM		
(c)	Login to TIIH Online	Login with your user ID and password for remote participation at the 10th AGM at any time from 9.00 a.m. i.e. 1 hour before the commencement of the AGM on Wednesday, 30 March 2022 at 10.00 a.m.
(d)	Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: “(LIVE STREAM MEETING) PAVILION REIT 10TH AGM” to engage in the proceedings of the 10th AGM remotely. <p>If you have any question for the Chairman/ Board, you may use the query box to transmit your question. The Chairman/ Board will endeavor to respond to questions submitted by you during the 10th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</p>
(e)	Online Remote Voting	<ul style="list-style-type: none"> Voting session commences from 10.00 a.m. on Wednesday, 30 March 2022 until a time when the Chairman announces the end of the session. Select the corporate event: “(REMOTE VOTING) PAVILION REIT 10TH AGM” or if you are on the live stream meeting page, you can select “GO TO REMOTE VOTING PAGE” button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
(f)	End of remote participation	Upon the announcement by the Chairman on the closure of the 10th AGM, the live streaming will end.

Note to users of the RPV facilities:

- Should your registration for RPV be approved, we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

4. GENERAL MEETING OF RECORD OF DEPOSITORS

Only unitholders registered in the Record of Depositors as at 23 March 2022 shall be entitled to participate in the 10th AGM via RPV or appointed proxy(ies) or corporate representative(s) or attorney(s) to participate and/or vote via online remote voting on his/her behalf.

ADMINISTRATIVE GUIDE

(cont'd)

5. APPOINTMENT OF PROXY OR CORPORATE REPRESENTATIVE OR ATTORNEY

The original proxy form 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 not later than **Monday, 28 March 2022 at 10.00 a.m.** being 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Please ensure ALL particulars as required in the proxy form are completed, signed and dated accordingly.

If a unitholder is not able to participate the 10th AGM via RPV, he/she can appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Proxy Form.

A unitholder who is entitled to attend via RPV at the 10th AGM is entitled to appoint not more than 2 proxies to participate 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.

If the unitholder has submitted his/her proxy form and subsequently decided to personally participate in the 10th AGM via RPV, the unitholder shall proceed to contact the officer of Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") with the details set out in item 9 below to revoke the appointment of his/her proxy not later than Monday, 28 March 2022 at 10.00 a.m.

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.

In respect of nominee companies registered as unitholders, the beneficiary of the units held under a Nominee Company's CDS account who wishes to participate the 10th AGM via RPV can request his/her Nominee Company to appoint him/her as a proxy to participate and vote remotely at the 10th AGM. The Nominee Company must deposit the original proxy form at the Registered Office of the Manager of Pavilion REIT i.e. 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 Monday, 28 March 2022 at 10.00 a.m.

Corporate unitholders (through Corporate Representatives and excluding nominee companies) that wish to appoint a representative (whether a unitholder or not) as its proxy to participate the 10th AGM via RPV must deposit their original certificate of appointment of corporate representative at the Registered Office of the Manager of Pavilion REIT i.e. 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 Monday, 28 March 2022 at 10.00 a.m.

Any authority pursuant to which such an appointment is made by a 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 not later than Monday, 28 March 2022 at 10.00 a.m. to participate via RPV in the 10th AGM. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

ADMINISTRATIVE GUIDE (cont'd)

6. POLL VOTING

The voting at the 10th AGM will be conducted by poll in accordance with Paragraph 8.29A(1) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. Pavilion REIT has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting) and Asia Securities Sdn Berhad as Scrutineers to verify the poll results.

Unitholders or proxy(ies) or corporate representative(s) or attorney(s) can proceed to vote on the resolutions at any time from 10.00 am on Wednesday, 30 March 2022 and before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to item (e) of the above procedures for RPV for guidance on how to vote remotely from TIIH Online website at <https://tiih.online>.

Upon completion of the voting session for the 10th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

7. PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS

Unitholders may submit questions for the Board in advance of the 10th AGM via Tricor's TIIH Online website at <https://tiih.online> by selecting "e-Services" to login, pose questions and submit electronically not later than **Monday, 28 March 2022 at 10.00 a.m.**. The Board will endeavour to answer the questions received at the 10th AGM.

8. DOOR GIFT/FOOD VOUCHER

There will be no door gifts or food vouchers for attending the 10th AGM.

9. ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 8.30 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn Bhd

General Line	:	+603-2783 9299
Fax Number	:	+603-2783 9222
Email	:	is.enquiry@my.tricorglobal.com
Contact persons	:	Encik Amier Arief Hamdan +603-2783 9250 (Amier.Arief@my.tricorglobal.com) Mr Eric Low +603-2783 9267 (Eric.Low@my.tricorglobal.com)

This page has been intentionally left blank.

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	%
Address :	NRIC No./Passport No.		

and

2nd PROXY 'B'

Full name :		Proportion of unitholdings represented	
		No. of Units	%
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 Tenth Annual General Meeting ("10th AGM") of Pavilion REIT to be held as a fully virtual meeting through live streaming and online remote voting from the Broadcast Venue at The Crescent, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Wednesday, 30 March 2022 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 resolutions at his/her/their discretion.

Ordinary Resolution – Special Business	For	Against
Ordinary Resolution 1 - Proposed Authority to Allot and Issue New Units		
Ordinary Resolution 2 – Enhanced Rights Issue Mandate		

Dated this _____ day _____ 2022

Signature of Unitholder/Common Seal

Fold This Flap For Sealing

Notes :

1. As part of the safety measures to curb the spread of Covid-19 and taking into consideration the paramount safety and well-being of unitholders of Pavilion REIT ("Unitholders"), the 10th AGM of Pavilion REIT will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV"). Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) WILL NOT BE ALLOWED to attend the 10th AGM in person at the broadcast venue on the day of the meeting.

Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 10th AGM via RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its TIH Online website at <https://tiih.online>. Please refer to the Procedure for RPV set out in the Administrative Guide for the Unitholders of Pavilion REIT on the 10th AGM.

2. A unitholder who is entitled to attend via RPV at the meeting is entitled to appoint not more than 2 proxies to participate 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.
3. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend via RPV at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
4. 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.

Then Fold Here

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

1st Fold Here

5. 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.
6. 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 not later than **Monday, 28 March 2022 at 10.00 a.m.** being 48 hours before the time appointed for holding the meeting or any adjournment thereof.
7. Only unitholders registered in the Record of Depositors as at 23 March 2022 shall be entitled to participate in the meeting via RPV or appointed proxies to participate and/or vote via online remote voting on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Ordinary Resolutions set out in the Notice of 10th AGM will be put to vote by way of poll.

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