

PAVILION

REAL ESTATE INVESTMENT TRUST



INTEGRATED
ANNUAL REPORT 2023

CONTENTS

Section 1: About This Report	1	Section 5: Creating Sustainable Impact	56
Section 2: Overview	2	Section 5.1 I Investing Strategically	66
Section 2.1 Who We Are And What We Do	3	Section 5.2 M Maintaining Good Governance	70
Section 2.2 Where We Operate	3	Section 5.3 P Practicing Responsible Environment Stewardship	74
Section 2.3 Vision, Mission and Investment Strategies	4	Section 5.4 A Acclaiming Trusted Brand Reputation	86
Section 2.4 Pavilion REIT Structure	5	Section 5.5 C Caring For Local Community	89
Section 2.5 Salient Features of Pavilion REIT	6	Section 5.6 T Transforming Talent Management	98
Section 2.6 Highlights	7	Section 6: Corporate Governance	110
Section 2.7 Portfolio Performance and Details	8	Section 6.1 Board of Directors' Profile	111
Section 3: Leadership & Business Review	22	Section 6.2 Key Management Profile	117
Section 3.1 Message from the Chairman	23	Section 6.3 Corporate Governance Overview Statement	122
Section 3.2 Message from the Chief Executive Officer	27	Section 6.4 Nominating Committee Report	126
Section 3.3 Management Discussion and Analysis	30	Section 6.5 Audit Committee Report	127
Section 4: Our Value Creation Story	35	Section 6.6 Statement of Risk Management and Internal Control	128
Section 4.1 Our Value Creation Model	36	Section 6.7 Investor Relations Report	129
Section 4.2 Our Operating Landscape	38	Section 7: Financials	131
Section 4.3 Our Stakeholders	42	Section 7.1 Manager's Report	132
Section 4.4 Our Material Matters	47	Section 7.2 Financial Statements	136
Section 4.5 Our Risk and Opportunities	51	Section 8: Additional Information	177
Section 4.6 Our Investment Strategy	55	Section 8.1 Analysis of Unitholdings	178
		Section 8.2 Market Overview	181
		Section 8.3 Additional Compliance Information	206
		Section 8.4 Corporate Information	207
		Section 8.5 Sustainability Key Performance Data	209
		Section 8.6 Sustainability Performance Report (Bursa LINK)	218
		Section 8.7 Sustainability Assurance Statement	222
		Section 8.8 GRI Content Index	225
		Section 8.9 Glossary	231
		Section 8.10 Notice of Annual General Meeting	232
		Section 8.11 Administrative Guide	235

Proxy Form

Pavilion REIT Management Sdn Bhd ("The Manager") is pleased to present its Integrated Annual Report (IAR) 2023 ("Report") as the source of information on Pavilion REIT's financial and non-financial performance for the financial year ended 31 December 2023 ("FY2023"). This report is prepared in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting ("<IR>") Framework prescribed by the International Integrated Reporting Council ("IIRC").

Sustainability remains an important part of Pavilion REIT's long-term strategy in guiding business decisions and stakeholder engagement. The Sustainability Statement can be found in Section 5 - Creating Sustainable Impact, where it demonstrates how Pavilion REIT leverage on the six (6) strategic pillars in creating sustainable impact for all its key stakeholders that goes beyond financial performance.

Reporting Suite

Integrated Annual Report



Scan the QR Code to read our Integrated Annual Report 2023 online

Reporting Scope & Boundary

This Report is produced and published on an annual basis. The information presented in this IAR covers the reporting period from 1 January 2023 to 31 December 2023. The Report covers the primary activities of Pavilion REIT's operations. Where data is limited to selected properties, a note will be disclosed. As Pavilion REIT does not have any employees, the information reported in relation to employees are made in reference to the employees of the Manager.

Exclusions or Changes in Reporting

The Manager has integrated a value creation model to illustrate how Pavilion REIT will position itself for sustainable impact and long-term value creation. The Sustainability Statement covers Pavilion REIT's sustainability performance and progress in the business operations of its properties. Pavilion Bukit Jalil is included in this year's report, with data recorded from June 2023 onwards.

Reporting Framework & Best Practice

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

Forward-Looking Statement

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

Assurance Statement

Pavilion REIT's financial statements are independently audited by a third-party auditor.

Pavilion REIT's sustainability statement has not been subjected to an assurance process. However, in strengthening the credibility of Pavilion REIT's sustainability reporting, selected sustainability information has been subjected to an independent limited assurance in accordance with the Malaysian Approved Standard Assurance Engagements, (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* for selected indicators.

The selected sustainability information covered by the assurance engagement are Scope 2 greenhouse gas emissions (purchased electricity) (tCO₂eq/ MWh) ("Scope 2") and Scope 3 GHG emission (generation of electricity that is purchased and then resold to end users) (tCO₂eq/ MWh) ("Scope 3"). The boundary of the limited assurance engagement on the selected sustainability information are Scope 2 – all Pavilion REIT's properties and Scope 3 – Pavilion Kuala Lumpur Mall and Pavilion Tower. Please refer to Section 8.7 for the assurance report provided by KPMG.

Feedback and Contact Point

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

Materiality

No changes were made to the identified sustainability matters for FY2023. In 2022, Pavilion REIT conducted a comprehensive materiality assessment in accordance with the latest guidelines by the International Integrated Reporting Council (IIRC) Framework and the Listing Requirements of Bursa Malaysia Securities Berhad. This assessment identified the most critical sustainability matters for Pavilion REIT's business and stakeholders.

The Manager plans to conduct the next materiality assessment in FY2025, incorporating full-year data from Pavilion Bukit Jalil, acquired in June 2023. This will ensure its evaluation comprehensively reflects the impact of all Pavilion REIT's properties. For detailed information on the key steps and outcomes of the previous materiality assessment, please refer to the "Our Value Creation Story" section of this Report.

Board Statement of Responsibility

The Board of Directors ("Board") of the Manager acknowledges its responsibility to ensure the integrity of the Integrated Annual Report for the financial year ended on 31 December 2023. In the Boards' opinion, the Report addresses all key issues that are material to Pavilion REIT in creating value. This Report has been prepared in accordance with the IIRC<IR> Framework and was approved by the Boards on 24 January 2024.



Section 2: **OVERVIEW**

Section 2.1	Who We Are And What We Do	3
Section 2.2	Where We Operate	3
Section 2.3	Vision, Mission and Investment Strategies	4
Section 2.4	Pavilion REIT Structure	5
Section 2.5	Salient Features of Pavilion REIT	6
Section 2.6	Highlights	7
Section 2.7	Portfolio Performance and Details	8

WHO WE ARE

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

There were no significant changes in the business as compared to the previous financial year. Its investment properties have increased by RM2.3 billion to RM8.4 billion as of 31 December 2023.

WHAT WE DO

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

WHERE WE OPERATE

Pavilion REIT currently have six (6) properties in its portfolio consisting of five (5) retail malls and an office tower. Three (3) of the malls and the office tower are located within the commercial centre of Kuala Lumpur while its latest acquisition during the reporting year being located in the thriving suburb of Bukit Jalil. The other mall is situated in Subang Jaya neighbourhood.

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

6
properties
in portfolio

Total
workforce
24
employees

Aggregate
value of
RM8.4
billion

Revenue
of **RM724**
million

VISION, MISSION AND INVESTMENT STRATEGIES

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



VISION

To be the leading and most sought-after REIT in Malaysia.



MISSION

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

INVESTMENT STRATEGIES

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

Actively pursuing acquisition opportunities in accordance with the authorized investments of Pavilion REIT

- acquire yield accretive income-producing properties
- explore repositioning opportunities

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

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

CORE VALUES

EXCELLENCE

Strive to achieve Vision, Mission and Investment Strategy

INTEGRITY & COMPLIANCE

Uphold high levels of personal and professional value, with compliance to laws, policies and procedures.

RESPECT & RESPONSIBILITY

Respect individuals and stakeholders we deal with internally and externally with responsibility stewardship.

HEALTH & SAFETY

Health and safety for all our staff, tenants and customers. To ensure we strive to adhere to the best Environmental, Safety & Health policy (ESH).

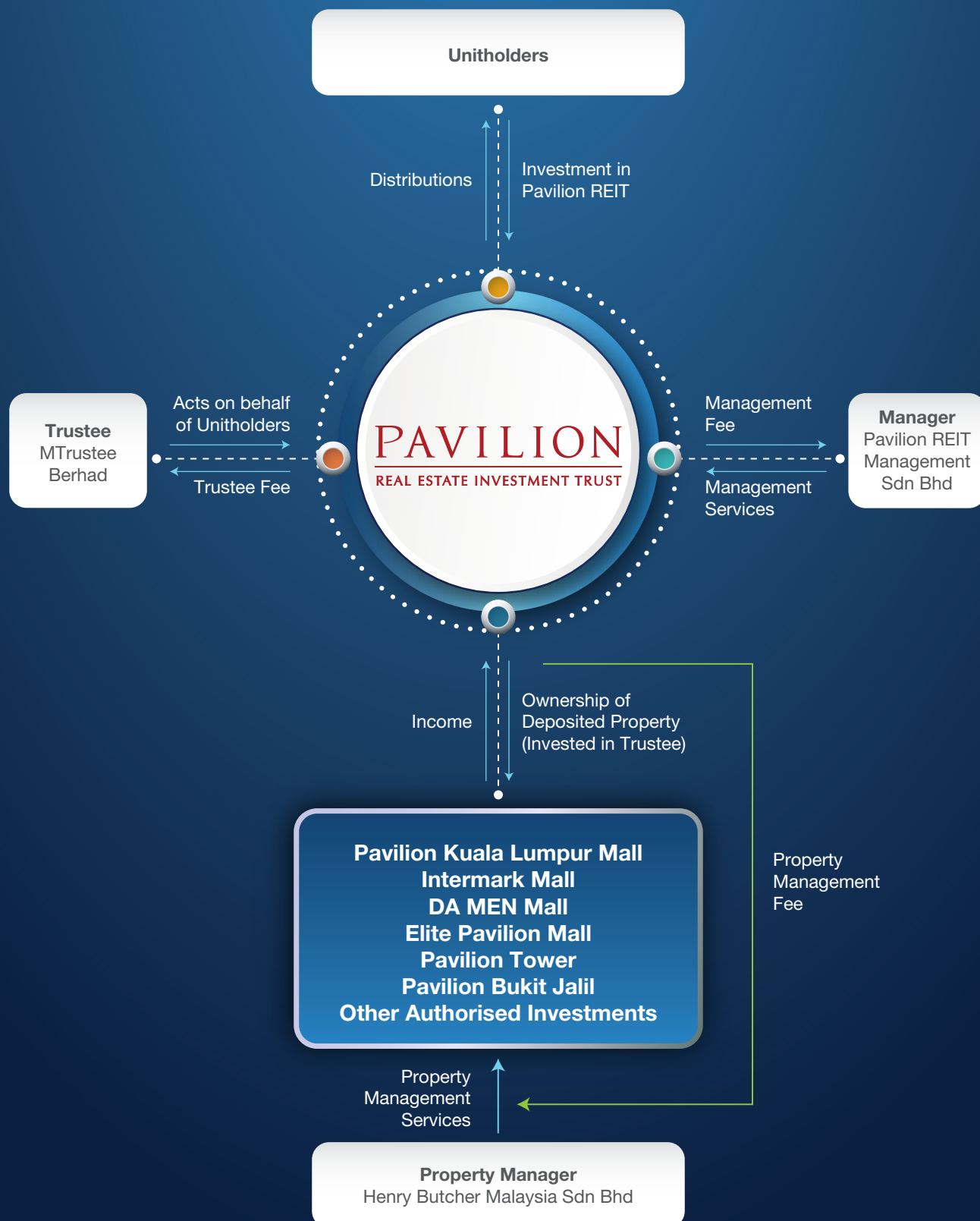
EMPLOYEES CONDUCT

All employees to be treated fairly with equal opportunity.

PURPOSE STATEMENT

Marking a significant step in its sustainability journey, Pavilion REIT has adopted a new purpose statement: **“Create Pavilions that Bring Communities Together”**, to emphasize its commitment to socially responsible investing and community development. The new statement highlights the Manager’s role in creating spaces that foster connection and well-being for diverse communities.

PAVILION REIT STRUCTURE



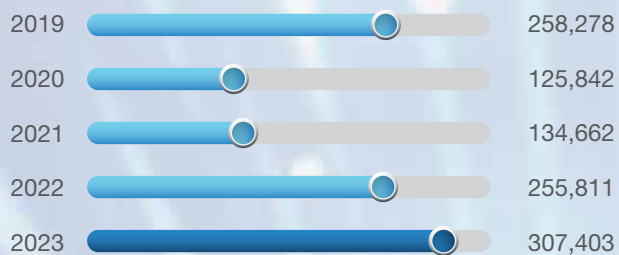
SALIENT FEATURES OF PAVILION REIT

Category of Fund	Real Estate Investment Trust
Type of Fund	Income and growth
Duration of Fund/ Termination Date	<p>The earlier of:</p> <ul style="list-style-type: none"> • The occurrence of any events listed under Clause 27.2 of the Deed • 999 years falling on 17 October 3010 • the date on which Pavilion REIT is terminated by the Manager under Clause 27.1(b) of the Deed
Investment Objective	To provide unitholders with regular and stable distributions as well as to achieve long-term growth in net asset value per Unit and maintaining an appropriate capital structure whilst balancing stakeholder needs
Distribution Policy	Half yearly distribution of 100% of distributable income for the financial year ended 31 December 2023 with at least 90% of distributable income for each subsequent financial year
Gearing Policy	Up to 50% of the total asset value of Pavilion REIT
Revaluation Policy	Annually by independent registered valuers
Financial Year Ending	31 December
Listing Market	Main Market of Bursa Malaysia Securities Berhad
Listing Date	7 December 2011
Board Lot	100 Units per board lot
Initial Public Offering Price per Unit	<ul style="list-style-type: none"> • Retail – RM0.88 • Institution – RM0.90
Stock Name	PAVREIT
Stock Code	5212

HIGHLIGHTS

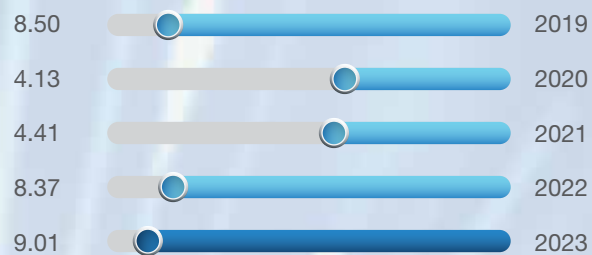
Distributable Income

(RM'000)



Distribution per Unit

(sen)



Investment Properties

(RM'000)



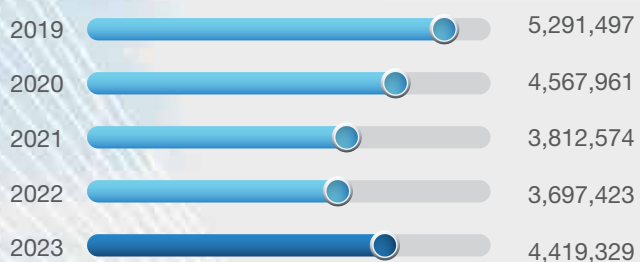
Net Asset Value per Unit

(RM)



Market Capitalisation

(RM'000)



No of Unitholders



PORTFOLIO PERFORMANCE AND DETAILS

PORTFOLIO SUMMARY

Type	Retail	Office	Total
Appraised Value as at 31 December 2023 (RM million)	8,260	130	8,390
Net Lettable Area (square feet)	4,031,946	163,844	4,195,790

TOP 10 TENANTS

Pavilion REIT has a total combined tenancies list from the retail and office of 1,250 leases. Its ten largest tenants contributed to 16.0% of gross rental income for the reporting year.

Tenant's Name	Trade Sector	Expiry Year
Akasia Intergrasi Sdn Bhd	Fashion	2024
Apex Excellent Sdn Bhd	Food and Beverage	2024 - 2025
Dadi Cinema PKL (Malaysia) Sdn Bhd	Urban Leisure	2024
Gagan (Malaysia) Sdn Bhd	Fashion	2025
H & M Retail Sdn Bhd	Fashion	2026
Legendary Fashion Trading Sdn Bhd	Fashion	2024, 2026
Padini Dot Com Sdn Bhd	Fashion	2024 - 2025
Parkson Corporation Sdn Bhd	Fashion	2024 - 2025
Richard Mille (Malaysia) Sdn Bhd	Jewellery, Timepiece & Writing Instrument	2026
Richmont Luxury (Malaysia) Sdn Bhd	Jewellery, Timepiece & Writing Instrument	2026

TENANCY PROFILES

Renewal discussions are ongoing as more tenants are willing to discuss revised rental terms despite increase in operating cost. Tenants also have the option to be selective on where their outlets ought to be with bargaining power to maximise their return. Tenant mix is critical to retail malls. Hence, the Manager would not just randomly allow trades to operate to maintain high occupancy.

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

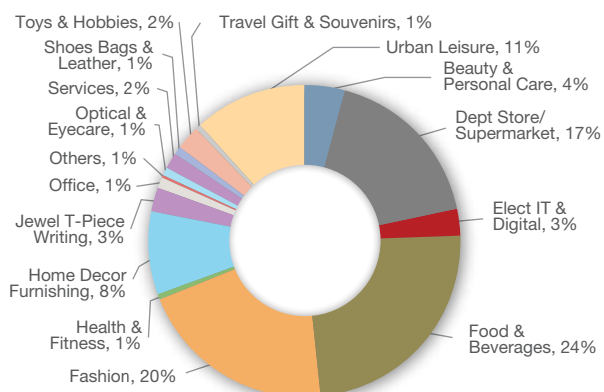
PORTFOLIO PERFORMANCE AND DETAILS

cont'd

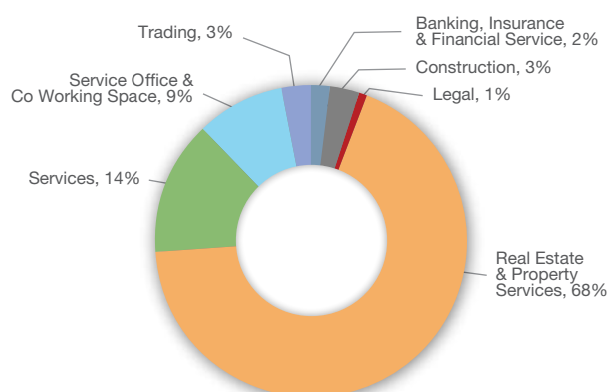
The weighted average lease expiry ("WALE") as at year end has decreased to 1.30 years against end of 2022 of 1.35 years, with WALE for retail and office being 1.29 and 1.46 years respectively.

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

Trade Category by Net Lettable Area - Retail



Trade Category by Net Lettable Area - Office



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

(A) RETAIL

Pavilion Kuala Lumpur Mall	
Address	168 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	7-storey shopping mall (including 4 split-levels of car parking bays together with a 3-storey retail office block sited atop and annexed with a 4-storey retail/entertainment connection block) and 3 levels of basement car parks
Year of Completion	2007
Age of Building	16 years
Title	Pajakan Negeri 53757 Lot 20020, Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL
Encumbrances	Private caveats have been lodged in favour of MTrustee Berhad and Alliance Investment Bank Berhad
Tenure	99-year lease expiring on 26 October 2109
Gross Floor Area	2,356,397 square feet
Net Lettable Area	1,347,093 square feet
Number of Car Park Bays	2,391
Occupancy Rate as at 31 December 2023	95.2%
Date of Acquisition	7 December 2011
Acquisition Price	RM3,190 million
Appraised Value	RM5,150 million
Date of Latest Valuation	31 December 2023
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM496 million
Net Property Income	RM354 million
Ten Largest Tenants	Cartier, Dadi Cinema, Food Republic, Forever 21, Hermes, Mercato, Padini Concept Store, Parkson Elite, Richard Mille, Zara

PORTFOLIO PERFORMANCE AND DETAILS

cont'd

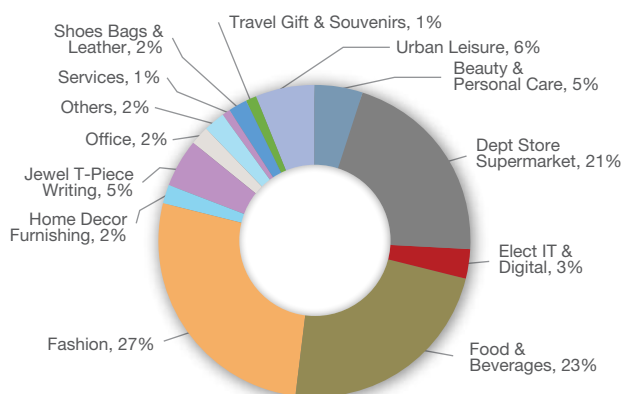


Tenancy Expiry Profile

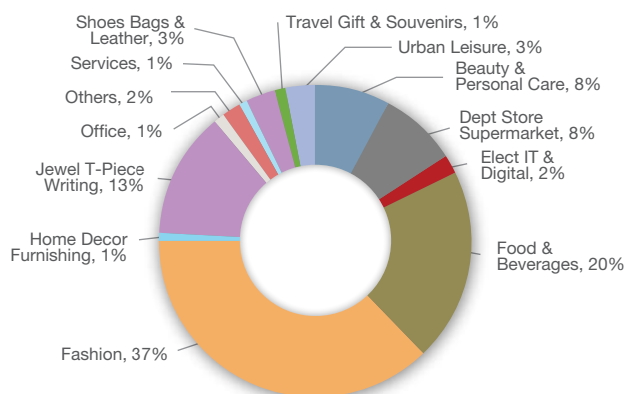
Period	% of Occupied NLA	% of Gross Rental
Monthly	18	17
FY2024	12	15
FY2025	53	46
FY2026 and thereafter	17	22
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

Intermark Mall	
Address	348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Description	6-storey retail podium with a roof pavilion together with 367 designated car parking bays
Year of Completion	Refurbished in 2012
Age of Building	11 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	222,383 square feet
Number of Car Park Bays	367
Occupancy Rate as at 31 December 2023	89.8%
Date of Acquisition	25 March 2016
Acquisition Price	RM160 million
Appraised Value	RM190 million
Date of Latest Valuation	31 December 2023
Independent Valuer	CBRE WTW Valuation & Advisory Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM25 million
Net Property Income	RM11 million
Ten Largest Tenants	Hanare, Hua Wei, In Colonial, Jaya Grocer, McDonald's, MST Golf, Oriental Landmark, Primrose Hill Active Learning, SportsDirect.com. Tsutaya Bookstore Intermark

PORTFOLIO PERFORMANCE AND DETAILS

cont'd

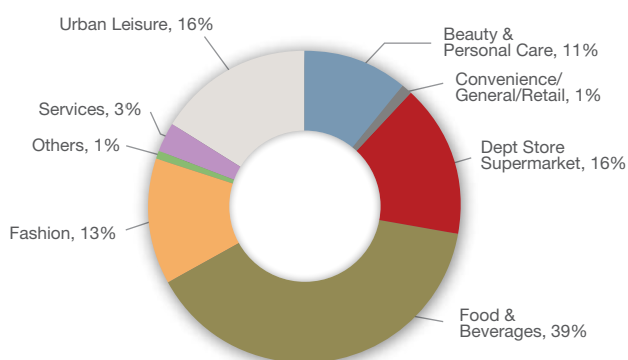


Tenancy Expiry Profile

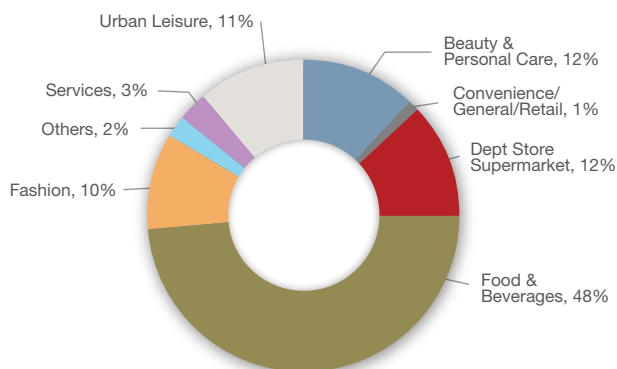
Period	% of Occupied NLA	% of Gross Rental
Monthly	8	7
FY2024	28	32
FY2025	51	47
FY2026 and thereafter	13	14
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

DA MEN Mall	
Address	Da:men USJ 1, Persiaran Kewajipan, USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan
Description	5-storey retail mall together with a lower ground floor and 2 levels of basement car parks
Year of Completion	2015
Age of Building	8 years
Title	Geran 320023/M1-A/1/1, Building No M1-A, Storey No 1, Parcel No 1 on part of parent Lot 91576 Pekan Subang Jaya, Daerah Petaling, Negeri Selangor Geran 320023/M1-A/1/2, Building No M1-A, Storey No 1, Parcel No 2 on part of parent Lot 91576 Pekan Subang Jaya, Daerah Petaling, Negeri Selangor
Encumbrances	Nil
Tenure	Interest in perpetuity
Gross Floor Area	732,925 square feet
Net Lettable Area	421,081 square feet
Number of Car Park Bays	1,638
Occupancy Rate as at 31 December 2023	73.4%
Date of Acquisition	25 March 2016
Acquisition Price	RM487 million
Appraised Value	RM160 million
Date of Latest Valuation	31 December 2023
Independent Valuer	CBRE WTW Valuation & Advisory Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM13 million
Net Property Loss	RM8 million
Ten Largest Tenants	Big Pharmacy, BookXcess, Dadi Cinema, Grand Harbour Restaurant, Jaya Grocer, Mr DIY, Music Box, Nam Heong Ipoh, Swensen's, TNT Fitness Pro

PORTFOLIO PERFORMANCE AND DETAILS

cont'd

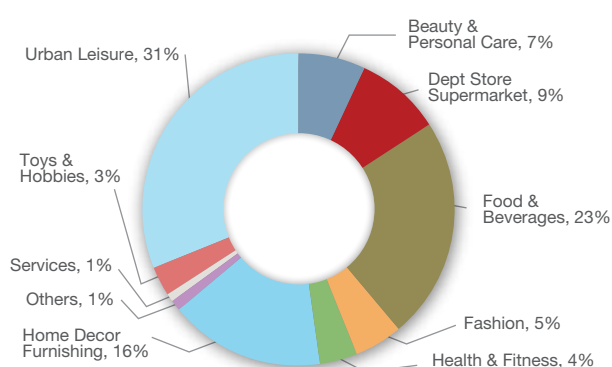


Tenancy Expiry Profile

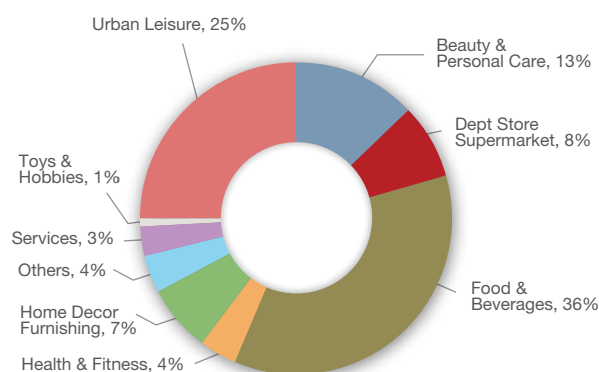
Period	% of Occupied NLA	% of Gross Rental
Monthly	34	28
FY2024	36	38
FY2025	16	23
FY2026 and thereafter	14	11
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

Elite Pavilion Mall	
Address	166 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	10-storey shopping mall with stratified parcels consisting of car park bays on Level B3 to Level 2 ('Elite Pavilion') interconnected to Pavilion Kuala Lumpur Mall via pedestrian link bridges and seating/retail areas on Level 4 to Level 10 ('Extension-Connections') and an underground pedestrian tunnel with retail outlets which contractual rights will expire on 10 October 2037 ('Subway Linkage')
Year of Completion	2016
Age of Building	7 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	427,123 square feet
Net Lettable Area	227,783 square feet
Number of Car Park Bays	50
Occupancy Rate as at 31 December 2023	95.9%
Date of Acquisition	27 April 2018
Acquisition Price	RM580 million
Appraised Value	RM550 million
Date of Latest Valuation	31 December 2023
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.25% for Elite Pavilion
Gross Revenue	RM75 million
Net Property Income	RM47 million
Ten Largest Tenants	Coach, COS "Collection of Style", Cotton On, JD Sports King of Trainers, Haidilao Hotpot, Lukfook Jewellery, Lululemon, MAC, Muji & Café, Red Box Plus

PORTFOLIO PERFORMANCE AND DETAILS

cont'd

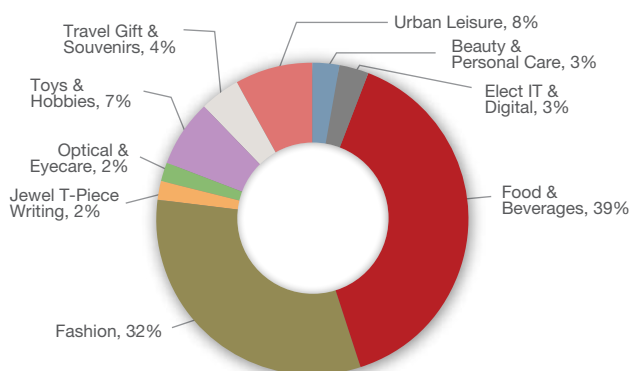


Tenancy Expiry Profile

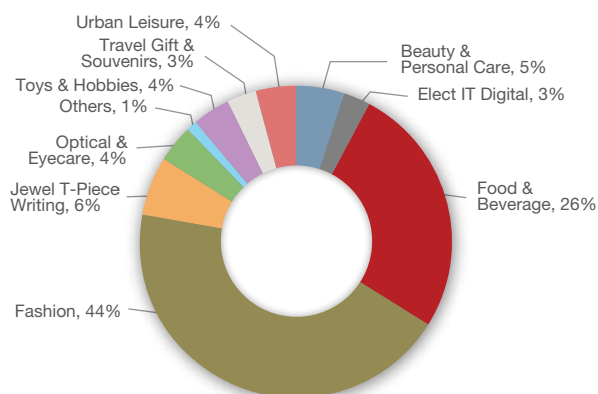
Period	% of Occupied NLA	% of Gross Rental
Monthly	20	17
FY2024	17	17
FY2025	43	51
FY2026 and thereafter	20	15
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

Pavilion Bukit Jalil	
Address	No 2 Persiaran Jalil 8, Bandar Bukit Jalil, 57000 Kuala Lumpur, Malaysia
Description	5 storey retail mall with 2 basement car park levels
Year of Completion	2021
Age of Building	2 years
Title	Geran 82227/M1/B2/1 Parcel No 1, Storey No B2, together with Accessory Parcel No(s) A1 to A27 (inclusive) and A29 to A135 (inclusive); and Geran 82227/M1/3/2, Parcel No 2, Storey No 3, together with Accessory Parcel No A28, both located within Building No M1, sited on Parent Lot 104303, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Charge to Alliance Bank Malaysia Berhad (pending endorsement)
Tenure	Interest in perpetuity for both titles
Gross Floor Area	3,595,275 square feet
Net Lettable Area	1,813,606 square feet
Number of Car Park Bays	4,800
Occupancy Rate as at 31 December 2023	88.1%
Date of Acquisition	1 June 2023
Acquisition Price	RM2,200 million
Appraised Value	RM2,210 million
Date of Latest Valuation	31 December 2023
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM105 million (for 7 months)
Net Property Income	RM53 million (for 7 months)
Ten Largest Tenants	Forever 21, Food Republic, Harvey Norman, Muji, OMG Home, Parkson, TGV Cinema, The Food Merchant, Tokyo Town, Tsutaya Books

PORTFOLIO PERFORMANCE AND DETAILS

cont'd

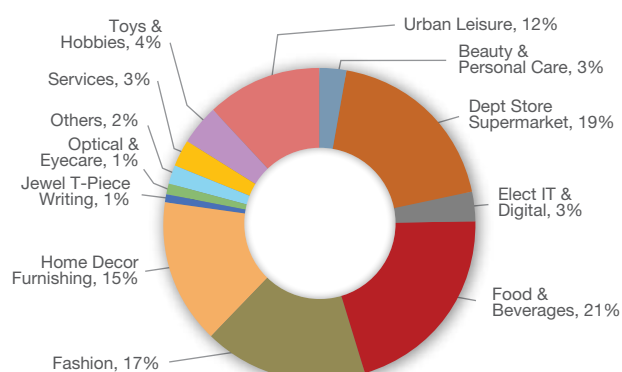


Tenancy Expiry Profile

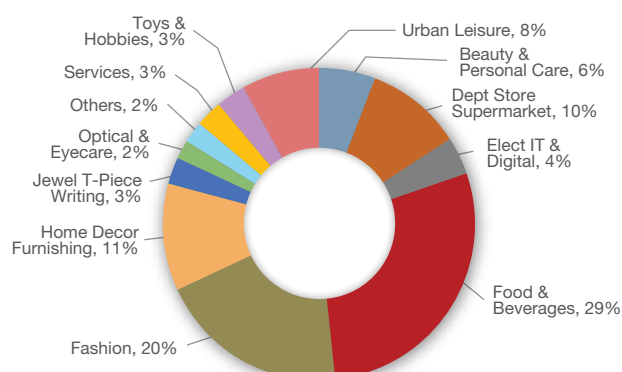
Period	% of Occupied NLA	% of Gross Rental
Monthly	1	1
FY2024	59	57
FY2025	26	26
FY2026 and thereafter	14	16
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO PERFORMANCE AND DETAILS

cont'd

(B) OFFICE

Pavilion Tower	
Address	75 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia
Description	20-storey office building together with 6 mechanical/electrical levels
Year of Completion	2007
Age of Building	16 years
Title	Pajakan Negeri 53757 Lot 20020, Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL
Encumbrances	Private caveats have been lodged in favour of MTrustee Berhad and Alliance Investment Bank Berhad
Tenure	99-year lease expiring on 26 October 2109
Gross Floor Area	243,288 square feet
Net Lettable Area	163,844 square feet
Occupancy Rate as at 31 December 2023	72.2%
Date of Acquisition	7 December 2011
Acquisition Price	RM123 million
Appraised Value	RM130 million
Date of Latest Valuation	31 December 2023
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM9 million
Net Property Income	RM3 million
Ten Largest Tenants	ARCC Offices Pavilion Tower Sdn Bhd, Coach Malaysia Sdn Bhd, Gapadu Development Sdn Bhd, Impian Ekspresi Sdn Bhd, Khuan Choo Development Sdn Bhd, KL Pavilion Design Studio Sdn Bhd, KL Metro Sdn Bhd, KL Metro Property Sdn Bhd, Malton Berhad, Pan-Asia Property Management Sdn Bhd

PORTFOLIO PERFORMANCE AND DETAILS

cont'd

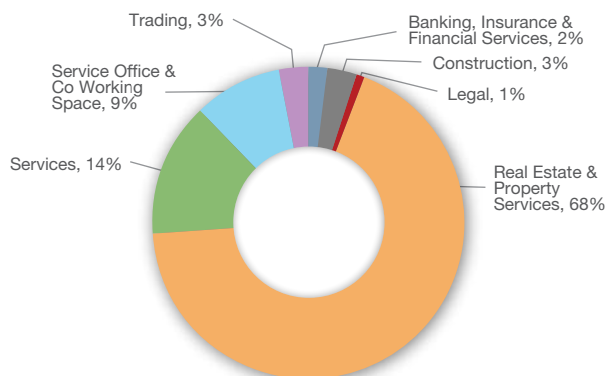


Tenancy Expiry Profile

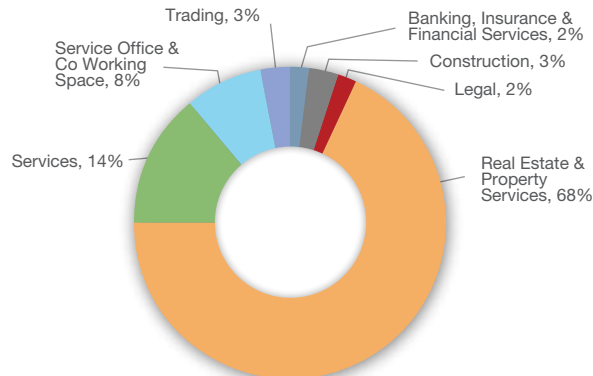
Period	% of Occupied NLA	% of Gross Rental
Monthly	25	25
FY2024	9	10
FY2025	44	43
FY 2026 and thereafter	22	22
Total	100	100

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental





Section 3:

LEADERSHIP & BUSINESS REVIEW

Section 3.1	Message from the Chairman	23
Section 3.2	Message from the Chief Executive Officer	27
Section 3.3	Management Discussion and Analysis	30

MESSAGE FROM THE CHAIRMAN



The management initially anticipated 2023 to be the year Asian tourism bounced back to pre-pandemic levels. However, this hope faltered in the first half due to several global challenges. Russia's invasion of Ukraine significantly disrupted energy, grain, and fertilizer markets worldwide, posing a hurdle to economic recovery.

Despite these disruptions, the global economy showed resilience. While Europe and Asia grappled with sluggish growth and rising interest rates in the US, the world managed to rebalance and adapt. The annual inflation rate in the United States declined to 3.40% in 2023, compared to 6.50% in 2022. To combat this inflation, the Federal Reserve raised interest rates by a total of 1.00% (0.25% on four occasions) throughout 2023, bringing the target range to 5.25%-5.50% by December 2023.

In response, most other central banks, including Bank Negara Malaysia, followed suit by raising their own interest rates. Malaysia's overnight policy rate increased from 2.75% in 2022 to 3.00% in 2023. This decision, in line with market expectations, aimed to control inflation, manage foreign exchange fluctuations, and support economic growth.

Within this dynamic context, Pavilion REIT excelled in 2023 where it demonstrated resilience, adaptability, and unwavering optimism, achieving significant milestones by completing the acquisition of Pavilion Bukit Jalil for RM2.2 billion and delivering sustainable value for unitholders. Driven by pent-up demand and a deep desire for connection, the travel and tourism industry witnessed a remarkable turnaround in the second half of the year. Visitors returned to cherished destinations and ventured into new ones, offering hope for a continued recovery in 2024.

ECONOMIC REVIEW

The International Monetary Fund (IMF) increased its 2023 global growth forecast to 3.0% in its October 2023 World Economic Outlook update, up from 2.8% in April. However, the IMF also predicted slower growth in 2024, at 2.9%. Meanwhile, the World Bank, in its June estimate, projected a sharper deceleration in global growth from 3.1% in 2022 to 2.1% in 2023, citing financial risks as a concern.

MESSAGE FROM THE CHAIRMAN

cont'd

China's full-year 2023 GDP growth hit 5.2%, partly helped by the previous year's low-base effect which was marked by COVID-19 lockdowns. However, December retail sales remained weak, the property sector struggled, and the population declined for a second year. These raise concerns about the recovery's sustainability and suggest further policy easing may be needed.

China's economic recovery has been closely examined and discussed, with its strength and significance remaining a topic of debate. Morgan Stanley's economists initially projected a positive outlook for the world's second-largest economy, forecasting growth of 5.7% in 2023 and 4.9% in 2024. However, a muted policy approach, coupled with weaker-than-expected demand and attempts to reduce debt in the property sector, have weighed down growth. Consequently, Morgan Stanley revised its expectations for China GDP growth downward, to 4.7% for 2023 and 4.2% for 2024. In the face of high interest rates, global GDP growth is likely to slow to 2.9% this year and remain sluggish in 2024.

Malaysia's 2023 performance was mixed. While domestic demand rebounded and long-term prospects remain bright, weaker exports and global uncertainties posed challenges. Despite headwinds, GDP growth rose from 2.9% in Q2 to 3.3% in Q3.



International tourism, a positive factor, is seeing arrivals recover across key markets. Tourism Malaysia targets 16.1 million arrivals for 2023, a 60% increase from 2022's estimated 10.1 million. This compares to pre-pandemic levels of 26.1 million in 2019. As of Q3 2023, arrivals reached 14.4 million.

The economy maintained positive growth in the first three quarters and showed positive signs in October 2023, led by industrial production and retail sales, said the Department of Statistics Malaysia (DoSM).

PAVILION REIT – INVESTMENT AND ASSET PERFORMANCE

During 2023, Pavilion REIT capitalized on the improving property market and completed its first major acquisition since listing in 2011. Pavilion REIT acquired Pavilion Bukit Jalil from Regal Path Sdn Bhd, a wholly-owned subsidiary of Malton Berhad.

Following this acquisition, Pavilion REIT conducted a private placement of 590.16 million new units, raising RM720 million. This marked the largest-ever REIT primary placement in Malaysia and the first capital raising exercise for Pavilion REIT in twelve years, demonstrating unitholders' confidence in both Pavilion REIT and the mall's future potential.

The combined revenue generated by the acquisition led to a significant increase in Pavilion REIT's financial performance. Gross revenue grew by 31.3% to RM724 million, resulting in a 26.1% increase in net property income to RM459 million compared to the previous year. This translated into a 7.6% increase in distribution per unit, reaching 9.01 sen as compared to 8.37 sen for FY2022. Additionally, investment properties valuations increased from RM6,045 million to RM8,390 million, resulting in a net fair value gain of RM146.5 million.

MARKET REVIEW

The FBM KLCI Index closed 2.7% lower at 1,454.66 points on 31 December 2023 as compared to 1,495.49 points in FY2022. The M-REIT Index, however, closed 1.2% higher at 782.22 points as compared to 772.98 points in FY2022, with its total market capitalisation as of 31 December 2023 increasing by 6.9% or RM2.7 billion to RM41.8 billion from RM39.1 billion in FY2022.

MESSAGE FROM THE CHAIRMAN

cont'd

The MREIT sector was boosted by the improvements in business and consumer sentiments which led to a recovery of occupancy rates of shopping malls and office buildings. Based on a report by Retail Group Malaysia (RGM), Malaysia's retail industry continued its recovery from the slowdown induced by the COVID-19 pandemic in 2020-21 and expanded by 3.3% in 2023 (based on data up to Q3) as compared to the same period in 2022. Pavilion REIT unit price closed at RM1.21, maintaining its price from the end of FY2022.

A surge of acquisitions and disposals swept through the Malaysian REIT sector in 2023, fuelled by optimism about the sector's future and its growth potential. Industrial properties were particularly sought-after, with several REITs expanding their portfolios in this area. Among these deals, Pavilion REIT pulled off the largest acquisition, securing Pavilion Bukit Jalil for RM 2.2 billion. This five-storey retail mall, spanning over 1.8 million square feet and situated within Kuala Lumpur's bustling Bukit Jalil City, significantly bolsters Pavilion REIT's retail presence, signalling its firm belief in the sector's rebound.

PAVILION REIT'S SUSTAINABILITY EFFORTS

Building on dedicated Sustainability and Risk Management committees, Pavilion REIT made significant strides in 2023. Key efforts included:

- Formalizing transparent governance through a new Sustainability Policy and integrating climate issues into Board oversight.
- Embedding sustainability within strategy, ensuring decisions across operations consider environmental, social, and governance (ESG) factors.
- Setting measurable goals and plans to track and improve ESG performance.
- Strengthening governance through industry-aligned practices and reflecting this commitment in its Core Values.
- Adopting a new purpose statement, "Create Pavilions that Bring Communities Together", which emphasizes both environmental and social responsibility.

These initiatives demonstrate Pavilion REIT's comprehensive approach to sustainability, creating long-term value while building a greener future.



GOING FORWARD

While the global economy defied expectations and avoided a recession in 2023 despite various conflict around the world, inflation, and rising interest rates, growth remains slow and vulnerable to several major risks. The World Bank predicts a further slowdown to 2.4% in 2024 before edging up to 2.7% in 2025, with even this fragile progress threatened by factors like escalating geopolitical tensions, China's economic slowdown, surging financial stress in developing economies, trade fragmentation, and extreme weather events. While a strong US labour market offers a potential upside, the overall outlook for 2024 and beyond is clouded by significant risks.

Malaysia's domestic economy is expected to remain strong in 2024, bolstered by stable domestic demand. However, stabilizing core inflation and a challenging global environment could lead BNM to keep the OPR at 3.0% throughout the year. Their decision will hinge on economic stability, inflation control, and further macroeconomic improvements, especially a strong labour market and growing domestic demand. Analysts concur, expecting BNM to maintain the current OPR as it already supports sustainable economic growth.

MESSAGE FROM THE CHAIRMAN

cont'd

Malaysia's economic momentum is expected to steadily improve in 2024, driven by a stable government and a projected GDP growth of 4.5% to 5.5%, up from 4% in 2023, according to RAM Rating Services Bhd (RAM Ratings). The economy is expected to benefit from a potential turnaround in external demand, the credit rating agency said in a statement in conjunction with its Economic Outlook 2024 report.

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

UNITHOLDERS MEETING

Pavilion REIT's 11th Annual General Meeting held on 22 March 2023 to present Pavilion REIT's audited financial statement for the year ended 31 December 2022 went smoothly. The Board of Directors managed to obtain general mandate for the allotment and issuance of up to 20% of the total number of issued units. Immediately thereafter at the unitholders meeting, >99% unitholders gave their approval for the proposed acquisition of Pavilion Bukit Jalil together with new units issuance and placements relating to the acquisition.

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

ACKNOWLEDGEMENT

I would like to thank all the members of the Board of Directors, management team and staff for their dedication, collective efforts and commitments during the year. On behalf of the Board and management we would also like to thank Mr Ahmed Ali H A Al-Hammadi and Mr Ooi Ah Heong who have resigned as well as Dato' Mohzani bin Abdul Wahab and Dato' Maznah binti Abdul Jalil who have retired from the board after 12 years of service.

The Board would also like to welcome two new independent directors Dato' Seri Mohamed Azahari bin Mohamed Kamil and Puan Nor Rejina binti Abdul Rahim who joined in 7 August 2023.

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

TAN SRI LIM SIEW CHOON

Chairman

24 January 2024



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



REVIEW FOR THE YEAR

2023 was a busy year for the Manager's management where it successfully completed the acquisition of Pavilion Bukit Jalil for RM2.2 billion on 1 June 2023 and raised RM720 million through the issuance of 590.16 million new units. This capital raising came at a challenging time, but Pavilion REIT successfully placed the units with only a discount of 6.6% over the five-day volume-weighted average market price and the initial RM500 million were oversubscribed within an hour of launch resulting in an upsize to RM720 million, marking the largest capital raising by an M-REIT in 2023. This achievement earned Pavilion REIT the Alpha Southeast Asia (SEA) Best Mid-Cap REIT Deal of the Year for Malaysia.

Pavilion REIT saw strong growth in the 3rd and 4th quarters of FY2023, resulting in gross revenue improving from RM551.3 million in 2022 to RM723.8 million in 2023, an increase of 31.3%. Distribution per unit (DPU) for FY2023 has also increased by 7.6% to 9.01 sen as compared to 8.37 sen for FY2022.

The Malaysian Institute of Economic Research's (MIER) Consumer Sentiments Index continued its downward spiral in Q3 2023, plunging 11.9 points to 78.9 - the lowest level since Q2 2021's lockdown period. This grim outlook reflects declining confidence in job and income prospects amid rising inflation.

ASSET AND FINANCIAL PERFORMANCES

Well-located malls with adaptable management are expected to weather challenging market conditions. The rise of omnichannel retail, fueled by the pandemic, caters to evolving consumer preferences. As cost-of-living concerns grow, consumers are spending cautiously. Pavilion REIT remains committed to optimizing efficiency through cost management, prioritizing stakeholder needs, comfort, and safety.

The office's occupancy rate declined slightly from 72.8% in FY2022 to 72.2% in FY2023, due to tenant relocations and cost-conscious moves. The office market remains competitive, with newer buildings entering the market in the coming years, putting pressure on older buildings to offer incentives and maintain competitive rents. To retain existing tenants, Pavilion REIT will prioritize maintaining the building's condition.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

cont'd

The market value of Pavilion REIT's investment properties remained stable overall, with some properties experiencing positive valuation adjustments. Notably, Pavilion Kuala Lumpur Mall's valuation increased by RM150 million to RM5,150 million compared to the previous year-end. However, this increase was offset by a slight decrease in DA MEN Mall's valuation of RM20 million. Consequently, the overall group valuation rose by RM146.5 million to RM8.39 billion.

BNM maintained its OPR at 3% in 2 November 2023. The last rate hike occurred in May, when BNM increased the OPR by 25 basis points to 3%. Pavilion REIT's borrowing cost was higher due to the staggered increases in overnight policy rates in 2022, with a 25 basis point increase in May 2023 as well as additional borrowings to finance Pavilion Bukit Jalil's acquisition.

STRATEGY AND OUTLOOK

Malaysia's economy likely expanded 3.4% in Q4 2023, exceeding the previous quarter's growth but showing signs of slowing momentum due to slumping exports and easing activity. While all sectors saw expansion, construction slowed to 2.5% (from 7.2% in the previous quarter) and manufacturing growth stagnated at 0.1%, official advance estimates released by the Department of Statistics Malaysia on 19 January 2024. This follows Q3's 3.3% GDP growth, driven by domestic spending despite weakening external demand (exports contracted 8% in 2023). Malaysia's full-year economic growth forecast is now 3.8%, below the government's projection of a 4.0% expansion and a sharp drop from a 22-year high of 8.7% in 2022.

Malaysia's inflation is projected to steady near 2.0%, having decelerated from its August 2022 peak. Moreover, price increases for core goods and services appear to have peaked, reflecting satiated pandemic demand and reduced spending power due to higher living costs. BNM's recent decision to prolong its pause suggests the policy rate has likely peaked in this cycle, a prudent move anticipating a potential decline in global demand. In short, BNM is projected to maintain its Overnight Policy Rate (OPR) at 3% throughout 2024.

Retail Group Malaysia (RGM) upgraded its 2023 retail growth forecast to 2.8% due to strong 3Q sales with a growth rate of 2.7%, exceeding expectations of Malaysia Retailers Association (MRA) and Malaysia Retail Chain Association (MRCA)'s 1.4% projection. With the implementation of the visa-free policy between China and Malaysia, the Manager anticipate an increase in tourist numbers in 2024. This trend is already visually evident at its malls.



Furthermore, the successful acquisition of Pavilion Bukit Jalil is expected to strengthen Pavilion's brand recognition and reach, attracting more Malaysian shoppers, ultimately increasing Pavilion REIT's turnover and net property income. Additionally, the acquisition serves to diversify the portfolio, reducing reliance on a single asset.

PAVILION REIT'S SUSTAINABILITY

Pavilion REIT demonstrates its commitment to sustainability through its comprehensive framework outlining EESG goals and aspirations for the next five years. These aspirations include strengthening internal governance, aligning with reporting requirements, and achieving recognition on sustainability indices.

Pavilion REIT actively pursues renewable energy initiatives, with malls utilizing green electricity and EV charging stations, while exploring solar panel installations. Resource conservation efforts include rainwater harvesting, food waste composting, and sustainable design assessments. Tenant satisfaction remains high across key areas, reflecting Pavilion REIT's dedication to quality service.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

cont'd

Additionally, measuring carbon emissions enables climate-related disclosures and ongoing risk management ensures environmental and social responsibility. Overall, the Manager's commitment to sustainability goes beyond policy, translating into concrete actions and continuous improvement for a greener future.

In short, Pavilion REIT focuses on:

- **Maintaining portfolio strength:** Pavilion REIT's iconic portfolio of prime retail and office assets in Kuala Lumpur remained a cornerstone of its success. Pavilion REIT continued to optimize occupancy rates, diversify tenant mix, and enhance tenant relationships, ensuring stable and resilient income streams.
- **Prioritizing sustainability:** Pavilion REIT remained unwavering in its commitment to environmental and social responsibility. Pavilion REIT implemented green building initiatives across its portfolio, actively engaged with stakeholders on ESG matters, and contributed positively to the communities it serves.
- **Embracing innovation and strong corporate governance:** Pavilion REIT proactively implemented initiatives to cater to the changing consumer preferences including focus on experiential retail and remain committed to the highest standards of corporate governance and transparency.

ACKNOWLEDGEMENT

The Management would like to thank the team for their efforts, dedication and resilience despite challenges faced in 2023 that has allowed the Fund to grow stronger. Appreciation is also extended to all Pavilion REIT stakeholders for their continuous support and trust.

DATO' PHILIP HO YEW HONG

Chief Executive Officer

24 January 2024



MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS

Financial Results and Key Performance Indicators	FY2019	FY2020	FY2021	FY2022	FY2023	Change (%) FY2023 vs FY2022
Gross Revenue (RM'000)	585,353	510,220	488,591	551,349	723,811	31.28%
Net Property Income ("NPI") (RM'000)	375,184	233,524	236,622	364,201	459,111	26.06%
Distributable Income (RM'000)	258,278	125,842	134,662	255,811	307,403	20.17%
Earnings per Unit (sen)	8.64	1.52	4.11	13.03	12.68	(2.69)%
Distribution per Unit (DPU) (sen)	8.50	4.13	4.41	8.37	9.01	7.65%
Distribution Yield based on Year End Market Price (%)	4.88	2.75	3.53	6.92	7.45	7.66%
Management Expense Ratio ("MER") (%)	0.79	0.71	0.71	0.80	1.27	(58.75)%
Investment Properties (RM'000)	5,913,000	5,863,000	5,880,000	6,045,000	8,390,000	38.79%
Total Asset Value ("TAV") (RM'000)	6,357,015	6,241,907	6,238,695	6,483,176	8,998,489	38.80%
Net Asset Value ("NAV") (RM'000)	3,979,738	3,859,317	3,858,453	4,060,007	4,931,466	21.46%
NAV per Unit (RM)	1.31	1.27	1.27	1.33	1.35	1.50%
Gearing Ratio (%)	33.93	34.66	34.84	33.84	41.85	(23.67)%
Portfolio Turnover Ratio (times)	0.00	0.00	0.00	0.00	0.50	0.00%

FINANCIAL REVIEW

By Segment	Gross Revenue				Net Property Income			
	FY2022 [#]		FY2023		FY2022		FY2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pavilion Kuala Lumpur Mall	440,474	79.89	495,895	68.51	316,436	86.88	353,740	77.05
Intermark Mall	24,049	4.36	25,218	3.48	9,921	2.73	10,822	2.36
DA MEN Mall	13,161	2.39	13,212	1.83	(7,098)	(1.95)	(8,322)	(1.81)
Elite Pavilion Mall	64,153	11.63	75,276	10.40	40,862	11.22	47,399	10.32
Pavilion Bukit Jalil [^]	0	0	104,975	14.50	0	0	52,513	11.44
Retail	541,837	98.27	714,576	98.72	360,121	98.88	456,152	99.36
Pavilion Tower – Office	9,512	1.73	9,235	1.28	4,080	1.12	2,959	0.64
Total	551,349	100.00	723,811	100.00	364,201	100.00	459,111	100.00

[#] reclassified utilities income and cost on net basis as REIT sells utilities as an agent to tenants

[^] reflects only 7 months results as it was acquired on 1 June 2023

Gross revenue achieved in FY2023 was RM723.8 million or 31.3% higher as compared to the immediate preceding year. This change was mainly due to acquisition of Pavilion Bukit Jalil on 1 June 2023, additional rental income due to higher occupancy rates and revenue rent from existing retail malls. Income from advertising and marketing events also increased as compared to the preceding year end.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

Total operating expenses incurred was higher by RM77.6 million or 41.4% as compared to the previous year. This was mainly due to the operating expenses incurred for the new property, increase of electricity tariff surcharge by the government from 3.7 sen to 20 sen per kilowatt hour (kWh) from 1 January 2023 and revised to 17 sen per kilowatt hour (kWh) from 1 July 2023.

These resulted in increase of Pavilion REIT's net property income to RM459.1 million. Pavilion Kuala Lumpur Mall and its seamlessly connected Elite Pavilion Mall collectively contributes to 87.4% of net property income of Pavilion REIT with Pavilion Bukit Jalil contributing about 11.4%.

Retail property continues to contribute to approximately 99.0% of Pavilion REIT's total portfolio in terms of gross revenue and net property income. Overall, Pavilion REIT portfolio achieved NPI margin of 63.5% with retail and office achieving a NPI margin of 63.8% and 32.0% respectively.

Net fair value change in investment properties resulted in gain of RM146.5 million against the immediate preceding year due to higher valuations for Pavilion Kuala Lumpur mall and the acquisition of Pavilion Bukit Jalil. Borrowing cost was higher due to the staggered increased in overnight policy rates throughout 2022 with 25 basis points increase in May 2023. Pavilion Bukit Jalil's acquisition was also partially finance via debt with recognition of RM10.0 million as present value adjustment to its deferred acquisition payments. All these resulted in increase of 8.5% in income before taxation for the year to RM431.8 million.

DISTRIBUTION PER UNIT

Total DPU for 2023 increased by 0.64 sen to 9.01 sen from 2022 DPU of 8.37 sen, despite the increase in additional 596,616,440 Units being issued during the year resulting in 3,652,338,101 Units as at 31 December 2023.

During the year under review, a private placement was undertaken that resulted in issuance of 590,163,900 Units at price of RM1.22 per unit, raising gross proceeds of approximately RM720 million. This placement issue price represents a discount of 6.6% to the 5 day volume-weighted average price of RM1.3068.

An advance interim distribution of 3.65 sen for the period from 1 January 2023 to 29 May 2023 was distributed on 20 June 2023. The balance interim income distribution for the 1st six months to 30 June 2023 of 0.76 sen per unit was paid on 4 September 2023. The final distribution of 4.60 sen earned in the second half of 2023 is payable on 29 February 2024. This resulted in net asset value per unit (after final income distribution) of RM1.30 and RM1.29 for FY2023 and FY2022 respectively.

STATEMENT OF FINANCIAL POSITION – ASSET AND LIABILITIES

Pavilion REIT's total asset value increased by RM2,515.3 million to RM8,998.5 million in FY2023 mainly due to the acquisition of Pavilion Bukit Jalil on 1 June 2023, increase in value of investment properties as well as cash and cash equivalent. As its latest acquisition was partially finance via debt, its total liabilities also increased from RM2,423.1 million to RM4,067.0 million. REIT's borrowings increased from RM2,194.0 million to RM3,390.9 million in FY2023, resulting in gearing ratio of 41.9%.

INVESTMENT PROPERTIES AND VALUATION

During the year, there were no changes to the investment objectives set forth during the listing in December 2011. New addition for the year under review is Pavilion Bukit Jalil that was acquired on 1 June 2023.

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

The Fund's investment properties had been re-valued as at the end of the financial year to ensure that its investment properties reflect the current market value and in compliance to Malaysian Financial Reporting Standards 140. This re-valuation resulted in a gain of RM146.5 million.

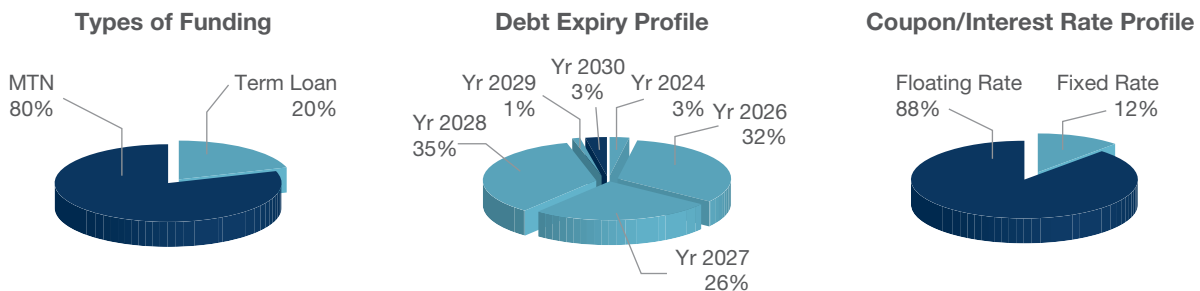
MANAGEMENT DISCUSSION & ANALYSIS

cont'd

Property	Market Value @ 31 Dec 2023 RM'000	Market Value @ 31 Dec 2022 RM'000	Change in Value RM'000	Property Yield 2023 %	Property Yield 2022 %
Retail					
Pavilion Kuala Lumpur Mall	5,150,000	5,000,000	150,000	7%	6%
Intermark Mall	190,000	185,000	5,000	6%	5%
DA MEN Mall	160,000	180,000	(20,000)	-5%	-4%
Elite Pavilion Mall	550,000	550,000	-	9%	7%
Pavilion Bukit Jalil	2,210,000	-	2,210,000	4%^	-
	8,260,000	5,915,000	2,345,000		
Office					
Pavilion Tower	130,000	130,000	-	2%	3%
Total Portfolio	8,390,000	6,045,000	2,345,000		
Less : Capital Expenditure			(5,767)		
Less : Acquisition			(2,192,699)		
Net Fair Value Change			146,534		

^ annualized from 7 months net property income

CAPITAL MANAGEMENT



As Pavilion Bukit Jalil's acquisition was partially financed via debt, Pavilion REIT's gearing has increased to 41.9% as compared to 33.8% the preceding year end. This is below REIT Guidelines of up to 50% of Total Asset Value. Due to the volatility in interest rate environment in FY2023 with fixed debt rates offered being more than 5.0% per annum, rollover and new debts were financed via floating rates instead of fixed rate resulting in average interest cost of 4.7% per annum.

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

STATEMENT OF CASH FLOWS

Of the net cash available from operating activities of RM475.2 million, RM1,846.7 million was used for investing activities with RM1,494.1 million being net cash generated from financing activities. This caused the increase in net cash of RM122.6 million for FY2023 resulting in cash and cash equivalents of RM455.5 million against preceding year end cash of RM332.9 million.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

OPERATIONS REVIEW

Pavilion Kuala Lumpur Mall's gross revenue increased by RM55.4 million to RM495.9 million was mainly due to higher rental billings, increase in revenue rent as well as income from advertising and marketing events with tenancy occupancy at 95.2% as at 31 December 2023. FY2023 is also the year whereby 14 brands commenced their business as 1st store in Malaysia in the mall, ie Chloe, Delvaux, EL&N, Kering Eyewear, National Geographic, Penhaligon's, Prada Beauty, Paris Baguette, Pop Mart, Sincere Haute Horlogerie, Sisley, Tai Er Suan Cai & Fish, Tanyu Grilled Fish, Vacheron Constantin and Xerjoff Beauty. At the Malaysian Shopping Malls Association's Best Experiential Marketing Award 2022/23, Pavilion Kuala Lumpur mall won the Gold Award for 'The Pride of Malaysia' entry in Category C (malls above 1 million square feet), honouring Michelle Yeoh's historic Oscar win and her homecoming party which attracted thousands of fans and international publicity.

Elite Pavilion Mall's occupancy increased from 92.3% as at last year end to 95.9% as at 31 December 2023 with Suibing as the 1st F&B outlet that opened in Malaysia. Besides increased in gross rental income, additional income was also generated from revenue rent as well as advertising income. Elite Pavilion Mall contribution to the REIT is about 10% for both gross revenue and net property income.

Intermark Mall's occupancy also increased marginally from 86.9% a year ago to 89.8% with the addition of Ba Shu Jia Yan, Huckleberry Petit and Tsutaya Bookstore Intermark Mall. This property's operating expenses has been stable at around RM14.0 million.

DA MEN Mall's gross revenue remains the same at RM13 million with operating expenses increased slightly resulting in net property loss of RM8 million. New tenants secured were OMG Home and TNT Fitness Pro. DA MEN Mall clinched the Platinum Award for its Malaysian Book of Record entry 'Hundreds of Flourish Drums' in Category A (malls under 500,00 square feet) at the Best Experiential Marketing Award 2022/23.

Pavilion Bukit Jalil, acquired on 1 June 2023, generated net property income of RM52.5 million for 7 months or contributed 11% to Pavilion REIT. A regional mall forming part of the 50-acre commercial integrated development of Bukit Jalil City, strategically located along Bukit Jalil Highway within the thriving suburb of Bukit Jalil, this mall that is about 2 years old, has been awarded the 'Best Shopping Mall for Families' by Parents' Choice – Awards 2023. The mall also has a 47,000 square feet exhibition centre that caters to consumer fairs. Aimed at reinforcing the mall's position as a lifestyle destination, best in class retail, dining and leisure with immersive experiences, its tenancy occupancy is 88.1% as at 31 December 2023.

Besides incorporating operating cost of Pavilion Bukit Jalil which increased the total operating expenses, increase of electricity tariff surcharge from 3.7 sen to 20 sen per kilowatt hour (kWh) from 1 January 2023 and revised to 17 sen per kWh from 1 July 2023 as well as resumption of ad-hoc property upkeep also contributed to the rise.

Pavilion Tower's occupancy reduced further from 72.8% to 72.2% as some tenants relocated to their own building or opt for cheaper rental. The office market remains soft and challenging as more new office spaces target 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 properties. However, Pavilion REIT strives to ensure its cost management procedures are refined to optimise return to unitholders as well as to ensure sustainable practices are adopted where applicable.

ASSET ENHANCEMENT EXERCISES

Asset enhancement exercises incurred during the year under review were mainly for reconfiguring tenancy lots at Fashion Avenue, Pavilion Kuala Lumpur Mall and Elite Pavilion Mall.

For FY2024, besides setting up of landlord provisions to cater for tenant requirements, capital expenditures to be incurred is upgrading Elite Pavilion Mall's outdoor LED screen.

MARKET REVIEW

Malaysia's 2023 full year growth is expected to be in the range of 3.8% to 4.2% with 2024 growth forecasted between 4.5% and 5.5% supported by the country's resilient domestic demand and recovery in external demand. However, potential risks are spike in global commodity prices that could increase worldwide food prices, recession in the US and Europe and weaker economic growth in China as slower global growth is expected in 2024. OPR is expected to remain at 3.0%. According to the Department of Statistic of Malaysia, its annual inflation reduced to 2.5% for 2023 from 3.3% in 2022.

MANAGEMENT DISCUSSION & ANALYSIS

cont'd

For 2024, Retail Group Malaysia (RGM) forecasts a 3.5% growth rate for the retail industry with 2.8% for 2023. The biggest challenge for the industry will be the rising cost of living with two tax related policies to be introduced in 2024, namely increase in service tax from 6% to 8% and high value goods tax that will influence consumer spending. From 1 January 2024, Malaysia has introduced a new 10% sales tax on import of low-value goods (valued up to RM500) sold online in the country to enhance the competitiveness of local products. Although shopping traffic has returned to pre-Covid levels, weakened spending power has been noted due to inflationary pressures as well as anticipated subsidies removal.

As published by the Malaysian Institute of Economic Research, in the 3rd quarter of 2023, consumer confidence index drops further to 78.9 points. This is below the 100-points optimism threshold since the start of the year and hits the lowest point since the 2nd quarter of 2021. This reflects the pessimistic outlook that signifies consumers' declining confidence on employment and income growth prospects amid the elevated inflationary environment with more people tightening their belts amid deterioration in personal finances. Due to concerns of persistence geopolitical tensions, effects of sustained inflation on the global supply chain and weaker than expected recovery in China that continues to dampen enterprises, business confidence index also declined quarterly to 79.7 points, the lowest since COVID-19 pandemic.

As per Knight Frank's research report, Klang Valley's cumulative retail space supply increased to 70.2 million square feet for the 2nd half of 2023 following the completions of Pavilion Damansara Heights Phase 1 and The Exchange TRX. At least three new shopping centres are expected to open in 2024 with a total nett floor area of about 1.6 million square feet, ie 118 Mall, Pavilion Damansara Heights Phase 2 and Elmina Lakeside Mall in Sungai Buloh. Catering to the ever-evolving consumer preferences, mall operators continue to undertake asset enhancement initiatives as well as adopting sustainability initiatives with retailers continuously creating and introducing immersive experiences to drive sales.

Private consumption is expected to moderate in 2024 as compared to the previous year amid ongoing cost inflationary pressures, driven by new taxes and targeted subsidy rationalisation. However, despite these challenges, it is expected that domestic demand will anchor the economy with turnaround in external demand with vibrant tourism related activities as well as 30 days visa free entry for China and India citizens.

Retail malls in good location and good management that adjusts to changing market situation and shopping preferences are expected to be resilient despite retail market remain challenging. Due to COVID-19 pandemic, most retailers have both physical outlet as well as online platform to provide more seamless shopping experience for its customers. As cost-of-living increases, consumers are being cautious and prioritizes their spending. Despite increase in manpower and utilities cost, Pavilion REIT malls will continue its cost management practise to optimise efficiency with spending as required to ensure needs, comfort and safety of its stakeholders are balance and not compromised as its building ages (especially for the mechanical and electrical parts). As 1.3 million square feet or 35.0% of the total area of Pavilion REIT properties are due for renewal in 2024 (with majority tenancies in Pavilion Bukit Jalil), the Manager expects a modest increase in rental reversion as tenants have the bargaining power to be selective on where and when to have their outlets due to the available selections of newer retail malls or offices in the market.

As per Knight Frank's research report, in the 2nd half of 2023, Klang Valley recorded the completion of four new office developments, collectively adding about 3.0 million square feet of leasable space to the market with cumulative supply of office space of approximately 117.7 million square feet. KL City office market continues to face increased pressure due to this growing disparity while the office markets in KL Fringe and Selangor exhibit resilience, characterised by sustained demand for quality spaces in decentralised locations with available infrastructure and highly accessible rail networks, particularly Grade A buildings in prime locations. The overall occupancy rate of purpose-built office space in KL City and KL Fringe moderated to 65.9% and 83.9% respectively during 2H2023 with asking rentals of Prime A+ and Grade A office space in KL City ranging from RM5.00 per square feet to RM14.00 per square feet per month depending on location. The impending completion of five office buildings in the first half of 2024 is expected to contribute approximately 1.4 million square feet to Klang Valley's existing cumulative office stock. Two of the upcoming completions are located in KL City, namely Felcra Tower, and The Exchange TRX Office by Lendlease. In KL Fringe, Pavilion Damansara Heights Corporate Tower 1 and TNB Gold Bangsar are set to be completed while Selangor will see the addition of Atwater Towers A and B in Petaling Jaya.

The Klang Valley office sector remains favourable to tenant with landlords focusing on retaining tenants through cost-cutting exercises, asset upgrading and leasing packages. The strategy for 2024 is to continue to retain good tenants with continuous upkeep of property to maintain and enhance the standard of its facilities.

Distribution policy for FY2024 is expected to be maintained as per FY2023. The Manager will continue to increase its properties' occupancy through proactive lease management and monitor operational cost to optimize efficiency.



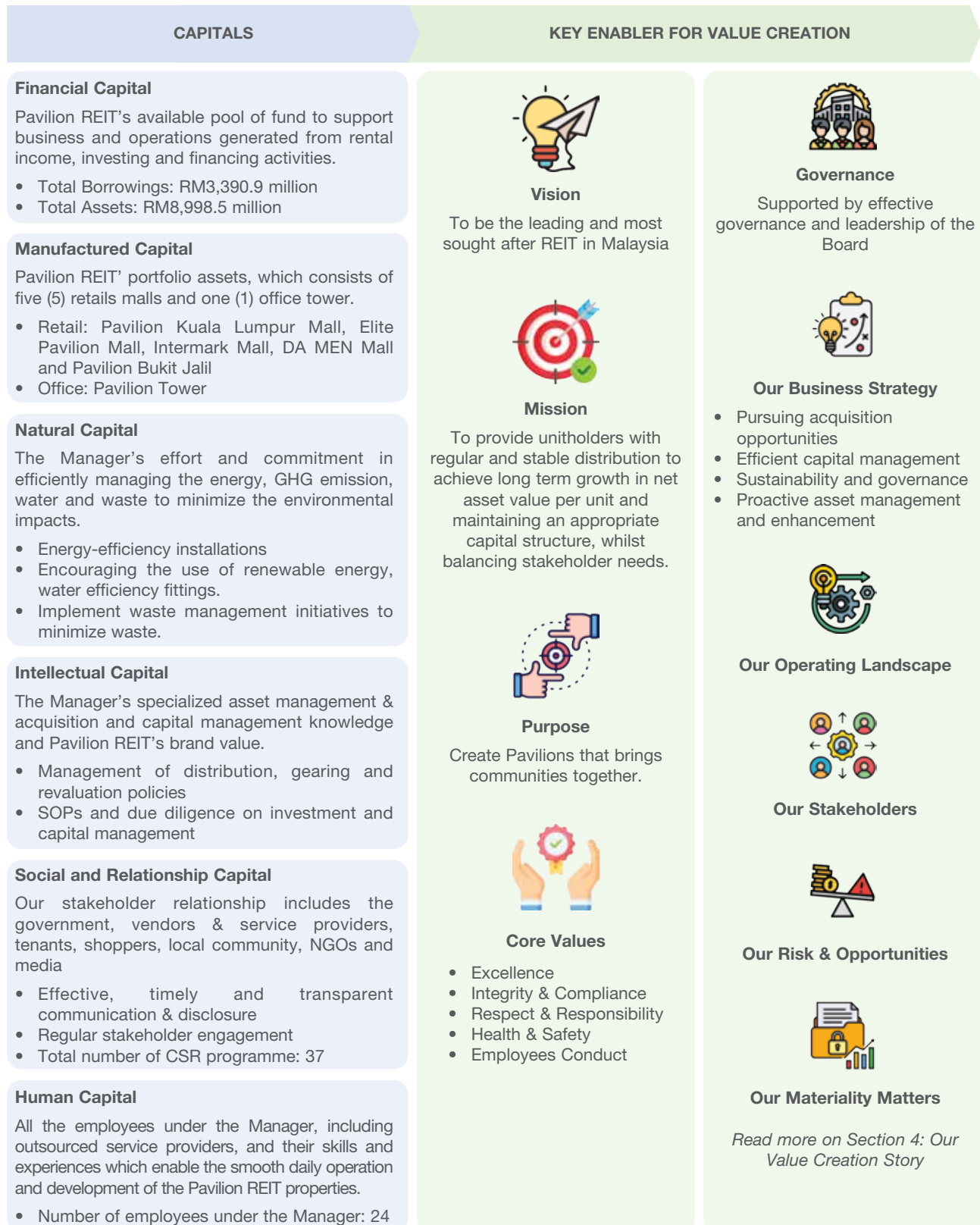
Section 4:

**OUR VALUE
CREATION STORY**

Section 4.1	Our Value Creation Model	36
Section 4.2	Our Operating Landscape	38
Section 4.3	Our Stakeholders	42
Section 4.4	Our Material Matters	47
Section 4.5	Our Risk and Opportunities	51
Section 4.6	Our Investment Strategy	55

OUR VALUE CREATION MODEL

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



OUR VALUE CREATION MODEL

cont'd

Outputs	Value to Stakeholders	Outcome	Trade-offs
Investing Strategically <ul style="list-style-type: none"> Gross Revenue: RM724 million (FY2022: RM551 million) Net Property Income: RM459 million (FY2022: RM364 million) Distribution per unit: 9.01 sen (FY2022: 8.37 sen) Distributable income: RM307 million (FY2022: RM256 million) <p><i>Read more on Section 5 – I: Investing Strategically</i></p>		<ul style="list-style-type: none"> Ranked 4th in the MREIT industry by Market Capitalisation: RM4.4 billion Property value: RM8.39 billion 	<p>Financial Capital is applied to enable Pavilion REIT to execute its growth strategy and in mitigating risks to sustain performance typically with positive impact on Manufactured, Intellectual and Social and Relationship Capitals. This, however, may impact Pavilion REIT's Manufactured Capital with reduced financial allocation towards capital expenditure.</p>
Maintaining Good Governance <ul style="list-style-type: none"> Zero cases of non-compliance on anti-bribery and corruption ("ABC") since FY2020 <p><i>Read more on Section 5 – M: Maintaining Good Governance</i></p> <ul style="list-style-type: none"> Retail: 4.0 million sq.ft. NLA Office: 163,844 sq.ft. NLA 		Occupancy Rate Retail <ul style="list-style-type: none"> Pavilion Kuala Lumpur Mall: 95.2% Intermark Mall: 89.8% DA MEN Mall: 73.4% Elite Pavilion Mall: 95.9% Pavilion Bukit Jalil: 88.1% Office <ul style="list-style-type: none"> Pavilion Tower: 72.2% 	<p>Investing in asset enhancement initiatives and reducing the environmental footprint will benefit Natural, Intellectual, Social and Relationship Capitals, but it comes with a cost to Financial Capital and positively impacted Manufactured Capital in the mid term through improvements in valuation and brand equity in the long term.</p>
Practicing Responsible Environment Stewardship <ul style="list-style-type: none"> Energy Intensity (kWh/m²/year): 282 Water Intensity (m³/m²/year): 2.3 20% of electricity generated from renewable energy sources for Pavilion Kuala Lumpur Mall and Intermark Mall Waste diverted from disposal: 247.2 tonnes Diverted 4.5% of landfill waste <p><i>Read more on Section 5 – P: Practicing Responsible Environment Stewardship</i></p>		<ul style="list-style-type: none"> Lowered carbon footprint and efficient resource management Progressively achieving the goal of Net Zero Carbon Emissions by 2050 	<p>Investment in renewable energy and to minimise carbon footprint will impact Financial Capital at the outset but will certainly benefit Pavilion REIT's Natural, Social & Relationship and Manufactured Capitals over the mid and long term.</p>
Acclaiming Trusted Brand Reputation <p><i>Read more on- Section 5 – A: Acclaiming Trusted Brand Reputation</i></p> <ul style="list-style-type: none"> Properly governed and balanced investment decision-making process Incorporated investment checklist into the screening of investment opportunities Optimise of debt/financing 		<ul style="list-style-type: none"> Achieved 53 accolades from both local and international councils or associations for Pavilion Kuala Lumpur Mall Strong governance structure 	<p>Investments in Intellectual Capital may reduce Pavilion REIT's Financial Capital over the short term; however, it is also likely to increase the value of Human, Financial and Social & Relationship Capitals over the mid and long term. This growth will stem from the benefits of improved wider coverage and recognition.</p>
Caring for Local Community <ul style="list-style-type: none"> Total amount invested into communities: RM0.2 million Strong long-term relationships with business partners and stakeholders with integrity and fairness <p><i>Read more on Section 5 – C: Caring for Local Community</i></p>		<ul style="list-style-type: none"> Number of unitholders: 15,998 Community enhancement and wellbeing 	<p>Cultivating strong relationships with its stakeholders while strictly adhering to corporate governance requirements will serve to improve all Capitals.</p> <p>Contributions and support programmes that require Financial Capital will also serve to improve its Social & Relationship, Manufactured, Human and Intellectual Capitals over the longer term.</p>
Transforming Talent Management <ul style="list-style-type: none"> Employee retention rate: 92.0% Total Training Hours: 234 Zero cases of fatalities in 2023 <p><i>Read more on Section 5 – T: Transforming Talent Management</i></p>		<ul style="list-style-type: none"> High talent attraction and retention Increased capability of employees Optimum shopper satisfaction achieved through excellence customer service delivered by skilled workforce 	<p>Investing Financial Capital in upskilling of its people broadens career prospects and empowers them with greater capabilities. Over the long term, this provides immense benefits to Human Capital and Intellectual Capital.</p>

OUR OPERATING LANDSCAPE

In 2023, the Malaysian REIT market experienced a mixed bag of events. While the year started with optimism due to China's reopening and a peak in the Bursa REIT Index, it faced headwinds from rising interest rates and inflation as well as risks from the impending luxury tax. Despite these challenges, the sector saw some positive developments, including a strong retail industry performance, a resilient housing market, and continued foreign tourist inflow. Overall, the outlook for Malaysian REITs remains cautiously optimistic, with healthy economic growth.

In this context, Pavilion REIT's operating landscape continues to be shaped by various factors, including the environment, real estate market, and global economy. To ensure business sustainability, the Manager constantly reconsidered and refined its approach in identifying potential impacts that may influence this ever-changing landscape for FY2024.

Key Trend 1: Macroeconomy

What happened in FY2023	How it impacts Pavilion REIT	Actions/Strategies	FY2024 Outlook
<p>Malaysia's economic growth is expected to meet the government's target of 4% this year, driven by strong domestic spending, improving labour market conditions, and rising tourism.</p> <p>The central bank held its key interest rate unchanged at 3.00% as at 24 January 2024 amid moderating inflation, and warned of risks due to weaker-than-expected external demand and declines in commodity production.</p> <p>Headline inflation came in at 2% in the third quarter of 2023, and is expected to remain modest going into next year.</p>	<p>Increased consumer spending would translate to higher tenant sales, benefiting Pavilion REIT's rental income.</p> <p>As tourism recovers, Pavilion REIT stands to gain from increased tourist spending at its malls, particularly those located in high tourist areas.</p> <p>Maintaining the current interest rates would ensure the borrowing costs remain stable.</p>	<p>The Manager closely monitor developments in the domestic and global economy to assess potential risks and opportunities.</p> <p>Continuously monitor on any changes in interest rate policies and their potential implications for Pavilion REIT's borrowing costs and investment plans.</p> <p>Diversifying the tenant mix to mitigate risks associated with specific sectors.</p> <p>Implementing effective risk management strategies.</p>	<p>Despite the challenging global environment, the Malaysian economy is projected to expand by around 4% in 2023 and 4% – 5% in 2024.</p> <p>Growth will continue to be driven by the expansion in domestic demand amid steady employment and income prospects, particularly in domestic-oriented sectors. This growth performance along with other favourable economic developments would provide support to the ringgit, said by the BNM Governor in its BNM Quarterly Review for 3Q 2023.</p> <p>The Manager will continue to evaluate properties that are strategic and ensure efficient capital management, whilst maintaining proper risk management and strong governance.</p>

OUR OPERATING LANDSCAPE

cont'd

Key Trend 2: Evolving Consumer Behaviour

What happened in FY2023	How it impacts Pavilion REIT	Actions/Strategies	FY2024 Outlook
<p>Although shopping activity returned to pre-COVID-19 levels, the spending power was low, resulting from a higher cost of living.</p> <p>Despite a decrease in the average inflation rate during the third quarter, the prices of essential goods were higher than the pre-lockdown period.</p> <p>The weak ringgit during the quarter led to additional price increases due to higher import costs for raw materials, semi-finished goods and finished retail products.</p> <p>Retail Group Malaysia said the relatively high interest rates prompted Malaysian homeowners to pay higher monthly instalments, causing many to postpone purchases of discretionary consumer goods.</p> <p>In Budget 2024 tabled on 13 October 2023, the Prime Minister announced that the government would introduce High-Value Goods Tax at the rate of between 5% to 10% on luxury goods, effective 1 May 2024.</p>	<p>Despite the weakened spending power, the rebound in shopping activity indicates a continued demand and occupancy for retail space.</p> <p>As consumers prioritise own needs and wants, tenants within Pavilion REIT's assets that offer these items could see an increase in demand and potentially higher rents.</p> <p>A short-term surge in purchases before the luxury tax takes effect which lead to a boost in revenue for Pavilion REIT's tenants, which would translate to higher rental income for Pavilion REIT.</p>	<p>Curate unique physical retail experiences to attract shoppers.</p> <p>Targeting the right audience with targeted marketing campaign to help the malls attract shoppers and promote its tenant offerings.</p> <p>Invest in technology and digital marketing to communicate effectively with shoppers.</p> <p>Offer diverse dining and entertainment options.</p> <p>Host engaging events and activations.</p>	<p>Malaysia's retail industry is expected to grow by 3.0% to 3.5% in 2024, according to the Malaysia Retail Chain Association.</p> <p>This is based on a moderate and conservative estimation due to factors such as increase in the sales and service tax, rise in raw material costs and geopolitical issues.</p> <p>Pavilion REIT will continue engage shoppers via festive and thematic campaign, international collaborations, first-in-Malaysia experiences, stronger tenant partnerships, celebrity appearances and rewards.</p>

OUR OPERATING LANDSCAPE

cont'd

Key Trend 3: Sustainability and Environmental Concerns

What happened in FY2023	How it impacts Pavilion REIT	Actions/Strategies	FY2024 Outlook
<p>Sustainability is at the core of Malaysia's development strategies as it does not just to ensure the country's survival but presents a chance for growth, said the Malaysia's Minister of Natural Resources.</p> <p>This is seen in the government's Malaysia Madani policy framework, Budget 2024, the National Energy Transition Roadmap and the New Industrial Master Plan that were released during the year.</p> <p>Furthermore, mandatory climate disclosure and detailed roadmaps from the government are crucial for building trust among private capital investors and unlocking climate investment opportunities.</p>	<p>Effectively measuring and reporting sustainability progress is crucial for building trust and demonstrating the impact of initiatives.</p> <p>Pavilion REIT will need to develop robust frameworks for data collection, analysis and reporting to meet stakeholder expectations.</p> <p>Transitioning to sustainable practices may involve changes to tenant operations, requiring clear communication and collaboration to ensure smooth implementation and minimise disruptions.</p> <p>Implementing sustainability initiatives may require upfront investments in technology, infrastructure, and operational changes. However, these investments can often yield long-term cost savings through reduce energy and resource consumption.</p>	<p>Pavilion REIT has subscribed to TNB's Green Tariff Scheme for Pavilion Kuala Lumpur Mall and Intermark Mall, providing each property with 20% renewable energy.</p> <p>In FY2023, Pavilion REIT began measuring Scope 1, 2, and 3 carbon emissions in preparation for more comprehensive climate-related disclosures.</p> <p>To further reduce its carbon footprint, Pavilion REIT offers electric vehicle (EV) charging ports at selected properties.</p> <p>The Manager has also set targets to decrease both water and energy consumption.</p> <p>By organizing events and initiatives that promote sustainability awareness and education, Pavilion REIT fosters positive community relationships and attracts environmentally conscious consumers.</p> <p>Installation of rainwater harvesting & air handling unit condensate water recycling system to reduce water consumption.</p>	<p>Sustainability is rapidly becoming a key differentiator for retailers, significantly influencing consumer choices. Recognizing this trend, Pavilion REIT has integrated sustainability into its operations.</p> <p>Pavilion REIT plans to significantly increase its reliance on renewable energy by expanding its subscription to TNB's Green Tariff Scheme. This initiative aims to achieve a 50% renewable energy share in its overall consumption, demonstrating a strong commitment to environmental responsibility.</p> <p>The Manager is actively exploring ways to reduce waste and energy consumption across its properties. This includes the installation of innovative technologies such as food composter machines and solar panels. These initiatives will not only reduce environmental impact but also contribute to long-term operational cost savings.</p> <p>Pavilion REIT is committed to transparent and comprehensive climate-related disclosures. The Manager is actively planning, assessing, and gradually improving its reporting practices in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. This will further enhance transparency and accountability for stakeholders.</p>

OUR OPERATING LANDSCAPE

cont'd

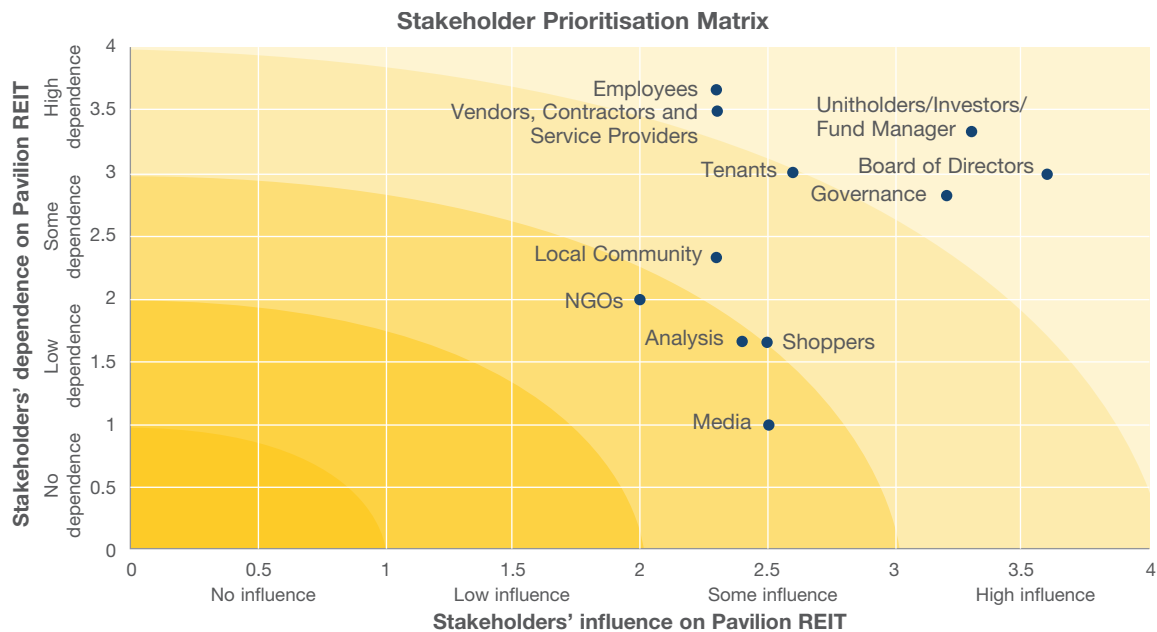
Key Trend 4: Technology and Digital Transformation

What happened in FY2023	How it impacts Pavilion REIT	Our Actions/ Strategies	FY2024 Outlook
<p>Southeast Asia is witnessing exponential growth in digital commerce, fuelled by factors like urban development, a burgeoning middle class, the surge in mobile phone usage and the spread of digital payment systems.</p> <p>While Malaysia has emerged as a dynamic player in the realm of digital transformation, it's far from perfect when it comes to handling cybersecurity incidents. Despite its robust cybersecurity measures, the country has faced challenges securing its vast digital landscape.</p> <p>The latest report from CyberSecurity Malaysia revealed a concerning statistic - a total of 3,837 recorded cyber incidents had occurred from January to August this year. These incidents consist of fraud, intrusion, content-related issues, and malicious code. Such statistics serve to underline the urgent need for solid cybersecurity systems, as Malaysians continue to fall victim to cyber threats.</p> <p>Such cyberattacks reveal that many Malaysian organizations lack proper cybersecurity measures, leaving them vulnerable to malware, ransomware, and phishing threats. Given the significant financial risks to enterprise value, cybersecurity is rightly seen as a governance issue and an indicator of management quality.</p>	<p>Digital technologies allow Pavilion REIT to personalise the customer experience by providing targeted offers, recommendations and loyalty programs.</p> <p>As digital platforms become increasingly integrated into Pavilion REIT's operations, the risk of cyberattacks increases. These attacks can disrupt operations, damage reputation and lead to financial losses.</p> <p>Pavilion REIT leverage the growing digital commerce market to attract shoppers beyond its physical locations. This can be achieved via mobile apps and social media marketing.</p>	<p>The Manager has embarked on digitalisation through Pavilion REIT's member mobile application to encourage mall patrons to utilise the functionality of a mobile application and keep up to date with the latest news from the mall.</p> <p>The Manager has also invested in cybersecurity measures to protect its digital assets and customer data. This includes adopting strong authentication protocols, anti-viruses' software, implementing data encryption, and investing in cybersecurity awareness training for employees.</p>	<p>Modernisation and optimisation top the cyber investment priorities for 2024. Nearly half (49%) of the business leaders selected technology modernisation, including cyber infrastructure, and 45% chose optimisation of existing technologies and investment, accordingly to Malaysia findings from 2024 Global Digital Trust Insights.</p> <p>The Manager plans to continue its effort of enhancing its IT systems and infrastructures to meet current trends of data governance and cybersecurity measures.</p> <p>The Manager also continuously innovate to stay ahead of the competition and meet the evolving needs of its stakeholders. This includes exploring new technologies and adapting to changing trends in the digital commerce landscape.</p>

OUR STAKEHOLDERS

The Manager recognizes the importance of a stakeholder-inclusive approach in creating sustainable value. Hence stakeholders' perspectives are integrated into Pavilion REIT's business operations. In 2022, Pavilion REIT has conducted a stakeholder prioritisation exercise in which Pavilion REIT's stakeholders were identified and prioritised with consideration of their influence and dependence on Pavilion REIT.

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



The Manager has also conducted a stakeholder engagement survey to understand stakeholders' views on the importance of these sustainability matters to Pavilion REIT and their expectations on the Manager's sustainability management process. The key feedback from stakeholder groups were analysed and presented in the table below.

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

OUR STAKEHOLDERS

cont'd

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

OUR STAKEHOLDERS

cont'd

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

OUR STAKEHOLDERS

cont'd

MEMBERSHIP IN ASSOCIATIONS

Pavilion REIT actively shapes the retail landscape by advocating for best practices and holding leadership position in key industry associations.

Pavilion REIT’s membership

- Asia Pacific Real Assets Association (APREA)

Association involved:

Organisation	Pavilion REIT’s Representative
Malaysian REIT Managers Association	Dato’ Philip Ho Yew Hong, Chairman
Malaysia Shopping Mall Association	Dato’ Joyce Yap Soh Ching, Honourable Members of Advisory Board Katy Teo, Committee Members of Sports

TENANT ENGAGEMENT

Improving Through Tenant Feedback: A Commitment to Tenant Satisfaction

Understanding and responding to tenants’ needs is a core part of Pavilion REIT’s success. Developing good relationships with tenants which allows the Manager to better anticipate, understand and respond to changing tenant requirements, thus strengthening tenant attraction and retention.

Hence, Pavilion REIT is committed to continuous improvement, valuing the feedback of its tenants through tenant satisfaction surveys, which will be conducted once every two years.

This year, Pavilion REIT invited its tenants to evaluate the performance of each property service in six areas: mall and office tower facilities, design and fit-out services, leasing and tenancy administration services, marketing services, credit control services, and operations and facilities management services. Overall, the services were rated as satisfactory.

Key Findings

100% of tenants were covered in the survey.	The overall tenant satisfaction level was 75%.	The response rate was 54%.
---	--	----------------------------

In addition to assessing tenant satisfaction levels, Pavilion REIT also engaged tenants on sustainability-related matters and noted the feedbacks from tenants that communication is needed.

To enhance communication with tenants about ESG initiatives, here are the following steps:

- Provide tenants a centralised information hub to access information about Pavilion REIT’s ESG initiatives.
- Keep tenants informed about Pavilion REIT on-going ESG efforts via newsletter or social media.
- Partner with tenants on ESG initiatives

Moving Forward

Pavilion REIT appreciates the valuable feedback received from its tenants. The Manager will leverage this feedback to enhance its property services and further advance its sustainability efforts. The Manager have also developed a comprehensive action plan to address all the feedback received.

Pavilion REIT is committed to achieving a higher tenant satisfaction score and response rate in FY2025. By enhancing communication about Pavilion REIT’s ESG initiatives, the Manager aim to inspire and empower tenants to actively participate in creating a more sustainable environment within its properties.

OUR STAKEHOLDERS

cont'd

VENDOR FEEDBACK ON SUSTAINABILITY

Majority of Pavilion REIT's Vendors are Taking Steps to Improve Sustainability Practices

Pavilion REIT invited 320 vendors to complete a vendor sustainability questionnaire and received an impressive 97% response rate in completing the survey.

Objective of this Questionnaire

- The questionnaire is designed to gauge vendors' current position and readiness on ESG matters.
- This is important for Pavilion REIT because it wants to ensure that its supply chain is aligned with its own ESG goals.
- The questionnaire covers a wide range of topics, including environmental protection, social responsibility, and good governance. This shows that Pavilion REIT is committed to a holistic approach to sustainability.
- The questionnaire also makes it clear that Pavilion REIT is looking for vendors that are actively working to improve their ESG performance. This is evident in the questions that ask vendors about their policies, procedures, and targets.
- Pavilion REIT is also interested in learning about vendors' engagement with their suppliers and customers on ESG issues.

Sustainable Sourcing and Procurement Practices

Currently, only **a third of vendors purchase green supplies**, products, and/or materials. However, it is encouraging to see that **49% of vendors are considering** purchasing green products or materials in the near future. There is still room for improvement in terms of purchasing green supplies and materials as well as promoting sustainable sourcing and procurement practices.

Commitment to a Responsible Value Chain

Pavilion REIT is dedicated to fostering a responsible and ethical supply chain that aligns with Pavilion REIT's commitment to sustainability and social responsibility. The Manager strive to work with suppliers who share Pavilion REIT's values and adhere to high standards of ESG practices.

01

Zero cases of non-compliance among suppliers

Pavilion REIT **uphold the highest ethical standards** in its business dealings and **are committed** to maintaining them. The Manager **actively monitor** its suppliers and **take prompt action** if they **violate** Pavilion REIT's Vendor Code of Conduct

02

Respect for human rights

Pavilion REIT **require** all its suppliers to **respect human rights and labor standards**. The Manager have a robust human rights policy in place and conduct regular audits to ensure compliance

03

Supplier risk assessment

Pavilion REIT **require all new suppliers** to complete **a comprehensive supplier risk assessment form**. This process helps to identify and mitigate potential risks associated with its supply chain. The Manager is continuously reviewing and enhancing its internal supplier risk management process to ensure its effectiveness

04

Sustainable procurement policy

To have a comprehensive **sustainable procurement policy** that guides its sourcing decisions and promotes responsible procurement practices. This policy serves as a communication tool for suppliers and vendors, helping them understand Pavilion REIT's expectations and fostering continuous improvement in sustainability performance

05

Encourage ESG disclosures

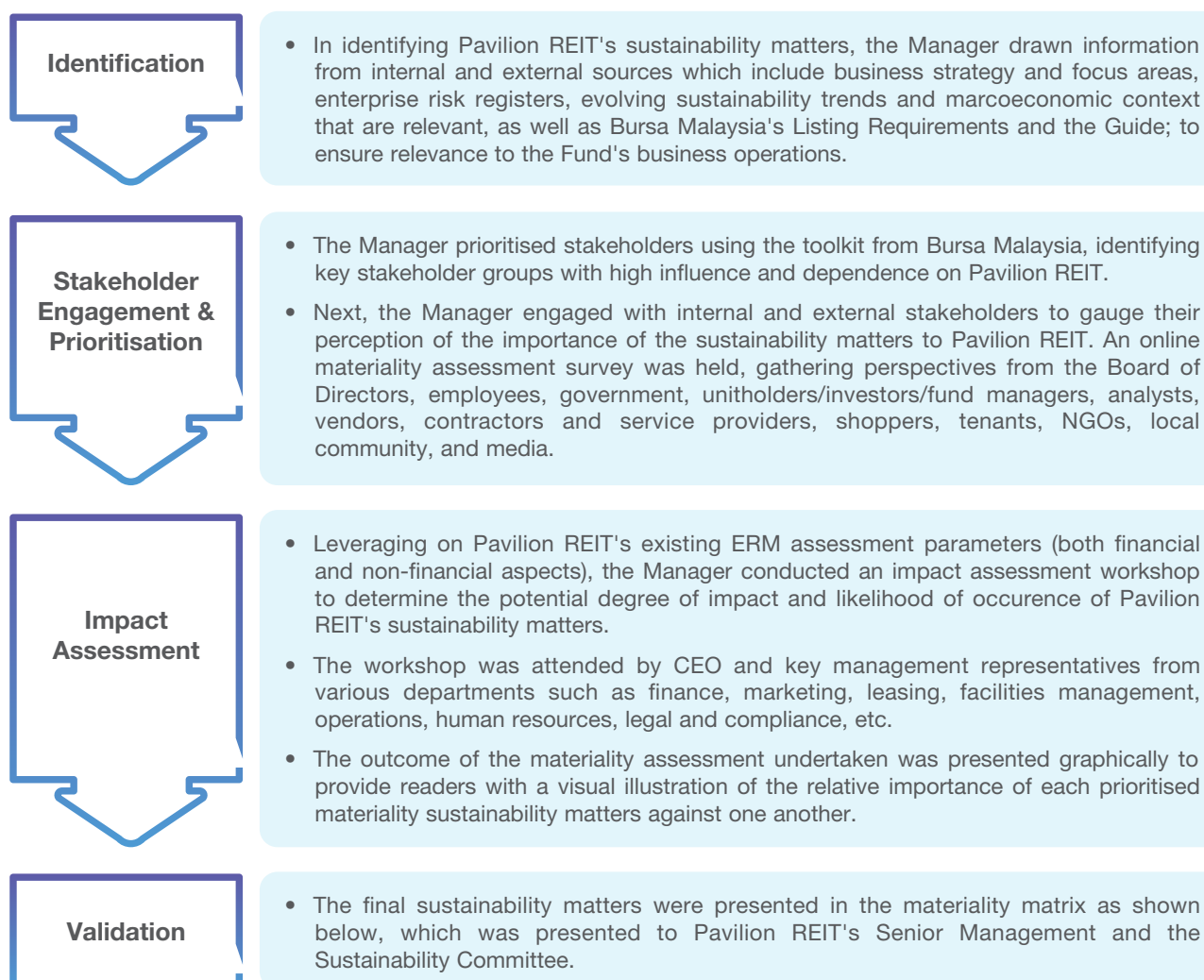
Pavilion REIT **encourage** its suppliers to **disclose relevant ESG information** in accordance with recognized ESG standards and frameworks. This transparency helps to assess vendors' sustainability performance and identify areas for improvement

By pursuing these and implementing responsible sourcing practices, Pavilion REIT aim to create a more sustainable and responsible value chain that benefits all stakeholders. The Manager believe that a responsible supply chain is essential for long-term success and will help Pavilion REIT create a more positive impact on the world.

OUR MATERIAL MATTERS

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

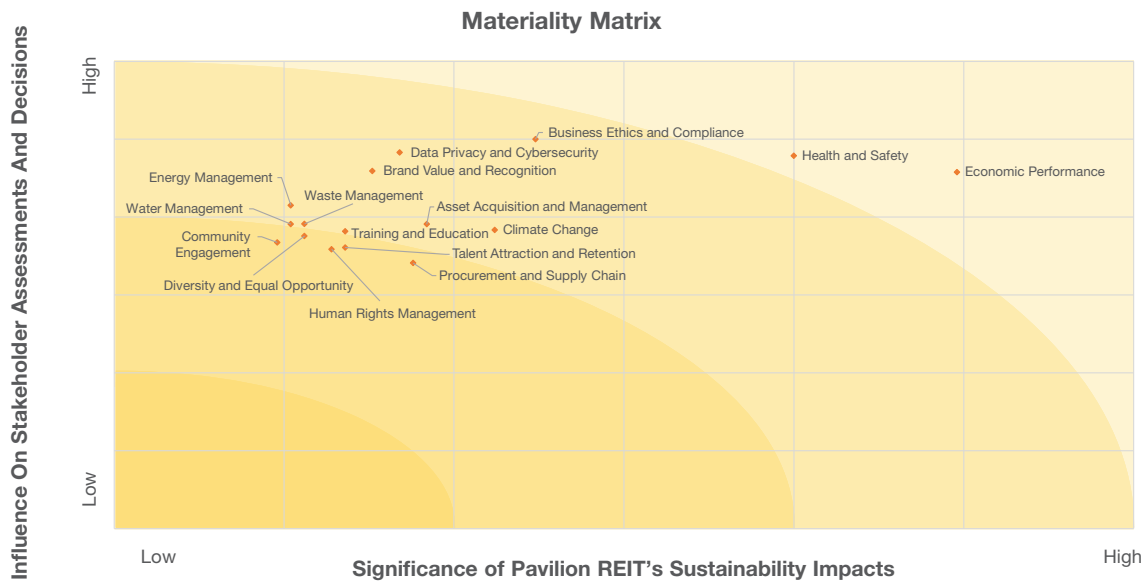
Materiality Assessment Process



OUR MATERIAL MATTERS

cont'd

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



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

- High Priority

 - Economic Performance
 - Health and Safety

Medium-High Priority

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

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

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

OUR MATERIAL MATTERS

cont'd

EESG	Sustainability Matters	What It Means for Pavilion REIT	Mapping to Pavilion REIT's Risk & Opportunities	Mapping to UNSDGs	How do Pavilion REIT manage this matter?
Economic	Asset Acquisition and Management	Ensuring sustainable value creation through strategic property management and asset acquisition	<ul style="list-style-type: none"> Acquisition & Investment Valuation Financing Interest Rate Operational Business Continuity 	SDG 8	
Economic, Social, Environmental, Governance	Procurement and Supply Chain	Supporting local procurement and ensuring alignment of values during the vendor evaluation process, taking into consideration Economic, Environment, Social and Governance factors.	<ul style="list-style-type: none"> Acquisition & Investment Operational 	SDG 12	
Governance	Business Ethics and Compliance	Zero-tolerance approach to bribery and corruption and strive to comply to regulatory requirements and standards, whilst maintaining business integrity and ethical conduct.	<ul style="list-style-type: none"> Legal & Regulatory Compliance 	SDG 16	
Governance	Data Privacy and Cybersecurity	Developing information technology system to maintain data privacy and secure data of stakeholders	<ul style="list-style-type: none"> Business Continuity Plan Operational 	SDG 8 SDG 9	Please refer to Section 5; M: Maintaining Good Governance sub-section for further details on management approach.
Environmental	Climate Change	Incorporating adequate climate change strategy and green practices in Pavilion REIT's properties to improve energy efficiency and reduce carbon emission in support of the national's climate change agenda	<ul style="list-style-type: none"> Disaster Business Continuity Plan 	SDG 13	Please refer to Section 5; P: Practicing Responsible Environment Stewardship sub-section for further details on management approach.
Environmental	Energy Management	Striving to reduce energy consumption through energy-efficient installations and equipment and renewable energy mix to minimise environmental impact	<ul style="list-style-type: none"> Operational 	SDG 7 SDG 13	
Environmental	Waste Management	Reducing waste generated whilst having sufficient internal control and waste management system to reduce adverse environmental impacts	<ul style="list-style-type: none"> Operational Legal & Regulatory Compliance 	SDG 12	
Environmental	Water Management	Establishing effective internal control and monitoring mechanism to optimize water usage and minimize environmental impacts	<ul style="list-style-type: none"> Operational 	SDG 6	

OUR MATERIAL MATTERS

cont'd

EESG	Sustainability Matters	What It Means for Pavilion REIT	Mapping to Pavilion REIT's Risk & Opportunities	Mapping to UNSDGs	How do Pavilion REIT manage this matter?
Economic and Social	Brand Value and Recognition	Strategies to maintain brand value and recognition, increase trust and confidence amongst stakeholders	<ul style="list-style-type: none"> • T e n a n t Concentration • Financing 	SDG 8 SDG 16	Please refer to Section 5; A: Acclaiming Trusted Brand Reputation sub-section for further details on management approach.
Social	Community Engagement	Initiatives to support and engage the local community through CSR programmes, raising awareness on social issues and promoting art and culture.		SDG 3 SDG 11	Please refer to Section 5; C: Caring for Local Community sub-section for further details on management approach.
Social	Talent Attraction and Retention	Enhancing efforts to attract, motivate and reduce employee turnover at work through providing a rewarding working environment	<ul style="list-style-type: none"> • Staff Resource 	SDG 5 SDG 8 SDG 10	Please refer to Section 5; T: Transforming Talent Management sub-section for further details on management approach.
Social	Training and Education	Promoting high-performances work culture through continuous development and improvement of employees' skills and competencies	<ul style="list-style-type: none"> • Staff Resource 	SDG 4 SDG 5 SDG 8	
Social	Human Rights Management	Improving human rights practices through conduct of social and human rights audit in the organization and across the value chain	<ul style="list-style-type: none"> • Operational 	SDG 8	
Social	Diversity and Equal Opportunity	Promoting diversity and equality at work through merit-based employment, regardless of age, gender, ethnicity and disability, religion or any other status	<ul style="list-style-type: none"> • Staff Resource 	SDG 5 SDG 8 SDG 10	
Social	Health and Safety	Establishing a safe and healthy working environment by setting up processes and policies for the prevention, detection, risk assessment and reporting of health and safety matters	<ul style="list-style-type: none"> • Legal & Regulatory Compliance 	SDG 3 SDG 8	

OUR RISK AND OPPORTUNITIES

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

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

No.	Key Risks	Impact on Business	Mitigation Measures	Opportunities	Mapping to Sustainability Matters
1	Acquisition & Investment Risk	Risk of non-accretive yield from assets/ investments affecting Pavilion REIT's overall performance.	<ul style="list-style-type: none"> Enhance due diligence prior to any acquisition. Implement sustainable practices. 	<ul style="list-style-type: none"> Enhances operational efficiency, reduces environmental impact and increase asset value. Sustainable financial performance attracts investors and delivers long term value for all stakeholders 	<ul style="list-style-type: none"> Asset Acquisition and Management Economic Performance
2	Valuation Risk	Risk that valuation of property may not be sustainable, hence affecting Pavilion REIT's asset value, profitability, and gearing	<ul style="list-style-type: none"> Maximise quality shopper traffic, especially at Pavilion Kuala Lumpur and Elite Pavilion malls. Active management of tenant base. Continue asset enhancement initiatives. 	<ul style="list-style-type: none"> Optimise tenant mix and maintain high occupancy rates. Increase net lettable area and rental potential. 	
3	Credit Risk	Liquidity risk of non-payment by tenants/ customers	<ul style="list-style-type: none"> Conduct thorough credit evaluation and due diligence on counterparties before accepting entering into letter of offer or agreement tenants. 	<ul style="list-style-type: none"> Ensure liquidity through reliable tenant payments. 	
4	Financing Risk	Risk of not being able to obtain fresh facilities or renew its facilities when due, either from financial institution or debt capital market	<ul style="list-style-type: none"> Engagement with borrowers to discuss and negotiate better terms before renewal of Medium-Term Notes programs. Diversify sources of debt funding. Maintain a reasonable level of debt service capability. Secure favourable terms of funding. 	<ul style="list-style-type: none"> Improved financial flexibility and reduced financing risk. 	
5	Interest Rate Risk	Risk refers to the potential unfavourable movement in floating interest rate that will affect income before taxation	<ul style="list-style-type: none"> Manage the exposures arising from adverse market interest rates through appropriate hedging strategies. 	<ul style="list-style-type: none"> Effective interest rate risk management. 	

OUR RISK AND OPPORTUNITIES

cont'd

No.	Key Risks	Impact on Business	Mitigation Measures	Opportunities	Mapping to Sustainability Matters
6	Tenant Concentration Risk	Risk of relying on only a handful of tenants	<ul style="list-style-type: none"> Establish a leasing team which is responsible for monitoring the sales performance of its tenants. Have more tenants within each property. 	<ul style="list-style-type: none"> Regular tenant engagements for continuous improvement to meet tenant expectations. 	<ul style="list-style-type: none"> Economic Performance Brand Value and Tenant Satisfaction
7	Business Continuity Risk	Risk of business not being able to operate at an optimal level	<ul style="list-style-type: none"> Periodic review of IT system and user privileges. Regular risk reviews, mitigation actions, and training. 	<ul style="list-style-type: none"> Robust cybersecurity and improved data management protect shopper data, maintaining trust. 	<ul style="list-style-type: none"> Economic Performance Data Privacy and Cybersecurity
8	Legal and Regulatory Compliance Risk	Risk of non-compliance impacting operations	<ul style="list-style-type: none"> Identify and assess bribery and corruption risks quarterly. Not to enter into any business dealings with third parties which are in suspect of engaging in improper business practices. Conduct due diligence to verify business partners' identity/ background and to assess their bribery and corruption risks. Provide bilingual training to ensure all employees understand and align with Pavilion REIT's policies and procedures. Ensure all electrical installations are compliant with relevant laws and regulations. Ensure full compliance with government regulations such as OSHA 1994, Fire Services Act 1988, and Electricity Supply Act 1990. Institute the Hazard Identification, Risk Assessment and Risk Control (HIRARC) into Pavilion REIT's business operations. Ensure human rights practices throughout the operations. 	<ul style="list-style-type: none"> Enhanced corporate governance and reputation. Strong human rights practices and safety culture. Sound procurement governance. 	<ul style="list-style-type: none"> Business Ethics and Compliance Waste Management Health and Safety Procurement & Supply Chain Human Rights Management

OUR RISK AND OPPORTUNITIES

cont'd

No.	Key Risks	Impact on Business	Mitigation Measures	Opportunities	Mapping to Sustainability Matters
9	Operational Risk	Risk of incurring loss resulting from inadequate procedures or existing system failure	<ul style="list-style-type: none"> • Improve operational efficiency and cost effectiveness. • Require contractors to undergo a pre-evaluation process and KYC background check to evaluate their financial stability and ensure ethical business conducts. • Plan Cyber-Security Awareness Programs. • Regular inspections, tests, and calibration of electrical installations to ensure they are operating efficiently and smoothly. • Ensure strong and effective internal control on energy, waste and water management is in place. • Conduct quarterly human rights audits at the foreign workers' accommodation of its security and cleaning service providers to ensure there are proper welfare for the foreign workers who work at Pavilion REIT properties. • Conduct verifications with the service providers to ensure that the workers are being paid the minimum wage as per the latest government regulations. • Provide flood mitigation training. 	<ul style="list-style-type: none"> • Effective mitigation and adaptation strategy ensures business continuity. • Waste reduction and increased resource efficiency can result in cost savings for operations. • Efficient water management may reduce operational costs and promote water conservation behavior. 	<ul style="list-style-type: none"> • D a t a Privacy and Cybersecurity • E n e r g y Management • W a s t e Management • W a t e r Management • Human Rights Management • Procurement & Supply Chain • C l i m a t e Change
10	Disaster Risk	Risk of loss and damage due to incidents arising from natural disaster	<ul style="list-style-type: none"> • Implement flood mitigation mechanism and training besides installation of flood defence equipment such as pump drainage systems at properties. • All properties under Pavilion REIT has their own emergency response and crisis management team. 	<ul style="list-style-type: none"> • Protect properties, communities and operations from disaster. 	<ul style="list-style-type: none"> • C l i m a t e Change

OUR RISK AND OPPORTUNITIES

cont'd

No.	Key Risks	Impact on Business	Mitigation Measures	Opportunities	Mapping to Sustainability Matters
11	Staff Resource Risk	Risk of not being able to attract and retain capable staff	<ul style="list-style-type: none"> Hiring process is based on merit and credibility regardless of background. Proactively review and improve the current employee-related benefits remuneration. Provide learning & development programmes that involve reskilling and upskilling programmes for employees. Enforce a Whistleblowing Policy for employees to report any unethical practices, discrimination, and harassment anonymously. Practice diverse and inclusive hiring process regardless of employee background. 	<ul style="list-style-type: none"> Effective talent development and upskilling programmes with attractive benefits packages. Able to retain and attract industry talent as well as contribute to a high-performance culture. Inclusive, diverse and empowering work culture attracts talents and brings a range of viewpoints that enhances the quality of decision making. 	<ul style="list-style-type: none"> Talent Attraction and Retention Training and Education Diversity and Equal Opportunity

OUR INVESTMENT STRATEGY

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





Section 5:

**CREATING
SUSTAINABLE
IMPACT**

Section 5.1	I	Investing Strategically	66
Section 5.2	M	Maintaining Good Governance	70
Section 5.3	P	Practicing Responsible Environment Stewardship	74
Section 5.4	A	Acclaiming Trusted Brand Reputation	86
Section 5.5	C	Caring For Local Community	89
Section 5.6	T	Transforming Talent Management	98

PAVILION REIT'S SUSTAINABILITY STATEMENT

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

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

I

INVESTING STRATEGICALLY

Grow Pavilion REIT's portfolio with long-term value creation and future-proofed solutions.

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

M

MAINTAINING GOOD GOVERNANCE

Maintain strong corporate governance practices that uphold transparency and accountability.

Describing efforts to manage governance-related sustainability matters – business ethics and compliance, data privacy and cybersecurity.

P

PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

Minimize environmental footprint through responsible resource management, carbon reduction, and biodiversity protection.

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

A

ACCLAIMING TRUSTED BRAND REPUTATION

Cultivate a positive brand image through ethical sourcing, responsible supply chains, and community engagement.

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

C

CARING FOR LOCAL COMMUNITY

Actively contribute to the well-being of surrounding communities through social responsibility initiatives and employee volunteerism.

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

T

TRANSFORMING TALENT MANAGEMENT

Invest in people, fostering a diverse and inclusive workplace that empowers personal and professional growth.

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

PAVILION REIT'S SUSTAINABILITY STATEMENT

cont'd

Sustainability Framework

Pavilion REIT adheres to the principles of economic, environmental, social, and governance (EESG) and prioritizes the integration of sustainable practices into all its operations. This Sustainability Framework defines the Manager's approach to EESG, outlining the established goals and objectives for achieving sustainable development. It serves as a key component of Pavilion REIT's overall sustainability strategy and is designed to facilitate Pavilion REIT's progress towards its long-term sustainability aspirations, thereby contributing to the creation of value for its stakeholders.

Vision

To be the leading and most sought-after REIT in Malaysia.

Mission

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

Purpose

Create Pavilions that brings communities together.

Core Values

EXCELLENCE

INTEGRITY &
COMPLIANCE

RESPECT &
RESPONSIBILITY

HEALTH &
SAFETY

EMPLOYEES
CONDUCT

Sustainability Pillars

Investing
Strategically

Maintaining Good
Governance

Practicing
Responsible
Environment
Stewardship

Acclaiming
Trusted
Brand Reputation

Caring for
Local
Community

Transforming
Talent
Management

Sustainability Matters

- Economic Performance
- Asset Acquisition & Management
- Procurement & Supply Chain

- Business Ethics & Compliance
- Data Privacy & Cybersecurity

- Climate Change
- Energy Management
- Water Management
- Waste Management

- Brand Value & Recognition

- Community Engagement

- Health & Safety
- Training & Education
- Diversity & Equal Opportunity
- Human Rights Management
- Talent Attraction and Retention

Note: Text in blue are the key matters (high significance to Pavilion REIT's stakeholders and business)

Stakeholder Groups

Board of
Directors

Employees

Government

Unitholders/
Investors/
Fund Manager

Analysts

Vendors,
Contractors and
Service Providers

Shoppers

Tenants

NGOs

Local Community

Media

Our Commitments



Reporting Framework & Best Practices



PAVILION REIT'S SUSTAINABILITY STATEMENT

cont'd

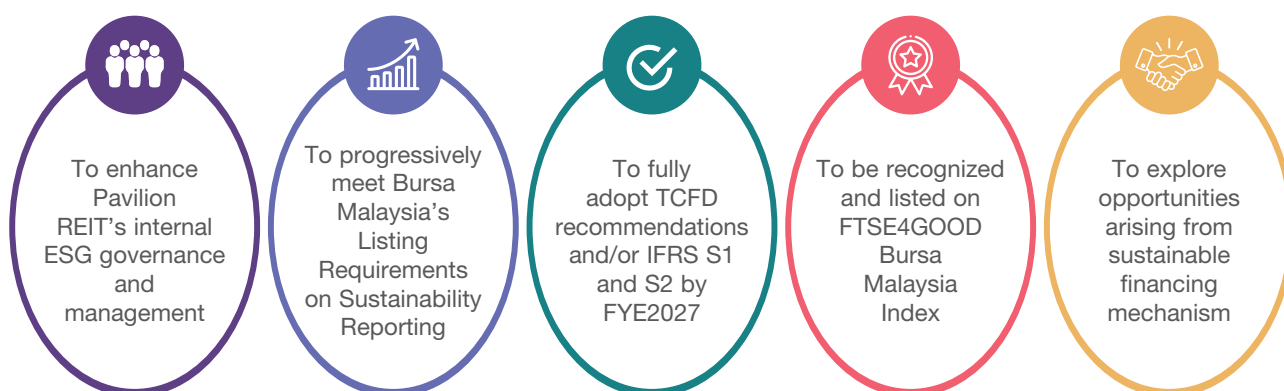
Sustainability Policy

Based on the Sustainability Framework, Pavilion REIT has developed a Sustainability Policy, effective 24 January 2024. This Policy outlines Pavilion REIT's framework for responsible environmental, social and governance ("ESG") practices as well as covering climate-related aspects, ensuring long-term value for stakeholders and communities. This Policy serves as a roadmap for integrating sustainability into all aspect of Pavilion REIT's business. It aims to:

- Provide clear direction for employees and stakeholders about Pavilion REIT's commitment to sustainability and its strategic direction.
- Embed sustainability principles into all aspects of Pavilion REIT's operations.
- Create Pavilions that bring communities together and contribute to a vibrant and inclusive society.

Pavilion REIT's 5 year ESG aspirations

Pavilion REIT's 5-year ESG aspirations from FY2023 to FY2027:



Pavilion REIT is actively integrating sustainability into its business operations through five key focus areas:



These areas guide the Manager's actions in achieving short, medium, and long-term sustainability goals. An overview of these actions and its contributions to Pavilion REIT's progress in FY2023 is provided below. For detailed information, please refer to the Sustainability Highlights.

5 Focus Areas	Short Term (FY2023)	Medium Term (FY2024 ⁽¹⁾ (2) to FY2027 ⁽³⁾)	Long Term (FY2028 to FY2030)
Governance	<p>Formalized governance structure for sustainability and stated in new Sustainability Policy.</p> <p>Reviewed and updated Board Committee Terms of Reference to include climate-related matters.</p> <p>Continued regular board training on ESG-related topics.</p>	To enhance board oversight of sustainability performance and strategy.	To integrate sustainability considerations into all business decisions.

PAVILION REIT'S SUSTAINABILITY STATEMENT

cont'd

5 Focus Areas	Short Term (FY2023)	Medium Term (FY2024 ⁽¹⁾ / ⁽²⁾ to FY2027 ⁽³⁾)	Long Term (FY2028 to FY2030)
Strategy	<p>Reviewed and enhanced Pavilion REIT's corporate business strategy to integrate sustainability considerations.</p> <p>Established time-bound targets and actionable plans to measure ESG performance.</p> <p>Incorporated budgeting for sustainability management into the annual budget cycle.</p> <p>Maintained ongoing dialogue with external stakeholders on ESG/sustainability strategy via initiatives including the Tenant Satisfaction Survey and Vendor Sustainability Questionnaire.</p>	<p>To communicate and assess ESG/sustainability-related strategy and targets effectively.</p> <p>To implement top-down communication and bottom-up feedback mechanisms for ESG strategies.</p> <p>To continue dialogue with external stakeholders on ESG/sustainability.</p>	<p>To further refine and enhance the integration of sustainability into all aspects of the business strategy.</p> <p>To set measurable long-term sustainability goals aligned with industry best practices.</p> <p>To foster a culture of sustainability awareness and engagement throughout Pavilion REIT.</p>
Integrated Risk Management	<p>Enhanced roles and responsibilities of the Board, Risk Management Committee (RMC), and Risk Management Working Committee (RMWC) to actively manage sustainability-related risks.</p> <p>No changes were made to the FY2023 Materiality Matrix. A comprehensive review is scheduled for FY2025, following the last assessment in FY2022.</p>	<p>To enhance and broaden ESG-related impact areas in risk assessment parameters.</p> <p>To explore climate scenario analysis and identify its risks and opportunities.</p>	<p>Proactively manage and mitigate both physical and transition risks identified.</p>
Performance Monitoring	<p>Improved data collection process. Established ESG metrics and targets and monitored its progress.</p> <p>Engaged external assurance for limited assurance on 2 indicators:</p> <ul style="list-style-type: none"> • Scope 2 – Greenhouse Gas (GHG) Emissions (Purchase Electricity) (tCO₂eq/MWh) for all Pavilion REIT's properties; and • Scope 3 GHG emission (generation of electricity that is purchased and then resold to end users) (tCO₂eq/ MWh) for Pavilion Kuala Lumpur Mall and Pavilion Tower 	<p>To expand data collection including additional sustainability-related data beyond the current scope.</p>	<p>To refine metrics and targets including update and refine climate/ESG metrics and targets based on progress and industry trends.</p>

PAVILION REIT'S SUSTAINABILITY STATEMENT

cont'd

5 Focus Areas	Short Term (FY2023)	Medium Term (FY2024 ⁽¹⁾⁽²⁾ to FY2027 ⁽³⁾)	Long Term (FY2028 to FY2030)
Business Activities	<p>Tenant satisfaction survey: Conducted a survey with 629 tenants, receiving a 54% response rate and an overall satisfaction rating of 75%.</p> <p>Vendor sustainability questionnaire: Implemented a questionnaire with 320 vendors, achieving a 97% response rate to assess their ESG practices.</p> <p>Code of Conduct and Ethics: Enhanced the code to include clauses on human rights and elaborate on ESG commitments.</p> <p>ESG integration: Integrated ESG factors into the due diligence process for asset acquisition and organized ESG training for employees.</p> <p>ESG culture: Cultivated an ESG culture through various initiatives, including sharing policy updates with vendors.</p> <p>Zero corruption: Reported no incidents of corruption in FY2023.</p>	<p>Customer satisfaction survey: Scheduled for FY2024.</p> <p>Vendor evaluation: To revise the vendor evaluation process to include ESG criteria.</p> <p>Asset enhancement: To explore opportunities for asset enhancement through sustainable building features.</p> <p>Sustainable procurement: To develop a formal policy for supply chain management and sustainable procurement by FY2025.</p>	<p>Green building certification: To explore obtaining green building certifications like GBI or GreenRE.</p> <p>Continuously improve performance and transparency across all business activities.</p>

Notes:

- (1) Fully disclose all the Bursa's common sustainability matters in FYE 31 December 2024;
- (2) Disclosures of the TCFD-aligned disclosures in FYE 31 December 2025 – listed issuers which require more time may disclose progress and status towards meeting full disclosure of specific element;
- (3) By FYE 31 December 2027, all listed issuers must provide the full TCFD-aligned disclosure.

PAVILION REIT'S SUSTAINABILITY STATEMENT

cont'd

FY2023's Sustainability Highlights

Sustainability Pillars	Material Matters	Targets	Current Progress against Targets
I: INVESTING STRATEGICALLY	Procurement and Supply Chain	Zero incidents recorded resulting from Vendor Code of Conduct	In FY2023, there are zero (0) cases of non-compliance incidents recorded resulting from Vendor Code of Conduct
		To support local companies and establish good relations with the local business community through local procurement	In FY2023, more than 99% of its vendor services are procured locally, with the remaining spent on international service providers for information technology, marketing and promotional purposes.
M: MAINTAINING GOOD GOVERNANCE	Business Ethics and Compliance	To achieve 100% attendance to anti-corruption training	<ul style="list-style-type: none"> All Board members were given the training. 100% of employees participated in anti-corruption training.
		Zero reported cases of bribery and corruption	In FY2023: <ul style="list-style-type: none"> No corruption incident reports were submitted through the whistleblowing portal. No employees faced dismissal or disciplinary action for corruption-related offenses. No contracts with business partners were terminated or not renewed due to corruption violations. No public legal cases involving corruption were brought against Pavilion REIT or its employees.
	Data Privacy and Cybersecurity	Zero reports of complaints concerning breaches of customer privacy and loss of customer data	There were no complaints concerning breaches of customer privacy and losses of customer data in FY2023.
P: PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP	Climate Change	<ul style="list-style-type: none"> Net Zero Carbon by 2050 (Scope 1 & 2): To achieve net zero carbon emissions from Pavilion REIT's direct and indirect operations (scope 1 and 2) by 2050, using FY2019 as the baseline. 20% Carbon Reduction by 2030: To reduce Pavilion REIT's Scope 2 carbon emissions by 20% compared to FY2019 levels by the year 2030. 20% Intensity Reduction (Scope 1 & 2): To achieve a 20% reduction in carbon intensity for Pavilion REIT's direct and indirect operations (scope 1 and 2) by 2030, compared to FY2019. 	<p>Pavilion REIT reports its owned or controlled generator sets usage as Scope 1 emission, contributing approximately 35.7 tonnes of CO₂e in FY2023.</p> <p>Total Scope 2 emissions for FY2023 reached 94,757 tCO₂eq. This increase includes Pavilion Bukit Jalil, acquired in June 2023. Excluding Pavilion Bukit Jalil, cumulative emissions for FY2023 fell to 71,472 tCO₂e, representing a noteworthy 14.5% reduction as compared to FY2019.</p> <p>Pavilion REIT's total GHG emission intensity in FY2023 was 1.11 tCO₂eq/sqm. Excluding Pavilion Bukit Jalil and Scope 3 emissions, compared to FY2019, Pavilion REIT achieved a 13.3% reduction in GHG emission intensity.</p> <p>With the subscription of Green Electricity Tariff from TNB, Pavilion Kuala Lumpur Mall and Intermark Mall manages to avoid 20,193 tonnes of CO₂e emission in 2023.</p>

PAVILION REIT'S SUSTAINABILITY STATEMENT

cont'd

Sustainability Pillars	Material Matters	Targets	Current Progress against Targets
	Energy Management	<ul style="list-style-type: none"> 3% reduction in landlord electricity consumption by 2030 vs FY2019 50% renewable electricity by 2040 by all Pavilion REIT assets under operational control 	<p>Overall energy consumption across all properties showed an increase of 13.3% compared to FY2019. Excluding Pavilion Bukit Jalil, consumption would be only 94,290,181 kWh, representing a decrease of 14.5% as compared to FY2019.</p> <p>20% of Pavilion Kuala Lumpur Mall and Intermark Mall's energy supplies was generated by renewable electricity under TNB's GET.</p>
	Waste Management	<ul style="list-style-type: none"> FY2024: Target of diverting 5% of waste from landfills as compared to FY2019. FY2025 - FY2027: Accelerate progress, reaching a 10% landfill diversion rate. Beyond FY2027: Target of diverting 20% of waste from landfills. 	Pavilion REIT diverted 4.5% of waste from landfills in FY2023.
	Water Management	To achieve 2% reduction in landlord water consumption by 2030 compared to FY2019	<p>The total volume of water used by Pavilion REIT for landlord consumption stands at 1,055,816m³.</p> <p>Excluding Pavilion Bukit Jalil, the water usage drops to 763,875m³, representing a decrease of 5.4% as compared to FY2019.</p>
A: ACCLAIMING TRUSTED BRAND REPUTATION	Brand Value and Recognition	To be a responsible corporate citizen, with the aim to increase brand value and recognition within the REIT industry via higher tenant satisfaction and unitholder investment.	This year, Pavilion REIT invited its tenants to evaluate the performance of each property service in six areas: mall and office tower facilities, design and fit-out services, leasing and tenancy administration services, marketing services, credit control services, and operations and facilities management services. The services were rated as satisfactory with a rating of 75% in overall.

PAVILION REIT'S SUSTAINABILITY STATEMENT

cont'd

Sustainability Pillars	Material Matters	Targets	Current Progress against Targets
C: CARING FOR LOCAL COMMUNITY	Community Engagement	To maximise positive impact on the communities around its properties.	1,386 pints of blood collected from blood donation campaigns across Pavilion REIT's properties
T: TRANSFORMING TALENT MANAGEMENT	Talent Attraction and Retention	To develop values that attract exceptional talents as well as to provide new benefits for the employees to ensure a fair working environment and a healthy work-life balance for all	In 2023, the Manager maintained a steady influx of new talent with a 15.4% new hire rate and employee retention climbed to 92.0%.
	Training and Education	To develop its employees' talents and maximise their potential by creating a work environment that informs, educates, and inspires employees to achieve their professional and personal goals and aspirations.	Recorded an increase of 38.2% in total training hours compared to the previous financial year
	Human Rights Management	Zero substantiated complaints concerning human rights violations	Zero complaints concerning human rights violation reported in 2023
	Diversity and Equal Opportunity	<ul style="list-style-type: none"> At least 30% female participation in leadership roles at management level At least 30% female participants at board level 	<ul style="list-style-type: none"> 36% of Board of Directors in 2023 were women, which is higher than 30% recommendation by the MCCG 75% of leadership roles are held by women at the management level in 2023 75% of the Manager's employees in 2023 were female
	Health and Safety	<ul style="list-style-type: none"> Zero fatality annually Maintain zero work-related injuries 	<ul style="list-style-type: none"> Zero fatality reported in 2023 2 injuries reported in 2023 due to oversight of the injured parties. A thorough investigation was conducted, and prevention measures were defined to avoid recurrence.

PAVILION REIT’S SUSTAINABILITY STATEMENT

cont’d

Sustainability Governance

Pavilion REIT’s sustainability governance structure is seamlessly integrated into its corporate governance framework. To ensure comprehensive sustainability integration across all property aspects, the Board and its committees’ responsibilities have been expanded to encompass sustainability elements, as reflected in their updated terms of reference.



The Board of Directors ultimately steers Pavilion REIT’s strategic direction on sustainability while being supported by dedicated Board Committees through delegated tasks. Pavilion REIT’s Sustainability Working Committee (SWC) is helmed by the Manager’s Chief Executive Officer (CEO) and includes its management team, reporting directly to the Sustainability Committee (SC). The SC oversees and reviews Pavilion REIT’s sustainability strategy, including climate-related considerations, all relevant policies, and the SWC’s performance. The SC also plays a crucial role in advising the Board on the adequacy and effectiveness of the sustainability strategy and initiatives framework.

The CEO spearheads the development and implementation of the sustainability strategy, oversees its management, and reports progress, including key ESG advancements, to the Board for approval, covering ESG priorities and commitments. Additionally, the CEO communicates the Board’s vision, strategy, policies, and responsibilities to the SWC.

Composed of representatives from each operating property and asset, the SWC actively supports the ESG agenda across various functions. The SWC plays a key role in the day-to-day execution of the organization’s sustainability strategies and plans.

Demonstrating a commitment to informed decision-making, the Board of Directors and Sustainability Committee actively participate in periodic capacity-building programs to stay equipped with the knowledge necessary for managing sustainability challenges and opportunities, with a specific focus on climate-related aspects.

I : INVESTING STRATEGICALLY

ECONOMIC PERFORMANCE

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

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

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

Creating Economical Values for Stakeholders

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

Key Initiatives	Value Created
Renewal of Medium-Term Notes (MTNs) matured during the year Engagement with subscribers to negotiate better terms before issuance of MTN programs	Pavilion REIT maintains financing cost at a manageable level.
Proactive lease management Through proactive lease management, new tenants are brought in	Pavilion REIT enhances properties occupancy and tenant mix.
Marketing promotions and activities Formed partnerships with event sponsors or be a venue sponsor for events	Pavilion REIT brings in shoppers into the malls through marketing and promotional activities, thus increasing retail sales and car park income which may lead to better percentage rent.
Managing operating cost Efficiency in operational management and regular upkeep	Pavilion REIT manages operating cost to mitigate downtime in the event of major breakdown or equipment failure.
Asset enhancement Repurposing underutilised areas with pop-up shops and energy efficiency upgrades include installing LED lighting and water-saving fixtures, along with an upgrade to the existing chiller system.	Pavilion REIT utilizes asset enhancements to enhanced property value and create new spaces in the mall to lease out to tenants.

I : INVESTING STRATEGICALLY

cont'd

Direct economic value generated and distributed

Economic Performance	FY2021 (RM'000)	FY2022 (RM'000)	FY2023 (RM'000)
Direct Economic Value Generated			
• Revenue ⁽¹⁾	480,084	557,872	735,216
Economic Value Distributed			
• Operating Costs	242,788	195,277	275,035
• Employee Wages and Benefits ⁽²⁾	-	-	-
• Payments to Capital Providers ⁽³⁾	220,853	346,166	439,939
• Payments to Government	16,245	16,263	20,223
Total	479,886	557,706	735,197
Economic Value Retained	198	166	19

Note:

(1) Includes gross revenue and interest income.

(2) Not applicable, as all employees are under the Manager.

(3) Includes borrowing costs and income distribution. The proposed final income distribution is payable in the following financial year.

Increased in economic value generated and distributed in FY2023 are mainly due to acquisition of Pavilion Bukit Jalil during the year.

ASSET ACQUISITION AND MANAGEMENT

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

Achieving Investment Objective Through Various Strategies

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

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

- (i) **Actively pursuing acquisition opportunities in accordance with the authorised investments of Pavilion REIT**
 - acquire yield accretive income-producing properties
 - explore repositioning opportunities
- (ii) **Pursuing an efficient capital management strategy**
 - diversify sources of debt funding
 - maintaining a reasonable level of debt service capability
 - securing favourable terms of funding
 - managing financial obligations
 - managing the exposures arising from adverse market interest rates through appropriate hedging strategies.
 - actively managing the range of maturities to reduce refinancing risk and optimise the cost of capital
- (iii) **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

I : INVESTING STRATEGICALLY

cont'd

In line with Pavilion REIT's mission of generating solid returns for unitholders through strategic asset acquisition, Pavilion REIT successfully completed the RM2.2 billion acquisition of Pavilion Bukit Jalil. This iconic shopping mall in a prime location not only expands its footprint into the vibrant Bukit Jalil district but also enhances portfolio diversification. The Manager is confident that this acquisition will contribute positively to its long-term growth while aligning with Pavilion REIT's commitment to sustainable practices through energy efficiency initiatives and community engagement programs.

ESG Due Diligence For New Acquisitions

Committed to sustainable practices, Pavilion REIT embeds ESG due diligence in its asset acquisition process. This commitment translated into standardized asset-level environmental and social risk assessments for all new acquisitions in 2023. Pavilion Bukit Jalil serves as an example, with assessments encompassing procurement and supply chain, business ethics and compliance, data privacy and cybersecurity, climate change, energy management and efficiency, waste management, water management and efficiency, regulatory compliance, building safety, health and well-being, indoor environmental quality, biodiversity and habitat, tenant management, and community engagement.

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

PROCUREMENT AND SUPPLY CHAIN

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

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

The Manager also strives to promote best practices and maintain a zero-tolerance approach against all forms of bribery and corruption. All Pavilion RET vendors are required to comply with Pavilion REIT's ABC SOP and Policy by acknowledging our "Declaration of Integrity". Vendors are also encouraged to report all misconduct through an independent platform operated by a third party.

Non-compliance incidents recorded resulting from Vendor Code of Conduct	Number of cases	
	FY2022	FY2023
	0	0

In FY2023, there are zero (0) cases of non-compliance incidents recorded resulting from Vendor Code of Conduct.

I : INVESTING STRATEGICALLY

cont'd

Vendor evaluation

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

Due diligence has been conducted based on the following criteria:

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

Assessment of existing vendors' will be conducted once every 2 years. Vendors who failed the evaluation (with a score of less than 50 marks) will either be suspended or removed from the approved vendor list. This year, the Manager also conducted a vendor sustainability questionnaire. The findings can be found in Section 4.3, Our Stakeholders.

Local Procurement

Pavilion REIT is committed to supporting local companies as part of its efforts to contribute to a stable local economy and establishing good relations with the local business community through local procurement. In FY2023, more than 99% of its vendor services are procured locally, with the remaining spent on international service providers for information technology, marketing and promotional purposes. The proportion of spending on local suppliers is similar to last year.

Total procurement from local suppliers

Proportion of spending on local suppliers

> 99% since FY2019

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





M : MAINTAINING GOOD GOVERNANCE

BUSINESS ETHICS AND COMPLIANCE

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

As part of our commitments, the Manager prohibits all forms of bribery, corruption and facilitation payments to or from third parties. Communication is crucial in creating awareness of the policies amongst employees, third parties and business acquaintances.

ABC Policy, Anti-Money Laundering and Counter Financing of Terrorism, Whistleblowing Policy and Code of Conduct & Ethics are made publicly available and appropriately communicated to all parties, which are also available on Pavilion REIT's website, i.e. www.pavilion-reit.com.

			
<p>ABC Policy</p> <ul style="list-style-type: none"> sets out relevant statements against bribery and corrupt practices which extends to the board of directors, employees, tenants, vendors, and suppliers. The policy shall be reviewed at least once every 3 years. A bribery and corruption risk assessment will be conducted at least once every 2 years. 	<p>Anti-Money Laundering and Counter Financing of Terrorism Policy</p> <ul style="list-style-type: none"> Aims to establish controls to manage and prevent the risks of Pavilion REIT being used as a conduit for money laundering and terrorism financing activities. The policy shall be reviewed at no later than 2 years or when required. Training will be conducted at least once every 2 years. 	<p>Whistleblowing Policy</p> <ul style="list-style-type: none"> Provides a proper avenue and mechanism for stakeholders to raise concerns about improper conduct. In cases that require further investigation, the Manager will ensure the reporting stakeholder will be protected from retaliation or subsequent discrimination for whistleblowing in good faith. Employees and parties who have dealings with the Manager who suspects incidents of corporate wrongdoing can report through a dedicated website: https://bdoethics.com/v1/r/QxgwQn00Eyx5cz2z6DILF LAGx4xDL6x9 	<p>Code of Conduct & Ethics</p> <ul style="list-style-type: none"> Serves as guidance for all parties when dealing with Pavilion REIT. Promotes and guides Pavilion REIT's Directors, management and employees in embracing our objectives. Briefing on Code of Conduct for all new joiners and existing employees.

Reducing Our Exposure to Bribery and Corruption Risks

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

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

M : MAINTAINING GOOD GOVERNANCE

cont'd

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

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

Corruption-related training

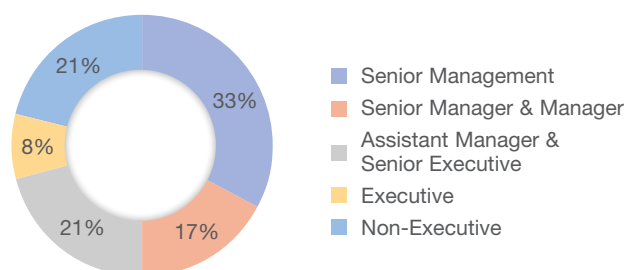
Throughout the reporting year, the Manager demonstrated a strong commitment to anti-corruption initiatives. All members of the Board (100%) completed training sessions, and 100% of employees participated in anti-corruption training.

To further reinforce awareness and compliance, the Manager went above and beyond by conducting training sessions despite the trainings can be done at least once every 2 years, ensuring all employees remained informed about the anti-corruption policy and procedures.

Moving forward, the Manager aims for 100% attendance at future anti-corruption training sessions. This dedication to ongoing education reflects the Manager's commitment to ethical conduct and compliance with the Malaysian Anti-Corruption Commission Act 2009. Additionally, the Manager will continue to regularly review and enhance the anti-corruption policy and procedures to ensure their effectiveness and alignment with evolving legal requirements.

Communication and training about anti-corruption policy and procedure			
		2022	2023
1. For the Board	Number of members	12	11
	%	100	100
2. For the employees	Number of trainings	1	1
	%	89	100

% of employees who have received training on anti-corruption by employee category



Target: Aim to achieve 100% attendance to anti-corruption training.

Corruption Risk Assessment FY2023

The Manager confirmed that there were no reports of corruptions within the Manager and the operations of the REIT's properties.

	2023
% of operations that underwent corruption risk assessments	100%

Target: 100% of operations assessed for corruption risks.

M : MAINTAINING GOOD GOVERNANCE

cont'd

Corruption incidents

As of 31 December 2023, the Manager recorded zero incidents of corruption across Pavilion REIT's properties' business operations.

	2021	2022	2023
Number of confirmed corruption incidents	0	0	0

To further encourage the reporting of potential corruption concerns, the Manager has strategically positioned suggestion boxes at loading bays and pantries throughout the properties. Employees are strongly encouraged to utilize these channels, as well as the whistleblower portal and Human Resources Department, to report any suspected instances of corruption.

In FY2023, The Manager also confirmed that:

- No corruption incident reports were submitted through the whistleblowing portal.
- No employees faced dismissal or disciplinary action for corruption-related offenses.
- No contracts with business partners were terminated or not renewed due to corruption violations.
- No public legal cases involving corruption were brought against Pavilion REIT or its employees.
- No any instances of non-compliance with laws and regulations.
- Pavilion REIT did not make any contributions to any political parties for any political reason during the year.

The Manager is committed to promoting a culture of transparency and accountability, as well as ensuring the effectiveness of the implemented reporting mechanisms.

Target: Zero cases of non-compliance on anti-bribery and corruption.

DATA PRIVACY AND CYBERSECURITY

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

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

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

M : MAINTAINING GOOD GOVERNANCE

cont'd

Key Initiatives to Protect Pavilion REIT's Data

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

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

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

Protecting Against the Rising Cyber Risks

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

Short-term plan (FY2023)

- Review, update and strengthen IT security policies, physical security & end-point protection solution to reflect current business adoption.
- Conduct penetration testing exercises.
- Conduct cybersecurity awareness training to educate employees on importance of cybersecurity.
- To have a centralized and standardized data governance practice.
- To explore the implementation of network management solution for better IT overview and management.

Medium-term plan (FY2024-FY2027)

- To apply more of multi-factor authentication (MFA) or two-factor authentication (2FA) methods to most core information systems for security tightening.
- Explore and plan to implement more e-Services for better productivity.
- To maintain continuous improvement on cybersecurity portion to meet audit compliances.

Long-term plan (>FY2027)

- To gradually migrate enterprise-based system to cloud.
- To create a paperless business environment.
- To lower Pavilion REIT's IT assets ownerships.

Protecting Our Shoppers' Privacy

Pavilion REIT demonstrates a strong commitment to data privacy and security, as evidenced by its consistent compliance with the Personal Data Protection Act (PDPA).

Notably, in 2023, Pavilion REIT's properties achieved zero reported of substantiated complaints regarding shopper privacy breaches or data loss. This achievement speaks volumes about Pavilion REIT's robust data security framework and its dedication to protecting its shopper information.

Number of substantiated complaints concerning breaches of customer privacy and losses of customer data

There were no complaints concerning breaches of customer privacy and losses of customer data in FY2023.

Target: Zero reports of complaints concerning breaches of customer privacy and loss of customer data.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

CLIMATE CHANGE

The Manager is aware that climate change is a pressing issue, impacting livelihoods across Malaysia through increasingly frequent and intense weather changes. At COP28, Malaysia reaffirmed its commitment to combating climate change, developing a Long-Term Low Emissions Development Strategy (LT-LEDS) and Nationally Determined Contribution (NDC) Roadmap to achieve net-zero emissions by 2050.

Pavilion REIT is dedicated to supporting Malaysia's sustainability goals. The Manager has established a sustainability committee at the Board level, met quarterly to discuss and implement ESG initiatives. The Manager actively minimize environmental impact through sustainable practices within Pavilion REIT's properties, exploring avenues to reduce carbon emissions, energy and water consumption, and waste generation.

Recognizing the increased risk of flooding due to climate change, Pavilion REIT has implemented comprehensive SOPs for managing flash floods around its properties. These SOPs include:

- **Floodgate activation:** Identifying key car park ramp entrances (e.g., Pavilion Kuala Lumpur Mall, DA MEN Mall) and promptly activating floodgates to prevent water ingress.
- **Floodwater removal:** Utilizing vacuum and flushing systems to efficiently remove floodwater within properties.
- **Sandbagging:** Deploying sandbags at vulnerable property entrances for additional protection.
- **Patron evacuation:** Guiding patrons to the nearest exit if the situation worsens.

These measures demonstrate Pavilion REIT's proactive approach to climate resilience, ensuring the safety of its stakeholders and the continued operation of its properties.

Pavilion REIT's Commitment to Net Zero Carbon

Pavilion REIT is dedicated to playing its part in combating climate change. As part of this commitment, the Manager has set a goal to achieve net zero carbon emissions for Scope 1 and 2 by 2050 as compared to its baseline year of FY2019 for its existing properties. Whereas for newly acquired property, the baseline year will be based on first full financial year operational data.

To navigate this path towards net zero, the Manager has developed a comprehensive climate transition strategy. This strategy, alongside its policy, acts as a roadmap for Pavilion REIT's decarbonization efforts. It rests on three key pillars:

1. Managing Pavilion REIT's Emissions

- **Enhancing Energy Efficiency**
 - o Implementing measures like LED lighting and new chiller system that are more energy efficient to reduce electricity consumption across its properties.
 - o Subscribing to Tenaga Nasional Berhad's Green Energy Tariff scheme for cleaner energy sources.
 - o Conducting regular energy audits to identify and address energy waste.
- **Integrating Sustainable Practices**
 - o Encouraging responsible waste management and water conservation initiatives.
 - o Partnering with green suppliers and service providers.

2. Investing in Low Emissions and Green Technologies

- **Embracing Clean Technologies**
 - o Implementing smart building systems to optimize energy usage.
 - o Providing electric vehicle charging infrastructure to support clean transportation.
 - o Exploring innovative solutions for low-carbon technologies.
- **Prioritizing Green Buildings**
 - o Targeting green building certifications for its properties.
 - o Employing sustainable construction practices and materials in new renovations and asset enhancement exercises.

3. Leveraging on Partnerships and Collaboration

Engaging Stakeholders:

Partnering with tenants, suppliers, and industry players to promote climate action.

Participating in Sustainability Initiatives:

Collaborating with relevant organizations and associations to advance sustainable practices.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

Upholding Our Commitments Towards Climate Change

Pavilion REIT actively pursues its strategic pillars, placing a strong emphasis on driving real progress in emission reduction and contributing to a cleaner, more sustainable future. The Manager demonstrates this commitment through several initiatives implemented during the year:

- **Installed sensor-activated lighting systems throughout all staircases and carparks of Pavilion Kuala Lumpur Mall and Elite Pavilion Mall.** This not only reduces energy consumption but also enhances user convenience and safety.
- **Upgraded LED lighting within Pavilion Kuala Lumpur Mall and Elite Pavilion Mall.** This energy-efficient technology further minimizes greenhouse gas emissions while maintaining optimal lighting levels.
- **EV charging stations at Pavilion Kuala Lumpur Mall, Pavilion Bukit Jalil, and DA MEN Mall.** This promotes sustainable transportation, attracting environmentally conscious shoppers and tenants.
- **Successfully subscribed to Tenaga Nasional Berhad's (TNB) Green Electricity Tariff (GET) scheme for Pavilion Kuala Lumpur Mall and Intermark Mall.** This proactive step signifies a pivotal shift towards green energy, diversifying Pavilion REIT's energy portfolio and aligning with Malaysia's renewable energy goals.

Scope 1 GHG Emissions

Pavilion REIT reports its owned or controlled generator sets usage as Scope 1 emission, contributing approximately 35.7 tonnes of CO₂e in FY2023. While this amount may seem small in the immediate context, Pavilion REIT remains committed to continuous emission reduction. The Manager's long-term strategy involves transitioning to renewable energy sources, effectively eliminating emissions from these generators in the future.

Properties	Scope 1 (tCO ₂ eq/gallon) ⁽¹⁾	Description
Pavilion Kuala Lumpur Mall	8.9	6 diesel gensets, total fuel consumption: 3,300 liters.
Elite Pavilion Mall	4.6	1 diesel genset, total fuel consumption: 1,700 liters.
Pavilion Tower	22.1	1 diesel genset, total fuel consumption: 8,200 liters (high consumption due to TNB maintenance)
Intermark Mall	0	3 diesel gensets, There was no fuel consumption for FY2023.
DA MEN Mall	-	Genset is owned and managed by DA MEN management corporation and not DA MEN Mall.
Pavilion Bukit Jalil	0.1 ⁽²⁾	7 diesel gensets, monitored via meters, total kWh usage: 67 kWh
Total	35.7	

Notes:

- (1) The emission factor calculation is based on the assumption that 1 gallon of diesel emits 10.21kg of CO₂, as per the US EPA's Emission Factors for Greenhouse Gas Inventories (2023).
- (2) Negligible, Pavilion Bukit Jalil employs kWh to measure genset usage and applies an emission factor of 0.758 tCO₂e/MWh, as per the Malaysian Energy Commission's 2021 data.

Scope 2 GHG Emissions

Pavilion REIT is dedicated to reducing its environmental footprint, with a particular focus on Scope 2 emissions. The Manager has demonstrably intensified its efforts, implementing various energy management initiatives that have yielded positive results.

Pavilion REIT's Scope 2 emissions encompass landlord-controlled electricity consumption within common areas of Pavilion Kuala Lumpur Mall, Elite Pavilion Mall, Pavilion Tower, Intermark Mall, and DA MEN Mall. For FY2023, emissions from Pavilion Bukit Jalil, acquired in June 2023, are also included.

Scope 2 GHG emission (tCO ₂ eq/MWh)	FY2019 (Base Year)	FY2021	FY2022	FY2023
	83,628	62,544	71,336	94,757 ⁽¹⁾

Note:

- (1) The GHG emission data for Scope 2 in FY2023 has been assured externally by KPMG.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

The emission factor used for Scope 2 GHG emissions (purchased electricity) has been updated from 0.585 to 0.758. This change reflects a shift from using the 2017 CDM Electricity Baseline provided by Malaysia Green Technology Corporation (MGTC) to the more recent 2021 Grid Emission Factor from the Malaysia Energy Commission.

Total Scope 2 emissions for FY2023 reached 94,757 tCO₂eq as compared to 83,628 tCO₂e in FY2019. This increase includes Pavilion Bukit Jalil, acquired in June 2023.

Excluding Pavilion Bukit Jalil, cumulative emissions for FY2023 fell to 71,472 tCO₂e, representing a noteworthy 14.5% reduction as compared to FY2019. This achievement highlights the effectiveness of Pavilion REIT's energy management initiatives.

Scope 3 GHG Emissions

This year, Pavilion REIT took a significant step towards increased environmental transparency by commencing the reporting of its tenants and consumers electricity consumption as a Scope 3 emission. The scope of this reporting covers electricity consumption at Pavilion Kuala Lumpur Mall (including Pavilion Hotel, Pavilion Suite and Elite Pavilion Mall) and Pavilion Tower. The Manager only discloses data for properties where Pavilion REIT is the direct electricity supplier. This enables stakeholders to gain a more comprehensive understanding of Pavilion REIT's indirect environmental impact and its commitment to responsible operations.

Based on electricity sold to tenants and consumers in 2023, The Manager estimated total Scope 3 emissions of 38,267 tonnes of CO₂, with 37,802 tonnes from Pavilion Kuala Lumpur Mall and 465 tonnes from Pavilion Tower. The Manager will establish a baseline year for annual comparisons once three years of data are available.

Recognizing the importance of addressing all relevant sources of indirect emissions, the Manager intends to explore other Scope 3 information in future. This includes emissions associated with business travel and employee commuting through data collection methods like fuel consumption, mileage, and mode of transportation.

The GHG emission data for Scope 3 in FY2023 of Pavilion Kuala Lumpur Mall (including Pavilion Hotel, Pavilion Suite and Elite Pavilion Mall) and Pavilion Tower has been assured externally by KPMG. Pavilion REIT's Scope 3 GHG emission refers to generation of electricity that is purchased and then resold to end users.

GHG Emission Intensity

Pavilion REIT is committed to responsible operation and minimizing its environmental impact. Tracking its greenhouse gas (GHG) emission intensity is a crucial metric in monitoring progress towards this goal.

GHG emission intensity measures the amount of GHG emissions released per unit of activity or output. Lower intensity indicates improved efficiency and less environmental impact. The Manager tracks intensity per square meters of gross floor space to account for its growing portfolio, ensuring a fair comparison across the years.

Pavilion REIT's total GHG emission intensity in FY2023 was 1.11 tCO₂eq/sqm, compared to 0.98 tCO₂eq/sqm in FY2019. While this represents an increase of 13.3%, it's important to consider the impact of Pavilion Bukit Jalil's integration in FY2023 and the inclusion of Scope 3 emissions in that year.

Total GHG Emission Intensity (tCO ₂ eq/sqm)	FY2019	FY2021	FY2022	FY2023
	0.98	0.74	0.83	1.11

Note: The above table covers Scopes 1, 2, and 3 of Pavilion REIT's properties.

Excluding Pavilion Bukit Jalil and Scope 3 emissions, Pavilion REIT's intensity would have remained stable between FY2021 and FY2023, demonstrating its ongoing commitment to emission reduction even amid portfolio expansion. Compared to FY2019, Pavilion REIT achieved a 13.3% reduction in GHG emission intensity.

Scope 1 & 2 GHG Emission Intensity (tCO ₂ eq/sqm)	FY2019	FY2021	FY2022	FY2023
	0.98	0.74	0.83	0.85

Note: The above table excludes Pavilion Bukit Jalil and Scope 3 emissions.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

CO2 Emission Avoidance

Pavilion REIT is committed to a sustainable future and actively explores innovative energy-efficient applications and initiatives. This year, a major step forward was taken through the Green Electricity Tariff (GET) scheme. Intermark Mall sourced 20% of its electricity from renewable sources, marking a significant shift towards cleaner energy.

As outlined in Pavilion REIT's carbon emission targets, the Manager aims to achieve 50% renewable energy utilization by 2040. This goal will significantly increase Pavilion REIT's reliance on clean energy sources, further reducing its environmental footprint. Currently, both Pavilion Kuala Lumpur Mall and Intermark Mall benefit from the GET program, paving the way for expanding its renewable energy portfolio across other properties.

The adoption of GET has already yielded substantial environmental benefits. In FY2022, Pavilion Kuala Lumpur Mall avoided 15,033 tonnes of CO2 emissions, supported by Malaysia Renewable Energy Certificate (mREC) received from TNB. With full-year subscription in FY2023, the avoidance is expected to reach 19,553 tonnes. Intermark Mall, which began its subscription in August 2023, is estimated to avoid 640 tonnes of CO2 emissions for the year.

Properties Participating in the GET Energy Program

Properties	CO2 emission avoidance (tco2e/MWh)	
	FY2022	FY2023
Pavilion Kuala Lumpur Mall	15,033 ⁽¹⁾	19,553
Intermark Mall	-	640 ⁽²⁾

Notes:

- (1) CO2 emission avoidance for Pavilion Kuala Lumpur Mall in FY2022 is based on March to December 2022 of GET subscription.
 (2) CO2 emission avoidance for Intermark Mall in FY2023 is based on a partial year of GET subscription, as the subscription began in August 2023.

Sustainability Targets for FY2024 - FY2030

Carbon Emissions

- **Net Zero Carbon by 2050 (Scope 1 & 2):** To achieve net zero carbon emissions from Pavilion REIT's direct and indirect operations (scope 1 and 2) by 2050, using FY2019 as the baseline for its existing properties. Whereas for newly acquired property, the baseline year will be based on first full financial year operational data.
- **20% Carbon Reduction by 2030:** To reduce Pavilion REIT's Scope 2 carbon emissions by 20% compared to FY2019 levels by the year 2030.
- **50% Renewable Energy by 2040:** To increase Pavilion REIT's utilization of renewable energy sources to 50% of its total electricity consumption by 2040.

Carbon Intensity

20% Intensity Reduction (Scope 1 & 2): To achieve a 20% reduction in carbon intensity for Pavilion REIT's direct and indirect operations (scope 1 and 2) by 2030, compared to FY2019.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD")

Pavilion REIT has begun aligning its climate-related disclosures with the TCFD recommendations across the four key areas of governance, strategy, risk management, and metrics and targets. The Manager is committed to continuously improving its disclosures over time.

Governance

The Sustainability Committee (SC), established in May 2022, supports the Board in strategically integrating sustainability, including climate considerations, across Pavilion REIT's properties.

Comprised of five independent directors, the SC oversees climate-related risks, opportunities, initiatives, and target setting, ensuring alignment with Pavilion REIT's sustainability strategy.

The Sustainability Working Committee (SWC), chaired by the Manager's CEO and comprising property representatives, executes climate strategies, monitors performance, and reports to the SC.

For more details, on the sustainability governance structure, please refer to Sustainability Governance section in this report.

Strategy

Climate change and emission reduction are critical material issues for Pavilion REIT, recognized as both physical and transition risks.

Plans are underway to fully integrate sustainability into the corporate strategy and develop dedicated channels for communicating targets and progress to stakeholders.

Pavilion REIT's focus includes improving building energy efficiency through systematic performance metrics and exploring renewable energy opportunities.

Risk Management

Climate change and environmental stewardship are key priorities. Pavilion REIT is actively assessing climate-related risks for inclusion in its enterprise risk management framework.

Regular risk assessments include risk owners from different department to identify, evaluate, and mitigate climate risks across all operating assets.

Pavilion REIT considers physical risks (such as storms, floods, droughts, wildfires) and transition risks (such as policy shifts, technology changes, reputation) while evaluating climate impacts and implementing mitigation strategies.

Please refer to Our Risk and Opportunities section in this report.

Metrics and Targets

In FY2023, Pavilion REIT has developed its sustainability roadmap with targets to address climate change.

These targets encompass energy and water usage reduction, waste generation minimization and emission tracking, detailed in the "Creating Sustainable Impact" section. The Manager tracks emissions from Pavilion REIT's properties and strive to disclose its environmental performance in the integrated annual report.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

ENERGY MANAGEMENT

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

Each properties facilities and operations have implemented operational procedures to ensure the energy consumption of its properties is managed efficiently and comply to the relevant regulations.

Measure and Inspect	Fix and Maintain	Monitor	Compliance
<p>Pavilion REIT conduct regular inspections, tests and calibration of electrical installations to ensure they are operating efficiently and smoothly. Energy consumption at each property is measured and monitored on a regular basis for any anomaly. In the effort to prevent excessive energy losses involving piping insulation and duct system insulation and to prevent condensation under certain conditions, random inspections are conducted to ensure there are no air leakage and water leakage under any circumstances. These procedures ensure optimum usage and reduce any impact to environment due to wastage of resources.</p> <p>1</p>	<p>Upon detection of any anomaly, they will be investigated and corrective action will be promptly taken to resolve any issues. Energy maintenance have been implemented, which is maintenance of all systems that uses or affect energy usage. The energy maintenance includes routine maintenance tasks such as yearly chiller oil change, using thermography infrared for electrical installation as well as cleaning and servicing of electrical components.</p> <p>2</p>	<p>Building Automation System (BAS) is used to monitor system performance for air conditioning system efficiency. BAS also monitors the sub-metering of building systems to track energy consumption of major equipment and other end use application, for example, by categorizing load into building systems such as chillers, tenant and landlord.</p> <p>3</p>	<p>Pavilion REIT ensures all electrical installations are in compliant with the Electricity Supply Act 1990 (Act 447), Electricity Regulations 1994 with relevant certificates and licenses for their operation. Regular inspections are conducted at each property by an independent Certified Supervising Engineer who is registered with Energy Commission. All properties are managed by certified Chargeman and Energy Manager which is required in accordance with the Electricity Supply Act 1990 (Act 447).</p> <p>4</p>

Key Initiative related to Energy Management

As energy management is closely intertwined with climate change – emission management, detailed information about strategies and initiatives can be found in the “Climate Change” section of this report. Additionally, the energy consumption data presented here reflects landlord consumption with the inclusion of green electricity usage.

Overall energy consumption across all properties showed an increase of 13.3% compared to FY2019. However, this rise is primarily due to the inclusion of Pavilion Bukit Jalil acquired in June 2023. Excluding Pavilion Bukit Jalil, consumption would be only 94,290,181 kWh, representing a decrease of 14.5% as compared to FY2019.

This decrease is attributed to our ongoing energy efficiency efforts, including:

- **LED light upgrades across malls:** Reducing lighting energy consumption.
- **Green electricity usage:** Increasing reliance on renewable energy sources.
- **Constant energy checks:** Minimizing energy waste through proactive monitoring.

Total Energy Usage	FY2019	FY2021	FY2022	FY2023	Target
Landlord Energy Consumption (kWh)	110,328,076	82,513,538	94,111,270	125,009,245	3% reduction in landlord electricity consumption by 2030 vs FY2019
Green Electricity Usage	-	-	19,272,717	25,888,000	50% renewable electricity by 2040 by all Pavilion REIT assets under operational control

The Manager remains committed to Pavilion REIT's energy management goals. Pavilion REIT will continue to implement innovative solutions and initiatives to reduce its environmental footprint and achieve its target of a 3% reduction in landlord electricity consumption by 2030 as compared to FY2019. Additionally, the Manager is actively pursuing its long-term vision of utilizing 50% renewable electricity across all operational assets by 2040.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

Building Energy Intensity: Measuring Efficiency and Progress

This section delves into the Building Energy Intensity (BEI) of Pavilion REIT's properties, a crucial metric for measuring energy efficiency. BEI is calculated as the total energy consumption per square meter of building floor area per year.

This report covers landlord energy consumption for all six properties under Pavilion REIT's portfolio: Pavilion Kuala Lumpur Mall, Elite Pavilion Mall, Pavilion Tower, Intermark Mall, DA MEN Mall, and Pavilion Bukit Jalil.

Starting in FY2023, disclosures is also made for electricity sold by Pavilion Kuala Lumpur Mall to Pavilion Hotel and Elite Pavilion and Pavilion Tower, where Pavilion REIT acts as the direct electricity supplier. Due to this expanded scope, BEI comparisons across years may not be entirely consistent. However, we strive for transparency and aim to provide the most comprehensive data possible.

Additionally, for this year's report, The Manager has shifted from using Net Lettable Area (NLA) to Gross Floor Area (GFA) for BEI calculations to ensure greater comparability with industry benchmarks.

Sector	Building Energy Intensity (kWh/m ² /year)			
	FY2019	FY2021	FY2022	FY2023
Retail	311	230	309	288
Office	83	66	75	100
Overall BEI	297	220	295	282

The changes in BEI for FY2023 can be attributed to two key factors:

- **Inclusion of Pavilion Bukit Jalil:** its larger floor area and energy consumption naturally impact the overall BEI.
- **Expanded Reporting Scope:** Incorporating its tenant and consumers electricity consumption in Pavilion Kuala Lumpur Mall and Pavilion Tower contributes to the overall increase in retail BEI.

To provide further context, the Manager also reference Green Building Index (GBI) baseline minimum BEI values.

- **Office:** Pavilion Tower's current BEI of 100 kWh/m²/year already meets the Green Building Index (GBI) baseline minimum of 150.
- **Retail:** The current BEI of 288 kWh/m²/year for retail already meets the GBI standard of 350. Pavilion REIT will continue implementing measures to improve retail energy efficiency.

The Manager remain committed to reducing its BEI and is actively exploring and implementing various initiatives, including:

- Energy audits and optimization measures across Pavilion REIT's properties.
- Investment in energy-efficient technologies and equipment.
- Collaboration with tenants on energy-saving practices.

WATER MANAGEMENT

The Manager understands the importance of water conservation in Malaysia due to water shortages, dry seasons, and river pollution. Water is essential for daily operations to maintain functionality and meet health and safety regulations.

Efficient water management is a key sustainability strategy that the Manager is committed to implementing within Pavilion REIT properties to reduce water waste and minimize environmental impact. The Manager has implemented procedures to optimize water usage, minimize environmental impact and detect potential leakages in water pipes.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

Operations monitor water consumption at each property daily for anomalies. If an anomaly is detected, an investigation is launched, and corrective action is promptly taken. Water-efficient fittings, such as sensor-activated sink faucets, have been installed during the progressive refurbishment of toilets at all its properties to further reduce water waste among users.

The Manager has adopted new approaches to optimize water usage and minimize water disruptions within Pavilion REIT. These initiatives include installing rainwater harvesting systems at Pavilion Kuala Lumpur Mall, Pavilion Tower, and Intermark Mall, and installing air handling unit (AHU) condensate water recycling systems at Pavilion Kuala Lumpur Mall and Intermark Mall. The Manager will continue to evaluate the viability of these installations at other properties.

Water Management Data

Water Withdrawal & Consumption

The Manager recognizes the importance of water conservation and is committed to reducing Pavilion REIT's water footprint. Pavilion REIT source water primarily from and discharged it to municipal supplier and actively implement strategies to optimize water usage across its properties. Pavilion REIT does not have any properties or operations at water-stressed sites, as its properties are located in urban areas. In the event of water disruption, a contingency Syabas water supply will be available from Pavilion Hotel, connected to the suction tank of Pavilion Kuala Lumpur Mall. Alternatively, it can procure water from third party water service providers.

Water Withdrawn from Third Party Water Service Providers – Municipal Supplier	Volume (m ³)				Target
	FY2019	FY2021	FY2022	FY2023	
Water Consumption (Landlord)	807,408	537,805	699,372	1,055,816	To achieve 2% reduction in landlord water consumption by 2030 compared to FY2019.
Water Consumption (Tenant)	435,215	247,260	358,828	599,750	

The total volume of water used by Pavilion REIT for landlord consumption stands at 1,055,816m³, compared to 807,408m³ in FY2019.

This increase is partly due to the inclusion of Pavilion Bukit Jalil figures, acquired in June 2023. Excluding Pavilion Bukit Jalil, the water usage drops to 763,875m³, representing a decrease of 5.4% as compared to FY2019.

The Manager is also committed to transparency and accountability in tenant water usage. The Manager disclose water consumption by tenants within their premise/tenanted area in the following properties: Pavilion Kuala Lumpur Mall, Elite Pavilion Mall, Intermark Mall, DA MEN Mall, and Pavilion Bukit Jalil. Pavilion Tower water usage is minimal and falls under landlord consumption, as tenants usage is part of facility by landlord.

Water Intensity

	Water Intensity (m ³ /m ² /year)			
	FY2019	FY2021	FY2022	FY2023
Retail	3.5	2.2	2.9	2.4
Office	1.1	0.5	0.7	0.7
Overall Water Intensity	3.3	2.1	2.8	2.3

Note: water intensity measure changed from NLA to GFA in FY2023, making direct comparisons with previous years less accurate.

Despite the change in measurement and the addition of Pavilion Bukit Jalil and tenant consumption, retail water intensity decreased from 3.5 m³/m²/year in FY2019 to 2.4 m³/m²/year in FY2023. Office water intensity also exhibited a positive trend, dropping from 1.1 m³/m²/year to 0.7 m³/m²/year. Overall water intensity for Pavilion REIT properties improved from 3.3 m³/m²/year in FY2019 to 2.3 m³/m²/year in FY2023.

The positive water intensity trends can be attributed to the implementation of sustainability initiatives such as rainwater harvesting and AHU condensate recycling in selected Pavilion REIT's properties.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

Demonstrating Commitment to Water Conservation

Water Withdrawal from secondary source	Volume (m ³) FY2023
Fresh Surface Water	226
• Rain Water Harvesting	
Recycled/Reused Water	2,912
• Condensate Harvesting	
Ground Water	165
TOTAL	3,303

This table showcases Pavilion REIT's commitment to water conservation by utilizing secondary water sources, contributing to a 5.4% reduction in overall landlord's water usage compared to FY2019, excluding Pavilion Bukit Jalil factor. Initiatives like rainwater harvesting and AHU condensate recycling play a crucial role in achieving this reduction.

Rainwater Harvesting

- Pavilion Kuala Lumpur Mall: Collected rainwater used for toilets, loading bay and washing compactor room.
- Pavilion Tower: Recycled rainwater used to top up the cooling tower water.

AHU Condensate Harvesting

- Pavilion Kuala Lumpur Mall & Elite Pavilion Mall: Condensate used for loading bay and washing compactor room.
- Intermark Mall: Condensate used for washing grease trap and refuse chamber.

Groundwater Utilization

- Pavilion Kuala Lumpur Mall: Collected groundwater piped to all lifting station rooms for weekly cleaning.

These proactive measures demonstrate Pavilion REIT's dedication to environmental sustainability and responsible water management. By actively seeking alternative water sources and implementing efficient recycling practices, the Manager strive to minimize its reliance on municipal water and contribute to a more sustainable future.

Water Reduction Target

Pavilion REIT is actively pursuing water conservation goals to minimize its reliance on freshwater and environmental impact. The Manager is committed to achieving a 2% reduction in landlord water consumption by 2030 compared to FY2019. To achieve this, The Manager is implementing various initiatives:

- **AHU condensate water recycling system installation:** Currently underway at DA MEN Mall in FY2024, this system will further reduce its overall water consumption and dependence on freshwater sources.
- **Continuous improvement:** The Manager is constantly reviewing and exploring new water-saving technologies and methods to enhance water management efficiency at all its properties.

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

Beyond its current target, the Manager will continue to actively seek innovative ways to reduce water consumption. This includes:

- **Expanding water-saving initiatives:** The Manager plans to implement similar AHU condensate recycling systems in other properties throughout its portfolio.
- **Exploring alternative water sources:** The Manager is investigating the feasibility of utilizing rainwater harvesting to further diversify its water supply.
- **Promoting water conservation awareness:** The Manager is committed to educating tenants and employees about water conservation practices and encouraging their participation in its initiatives.

The implementation of these initiatives, coupled with a continuous dedication to improvement, serves to solidify the commitment of Pavilion REIT to responsible water management and environmental sustainability.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

WASTE MANAGEMENT

According to Solid Waste Management and Public Cleansing Corporation (SWC), Malaysia faces a growing challenge in waste management. Every day, Malaysians throw away about 39,078 tonnes of solid waste, equivalent to about 1.17kg per person, with food, plastic, and paper constituting the bulk. This puts pressure on landfills and highlights the need for sustainable solutions.

Playing Our Part in Waste Reduction

Recognizing the national challenge of waste management, Pavilion REIT is committed to responsible practices. The Manager actively implement the 3Rs (Reduce, Reuse, Recycle) principle across Pavilion REIT's properties, minimizing waste generation and diverting materials from landfills.

Beyond individual actions, the Manager collaborate with industry partners and public authorities to explore innovative solutions, including transforming organic waste into fertilizer. The Manager's goal is to contribute to a more sustainable future for Malaysia, where efficient waste management becomes a cornerstone of national progress.

The Manager continuously improve its efforts across all properties, playing its part in reducing waste. This includes maintaining a proper waste management workflow, setting up convenient recycling bins in its malls, and engaging authorized waste contractors for responsible collection and disposal at designated landfills approved by the relevant authorities.

Waste Disposal Data

Pavilion REIT has consistently reduced its waste generated along with reduction on the waste directed to disposal at all their properties. The Manager plans to increase the waste diverted from landfill, which includes the recycling of food waste.

	Weight of waste (Tonnes)			
	FY2019	FY2021	FY2022	FY2023
Waste generated	5,368.8	2,174.5	4,264.1	5,445.2
Waste directed to disposal	5,172.2	2,095.6	4,098.4	5,198.0
Waste diverted from disposal	196.6	78.9	165.8	247.2

Notes:

1. Percentage of reduction is calculated based on the comparison with pre-pandemic position – FY2019 to allow a full set of data which is complete and representative without being affected by COVID-19 pandemic.
2. Waste generated are inclusive of non-hazardous waste (general waste) and hazardous waste (scheduled waste).
3. Waste directed to disposal are disposed to landfill by licensed waste contractor.
4. Data on waste diverted from disposal are extracted from the weight of hazardous waste and non-hazardous waste recovered for re-use and recycling purposes.
5. Data stated in the table above covers across Pavilion Kuala Lumpur Mall, Elite Pavilion Mall and Pavilion Tower
6. To ensure consistency and accurate comparisons, we have transitioned to reporting all waste measurements in tonnes.

Total waste generated by Pavilion Kuala Lumpur Mall, Elite Pavilion Mall and Pavilion Tower reached 5,445.2 tonnes in FY2023. This includes 0.3 tonnes of hazardous waste undergoing other recovery operations and 246.8 tonnes of non-hazardous waste recycled, primarily plastic, paper, and metal.

Diversion efforts yielded positive results, with 247.2 tonnes of waste diverted from landfills in FY2023, a significant increase of 25.8% compared to 196.6 tonnes in FY2019. However, landfilled waste remained relatively stable at 5,198 tonnes, representing a slight increase of 0.5% from 5,172 tonnes in FY2019.

Encouragingly, the overall diversion rate from landfills climbed to 4.5% in FY2023, up from 3.7% in FY2019.

To further accelerate progress, Pavilion REIT is exploring the implementation of food waste recycling composter machines, which can significantly reduce landfill contributions and address a specific waste stream. The Manager also engages DOE-licensed contractors as and when required for the disposal of scheduled waste to authorized recycling and/or disposal facilities in accordance with the Environmental Quality (Scheduled Waste) Regulations enforced by the Department of Environment (DOE), Malaysia.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

Waste Diverted from Disposal

Hazardous Waste

	Weight of hazardous waste (tonnes)			
	FY2019	FY2021	FY2022	FY2023
Other recovery operations	1.3	0.3	0.2	0.3

Notes:

1. The percentage reduction is calculated based on the pre-pandemic year (FY2019) for accurate comparison.
2. The data in the table represents hazardous waste from Pavilion Kuala Lumpur Mall, Elite Pavilion Mall and Pavilion Tower.

Pavilion REIT has made significant strides in diverting hazardous waste from landfills. As the above table shows, the weight of hazardous waste undergoing other recovery operations has remained consistent at around 0.3 tonnes over the past three years, despite a slight decrease in FY2021. This indicates a successful shift towards responsible disposal practices for hazardous materials.

Non-Hazardous Waste (Total Waste Recycled)

		Weight of non-hazardous waste (tonnes)			
		FY2019	FY2021	FY2022	FY2023
Recycling	Plastic	1.7	0	0	4.3
	Paper	191.9	77.5	164.6	239.5
	Metal	1.7	1.1	1.0	3.1
Total Waste Recycled		195.3	78.6	165.6	246.9

Notes:

1. The percentage reduction is calculated based on the pre-pandemic year (FY2019) for accurate comparison.
2. The data in the table represents hazardous waste from Pavilion Kuala Lumpur Mall, Elite Pavilion Mall and Pavilion Tower.

Pavilion REIT continues to prioritize non-hazardous waste reduction and recycling across its properties. While the pandemic affected recycling efforts in FY2021, The Manager has since seen a commendable rebound. In FY2023, Pavilion REIT malls recycled 246.9 tonnes of non-hazardous waste, representing a 26.4% increase compared to FY2019. Plastic recycling saw the most significant growth, increasing from zero in FY2021 to 4.3 tonnes in FY2023. Paper and metal recycling also showed positive trends, contributing to the overall success.

This commitment to responsible waste management is evident in the increased diversion of non-hazardous materials from landfills. The Manager is confident that through continuous efforts and innovative solutions, Pavilion REIT will continue to make significant strides toward a more sustainable future.

Demonstrating Progress in Waste Prevention

	Unit of measurement	FY2019	FY2021	FY2022	FY2023
Waste Prevented	tonnes	196.6	78.9	165.8	247.2
Waste collected and recycled	%	3.7	3.6	3.9	4.5

While Pavilion REIT's focus remains on minimizing waste generation at the source, the Manager also prioritizes diverting existing waste from landfills. Its efforts saw consistent growth in total waste prevented, increasing from 196.6 tonnes in FY2019 to 247.2 tonnes in FY2023, representing a 25.8% rise. This translates to a cumulative improvement in its waste collection and recycling rate, which climbed from 3.7% in FY2019 to 4.5% in FY2023.

P : PRACTICING RESPONSIBLE ENVIRONMENT STEWARDSHIP

cont'd

Waste Directed to Disposal

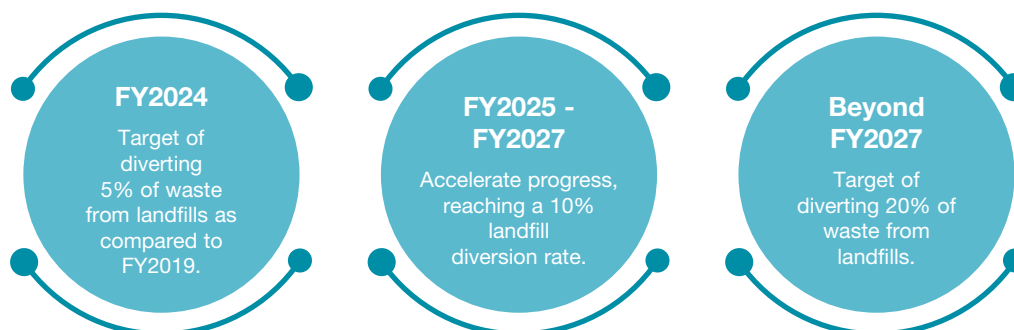
	Weight of waste (Tonnes)			
	FY2019	FY2021	FY2022	FY2023
Dry Waste	547.1	297.9	606.1	500.7
Wet Waste	4,625.1	1,797.7	3,492.3	4,697.4
Waste directed to disposal	5,172.2	2,095.6	4,098.4	5,198.0

While actively reducing waste generation, Pavilion REIT ensures responsible disposal of unavoidable waste through proper channels. While landfilled waste remained relatively stable over the years, fluctuating between 5,000 and 5,200 tonnes, it's important to note the significant shift within this category. The Manager saw a reduction in dry waste sent to landfills, decreasing from 547.1 tonnes in FY2019 to 500.7 tonnes in FY2023. This demonstrates Pavilion REIT's commitment to responsible waste management, even for the waste that remains.

All waste directed to disposal is sent to designated landfills by licensed and authorized contractors, ensuring adherence to environmental regulations and proper handling practices. The Manager believe in minimizing waste generation, besides in ensuring responsible disposal.

Our Future Plans for Waste Reduction

Pavilion REIT remains committed to minimizing waste generation and maximizing landfill diversion. In line with this commitment, the Manager is currently installing food composting machine in its selected properties, with an estimated launch in early FY2024. This machine will significantly reduce food waste at its malls by transforming it into nutrient-rich compost. Looking ahead, the Manager has also established a clear roadmap for waste diversion progress:



A : ACCLAIMING TRUSTED BRAND REPUTATION

BRAND VALUE AND TENANT SATISFACTION



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

Leveraging innovative marketing campaigns, strategic collaborations, and targeted sponsorships, Pavilion REIT made significant strides in 2023 to increase footfall and tenants sales across its malls. These investments have yielded positive results, solidifying Pavilion REIT's brand value, reputation, and stakeholder trust.

The Manager believes that extensive marketing activities will strengthen Pavilion Malls' positioning as Malaysia's premier shopping destination for fashion, dining, and urban leisure. To date, Pavilion Kuala Lumpur Mall has achieved 53 accolades from both local and international councils or associations. These awards stand as a testament to the mall's dedication to providing an exceptional experience for its shoppers.

Further demonstrating this commitment, DA MEN Mall recently captured the prestigious Best Experiential Marketing Awards 2022-2023 – Platinum Award – Category A, recognizing its captivating "Hundreds of Flourish Drums" campaign. Additionally, the mall secured a place in the Malaysia Book of Records for "The Most Seasonal Drums in a CNY Theme Decoration." Pavilion Bukit Jalil, newly added into Pavilion REIT's portfolio, has already claimed its own share of recognition, where it received the well-deserved Parents Choice Award 2023: Best Shopping Mall for Families.



A : ACCLAIMING TRUSTED BRAND REPUTATION

cont'd

Our Initiatives In Promoting Tourism And Community Development



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

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

On top of that, the Manager also works closely with federal government agencies (e.g., Tourism Malaysia, Ministry of Domestic Trade and Consumer Affairs (KPDNHEP) and Ministry of Tourism, Arts & Culture (MOTAC)), local authorities (e.g., Dewan Bandaraya Kuala Lumpur (DBKL)) and foreign embassies for various marketing campaigns and initiatives to boost Pavilion REIT's brand recognition locally as well as internationally.

Pavilion Kuala Lumpur Mall hosted several notable events throughout the year, strengthening its position as a center for community engagement and cultural celebration. The prestigious Oscars 2023 viewing party honored Tan Sri Michelle Yeoh's achievements, attracting dignitaries and media. The "Raya Togetherness" campaign showcased traditional and modern Raya art, while the "Michelle Yeoh: The Pride of Malaysia - Homecoming Public Fan Meet" drew over 5,000 fans to celebrate her historic Oscar win. Additionally, the Tesla Model Y SUV launch marked a first-ever collaboration, solidifying Pavilion Kuala Lumpur Mall's commitment to innovation. These diverse events garnered positive publicity, fostered community spirit, and solidified Pavilion KL's reputation as a destination for celebrating Malaysian success and innovation. Finally, its "Pavilion Loves Sustainability" initiative demonstrated Pavilion REIT's dedication to ESG principles through partnerships, tenant participation, and community engagement.



A : ACCLAIMING TRUSTED BRAND REPUTATION

cont'd

Pavilion REIT's dedication to community engagement is evident in its malls, each embodying a unique spirit and fostering distinct relationships. Intermark Mall, for instance, embraces its diverse clientele with vibrant festive celebrations like Qi Pao Dance by Taylor's International School with Chinese Drum, Merdeka Workshop including Fan and Batik Painting and Deepavali Ghee Ball making workshops, fostering a sense of belonging among expats and working professionals.

DA MEN Mall being a community-friendly mall in the heart of Subang engages its shopper profile by driving holistic and inclusive marketing activities in collaboration with the local council, educational institutions in the vicinity and various NGOs in the community to drive purposeful and loyal footfall. Their recent "Rentak Irama Raya" celebration, showcasing traditional Malay culture through kompang drum performances and Raya crafts workshops, is a testament to their commitment to cultural exchange.

Pavilion Bukit Jalil continues to innovate, partnering with Warner Bros. for a "Joyful Reunion" featuring iconic Looney Tunes characters. This playful partnership, adorned with student-created "108 DIYA Light Art," showcased cultural significance and artistic expression. Moreover, their international armwrestling tournament, raising funds for children with Down Syndrome, exemplifies their dedication to social responsibility.

Ultimately, these initiatives contribute to Pavilion REIT's core objective: building strong brand value and recognition. By fostering a vibrant and inclusive environment, the Manager attract diverse tenants and shoppers, inspire investor confidence, and ensure sustainable economic growth. This commitment to a holistic approach, where business success thrives alongside community well-being, is the foundation of Pavilion REIT's journey forward. This year's tenant satisfaction survey, detailed in Section 4.3, is a testament to Pavilion REIT's commitment to continuously improving and aligning with the needs of our stakeholders.

C : CARING FOR LOCAL COMMUNITY

COMMUNITY ENGAGEMENT

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

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

Engaging with our local communities

Throughout FY2023, Pavilion REIT actively engaged with local communities through diverse initiatives. These included impactful CSR programs during festive seasons, engaging art and cultural events, and events raising awareness on critical social topics. Demonstrating our commitment to social responsibility, Pavilion REIT invested approximately RM0.2 million in community investments in FY2023, addressing important areas like arts & culture, education & young people, environment, health, and social welfare. Pavilion REIT malls hosted a variety of community initiatives, including:

Arts & Culture



Property	Initiative	Details	Outcome	Target Group
DA MEN Mall	SEDAR Autism Prosperity Rabbit Art Exhibition	To showcase the creative talents of individuals with autism, raise awareness about autism spectrum disorders, promote inclusion and acceptance, and provide a platform for these artists to achieve recognition and prosperity through their artwork.	<ul style="list-style-type: none"> 10 artists participated Venue Sponsorship 	<ul style="list-style-type: none"> Local community
DA MEN Mall	UITM with National Autism Society of Malaysia. The Art of Autism + Autism Awareness	Art display, FREE early autism screening, sharing sessions from guest speakers, Special performances, Autism product innovations presentation, Sales booth from autism entrepreneurs	<ul style="list-style-type: none"> 30 autism artists participated 200 guests attended 60 pieces art displayed 20 pieces art sold Raised RM8,000 	<ul style="list-style-type: none"> Local community UiTM National Autism Society of Malaysia

C : CARING FOR LOCAL COMMUNITY

cont'd

Property	Initiative	Details	Outcome	Target Group
Pavilion Bukit Jalil	500-metre long Tie Dye Batik Dress by UCSI for Merdeka	Celebrate Malaysia's 66th National Day through a creative fashion art installation, and inspire positivity, solidarity, and unity in the community with a message of hope and togetherness including Charity Drive for Tong Sim Senior Citizens Care Centre	RM2,500 raised from 100m fabric sold at booth at Pavilion KL for the duration of Pavilion Loves Sustainability launch. Pavilion Bukit Jalil supported further by purchasing the remaining 400m fabric at RM25.00 per/m, bringing the total amount raised to RM12,500	<ul style="list-style-type: none"> Local community Tong Sim Senior Citizen's Care Centre

Education & Young People

Property	Initiative	Details	Outcome	Target Group
DA MEN Mall	STEM Fest 2023	To inspire, educate, and engage participants in the world of science, technology, engineering, and mathematics, with a focus on promoting diversity, innovation, and lifelong learning in these crucial fields.	<ul style="list-style-type: none"> 30 corporate booth participants including MRANTI 1200 guests Drone competition, science shows, Diorama miniature STEM project, Programming and coding workshops Venue Sponsorship 	<ul style="list-style-type: none"> Local community Students STEM 4 All Makerspace and Malaysian Association of Creativity & Innovation (MACRI)
DA MEN Mall	Movie Screening for Orphanage	To provide an enjoyable and memorable experience for the orphaned children by offering them the opportunity to watch a film, fostering a sense of community and happiness while creating a positive and supportive environment for their well-being.	<ul style="list-style-type: none"> 130 orphans ages 6 - 18 attended Free movie 'Elements' cartoon viewing 150 pack lunch for orphans and volunteers 	<ul style="list-style-type: none"> Local community Children and Youth
DA MEN Mall	Katapult Robotics Workshop	To learn the types of robots and market opportunities, learn about the components of a mobile robots, learn to assemble a mobile robot and program a mobile robot	30 participants signed up	Local community

C : CARING FOR LOCAL COMMUNITY

cont'd

Environment



Property	Initiative	Details	Outcome	Target Group
Pavilion Kuala Lumpur Mall	Pavilion Loves Sustainability	The “Pavilion Loves Sustainability” campaign, launched on 30 August 2023, aimed to raise awareness among public and employees about sustainability through various activities and initiatives. These included encouraging individuals to actively participate in plastic bottle recycling at Spritzer’s pop-up at Connection in Pavilion Kuala Lumpur Mall. The campaign also featured a number of sustainable activities and presentations by tenants and partners such as WWF Malaysia, Lush, and The Body Shop.	<ul style="list-style-type: none"> The collaboration with Spritzer allows Pavilion Kuala Lumpur Mall to reach out: 28,800 shoppers 1,493 shoppers participated in recycling 13,814 total number of plastic bottles collected 	<ul style="list-style-type: none"> Local community Shoppers Tenants Employees
DA MEN Mall	W W F Fundraising and Awareness	WWF’s fundraising and awareness objectives encompass securing financial sustainability, engaging donors and the public, advocating for policies, and demonstrating measurable impact to protect biodiversity and natural resources.	<ul style="list-style-type: none"> Raised RM 1100 E d u c a t e d 300 peoples endangered wildlife 	<ul style="list-style-type: none"> Local community Shoppers Tenants

C : CARING FOR LOCAL COMMUNITY

cont'd

Health



Property	Initiative	Details	Outcome	Target Group
DA MEN Mall	15KM Cycling for Mental Health by Pusat Wanita Berdaya and ADUN Subang Jaya	To raise awareness about mental health issues, promoting physical activity as a means to improve mental well-being, reducing stigma associated with mental health	<ul style="list-style-type: none"> 100 cyclists attended Venue Sponsorship 	<ul style="list-style-type: none"> Local community Pusat Wanita Berdaya and ADUN Subang Jaya
DA MEN Mall	Lions Club of KL North Blood Donation	To contribute to the community's well-being by organizing regular blood donation drives to ensure a steady and sufficient supply of blood for medical emergencies and treatments, ultimately saving lives and promoting health awareness.	<ul style="list-style-type: none"> 69 Blood bags collected Venue Sponsorship 	<ul style="list-style-type: none"> Local community National Blood Centre
DA MEN Mall	Malaysia Timber Industry Club & Sendora (Blood Donation)	To encourage members of the timber industry and the community at large to donate blood, thereby contributing to the local blood supply and ultimately saving lives while fostering a sense of corporate social responsibility within the industry.	<ul style="list-style-type: none"> 107 turned up to donate blood 70 Blood bags collected Venue Sponsorship 	<ul style="list-style-type: none"> Local community Malaysia Timber Insutry Club & Sendora
DA MEN Mall	National Kidney Foundation Campaign	To raise awareness about kidney health, prevention of kidney disease, and the importance of organ donation while also fundraising to support kidney disease research, patient care, and advocacy efforts	<ul style="list-style-type: none"> Raised RM700 Approached 90 people Venue Sponsorship 	<ul style="list-style-type: none"> Local Community National Kidney Foundation
Intermark Mall	Power of Red, Power of Life Blood Donation Campaign	To create awareness and drive blood donation from the public	<ul style="list-style-type: none"> 206 registered donors 153 packs of donated blood Venue Sponsorship 	<ul style="list-style-type: none"> Local Community National Blood Bank

C : CARING FOR LOCAL COMMUNITY

cont'd

Property	Initiative	Details	Outcome	Target Group
Pavilion Bukit Jalil	H e a l t h y Body Happy Soul - Blood Donation Campaign	Raising awareness of the necessity of safe transfusion of blood and its components, and imparting knowledge regarding the importance of unpaid, voluntary blood donation.	<ul style="list-style-type: none"> • Venue Sponsorship • 200 pint of blood donated 	<ul style="list-style-type: none"> • Local Community • National Blood Bank • Life Line Association Malaysia • Persatuan Penganut Agama Buddha Shan Dao Malaysia, Lions Club of Selangor Unique
	Be A Blood Hero 2.0		<ul style="list-style-type: none"> • 211 pint of blood donated 	
	B l o o d Donation by Life Line Associates		<ul style="list-style-type: none"> • 162 pint of blood donated 	
	K W A N G S I Care Helath Carnival		<ul style="list-style-type: none"> • 100 pint of blood donated 	
	Donate Blood Save Soul by WEREG WE Real Estate Group		<ul style="list-style-type: none"> • 54 pint of blood donated 	
	B l o o d Donation Campaign by Life Line Association Malaysia		<ul style="list-style-type: none"> • 50 pint of blood donated 	
	Health Carnival and Blood Donation		<ul style="list-style-type: none"> • 110 pint of blood donated 	
	S E N H E N G Blood Donation		<ul style="list-style-type: none"> • 77 pint of blood donated 	
	Bispoint Group of Account Blood Donation		<ul style="list-style-type: none"> • 49 pint of blood donated 	
	BUC Leo Club Blood Donation		<ul style="list-style-type: none"> • 81 pint of blood donated 	
Pavilion Kuala Lumpur Mall	Pink October – Partnership with EL&N London	<p>Breast Cancer Awareness campaign – A first time Collaboration and partnership with Malaysia Most Instagramable café, EL&N London to create a special curated diamond cut pink heart shape cake and EL&N signature Spanish Rose Latte set at RM100 each.</p> <p>All proceeds will be donated to the Breast Cancer Welfare Association.</p>	<ul style="list-style-type: none"> • Raised RM12,888 	<ul style="list-style-type: none"> • Shopper • Local Community • Breast Cancer Welfare Association

C : CARING FOR LOCAL COMMUNITY

cont'd

Social Welfare



Property	Initiative	Details	Outcome	Target Group
DA MEN Mall	Rumah Kids Treasure Hunt	A fund-raising treasure hunt for orphaned, the abused, abandoned, and neglected children.	<ul style="list-style-type: none"> • Raised RM45,000 • 200 Attendees • Venue Sponsorship 	<ul style="list-style-type: none"> • Local community • Persatuan Rumah K.I.D.S
DA MEN Mall	Extending Gratitude to Our Cleaning Services and Security Frontliners	To express appreciation and recognition for the dedicated efforts and contributions of cleaning services and security personnel. The event aims to highlight the importance of their roles in maintaining a safe and clean environment, while also fostering a sense of gratitude and acknowledgment for their frontline work.	<ul style="list-style-type: none"> • 42 goodie bags consisting of packed lunch and Dadi movie tickets to the frontliners. • Goodie bag that consists of 2 Dadi movie tickets, 3 RM10 food court vouchers, and 1 packet of Nasi Kandar with fried chicken. 	<ul style="list-style-type: none"> • Local community • Cleaning and Security Frontliners

C : CARING FOR LOCAL COMMUNITY

cont'd

Property	Initiative	Details	Outcome	Target Group
DA MEN Mall	MBSJ singing competition	To cultivate a vibrant and enjoyable workplace culture, fostering an environment where MBSJ's employees can express themselves creatively and experience moments of joy and camaraderie. Additionally, the competition serves as a platform for staff to showcase their talents, thereby promoting a sense of recognition and appreciation within the organization	<ul style="list-style-type: none"> • 200 attendees from municipal councils in Selangor • Venue Sponsorship 	<ul style="list-style-type: none"> • Local community • MBSJ
DA MEN Mall	MBSJ Hari Terbuka Sempena Raya Aidilfitri	Raya Buka Puasa for B40 - to foster community solidarity, provide social support, and promote inclusivity by offering a cost-free iftar meal during the Ramadan season.	<ul style="list-style-type: none"> • 2000 multi-ethnic attendees • Venue Sponsorship 	• Local Community
Intermark Mall	CNY Senses of Prosperity	Hosted CNY open house for senior citizens from Rumah Kasih	<ul style="list-style-type: none"> • CNY celebration for old folks home residents with lion dance, children performance and angpao • 20 people with free hair cuts • 20 sets of goodie bags • 20 sets of CNY luncheon • Handicraft workshop • Venue Sponsorship 	• Rumah Kasih
Intermark Mall	Weaving Raya	Hosted Raya Buka Puasa dinner for orphans and underprivilege children from Rumah Anak-Anak Yatim Dan Asnaf Qaseh Ibu.	<ul style="list-style-type: none"> • Buka puasa dinner for the children • 20pax of free hair cuts • 60 sets of goodie bags • 20 sets of buffet dinner • Handicraft workshop • Venue Sponsorship 	• Rumah Anak-Anak Yatim Dan Asnaf Qaseh Ibu

C : CARING FOR LOCAL COMMUNITY

cont'd

Property	Initiative	Details	Outcome	Target Group
Intermark Mall	Sehati Sejiwa Merdeka Campaign	<p>To celebrate the spirit of Malaysia with a heritage product through a local brand.</p> <p>To create awareness to reduce the usage of plastic foodware.</p> <p>To create awareness and opportunity for the deaf and mute artist.</p>	<ul style="list-style-type: none"> The mute and deaf artist was able to sell her artwork to purchase new painting materials. 	<ul style="list-style-type: none"> Tiffins Jeiwa Nur Amiratul Farahin Ab Rahman Local Community
Intermark Mall	Book Your Christmas Campaign	To create awareness of the importance of literacy and reduce wastage of books for the environment.	<ul style="list-style-type: none"> 620 books were donated by shoppers. Books donated by Tsutaya Bookstore worth RM10,000. RM10,000 cash donation to Rumah Hope (RM5,000 each from Intermark Mall and Tsutaya Bookstore) 	<ul style="list-style-type: none"> Shoppers Local Community Rumah Hope
Pavilion Bukit Jalil	Make A Wish (KID) Come True	To put a smile to children's outlook given the hardships from undergoing extensive treatments at a young age	<ul style="list-style-type: none"> Gifts for 4 children including tickets to Blue Ice Snow Park and Lunch at Madam Kwan's 	<ul style="list-style-type: none"> Make A Wish Malaysia
Pavilion Bukit Jalil	'Dream Come True' Charity Art Exhibition	Art Exhibition to raise funds for charity	<ul style="list-style-type: none"> R M 1 7 0 , 0 0 0 collected The Malaysia Book Records award for The Most Donors in a Children Charity Art Exhibition (4,280 donors) 	<ul style="list-style-type: none"> Shoppers Local Community 15 children's homes, uplifting indigenous children in Perak, and strengthening the monthly charity fund of the Women's Division
Pavilion Bukit Jalil	Pesta Mid-Autumn 2023 CSR Activity & Lantern Parade	<p>Mid-Autumn Celebration with Padmasambhava Children Home, Hiichikok Children Home, Persatuan Kebajikan Kanak kanak Istimewa Insan, Rumah Charis, Spring Single Mother Association, Jing Sun Children Welfare Home, Rainbow Home</p> <p>To encourage, support and provide an environment for local entrepreneurs to showcase their products</p>	<ul style="list-style-type: none"> Mid - Autumn celebration for orphans 300 sets of goodie bags Lantern-making workshop Venue Sponsorship 	<ul style="list-style-type: none"> Shoppers Local Community 200 Invited Orphans

C : CARING FOR LOCAL COMMUNITY

cont'd

Property	Initiative	Details	Outcome	Target Group
Pavilion Kuala Lumpur Mall	Chinese New Year 2023 - Support Underprivilege	Giving back Abundance of Prosperity to the Orphanage community by organizing a day out at Pavilion KL, lunch and movie treat at Dadi Cinema	<ul style="list-style-type: none"> • 77 beneficiaries 	<ul style="list-style-type: none"> • Shelter Home (Petaling Jaya) • House of Joy (Puchong)
Pavilion Kuala Lumpur Mall	Lion-Parkson Foundation - Fund-Raising Drive	The Grand Gala concert aims to raise fund for the Lion-Parkson Foundation, which was set up by the Lion Group of Companies with funds contributed by the Group's operating companies and business associates during their fund-raising drives, such as welfare homes, orphanages, schools, hospitals, disaster funds and community projects.	<ul style="list-style-type: none"> • Venue Sponsorship 	<ul style="list-style-type: none"> • Lion-Parkson Foundation
Pavilion Kuala Lumpur Mall	Y a y a s a n Tuanku Nur Z a h i r a h - Support Underprivilege	Donation to single mother for the purpose of "Improving Lives through Heritage". This is for supporting weavers including single mothers, and creating more opportunities for the local art who are living below the poverty line.	<ul style="list-style-type: none"> • Donation of RM20,000 • 100 beneficiaries 	<ul style="list-style-type: none"> • Underprivilege single mother in Terengganu, Perak.

T : TRANSFORMING TALENT MANAGEMENT

TALENT ATTRACTION AND RETENTION

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

This year, Pavilion REIT has recorded an employee retention percentage of 92.0% which it believes can be further increased. Hence, the Manager is proactively developing strategies to increase the retention percentage. For talent attraction strategy, hiring process is based on merit and credibility of the candidate while being compliant with all local employment laws and regulations.

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

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

Stepping Up For Our Employees

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

Benefits
Free medical and life insurance coverage
Pre-employment health screening
Employee Health Screening
COVID-19 Care Kit
Sports and recreational activities
Company trip
Festive gatherings/dinners
Meal allowance
<ul style="list-style-type: none"> Annual leave Maternity leave Paternity leave Medical/Hospitalization leave Compassionate leave Marriage leave Examination leave

T : TRANSFORMING TALENT MANAGEMENT

cont'd

Improving Our Benefits

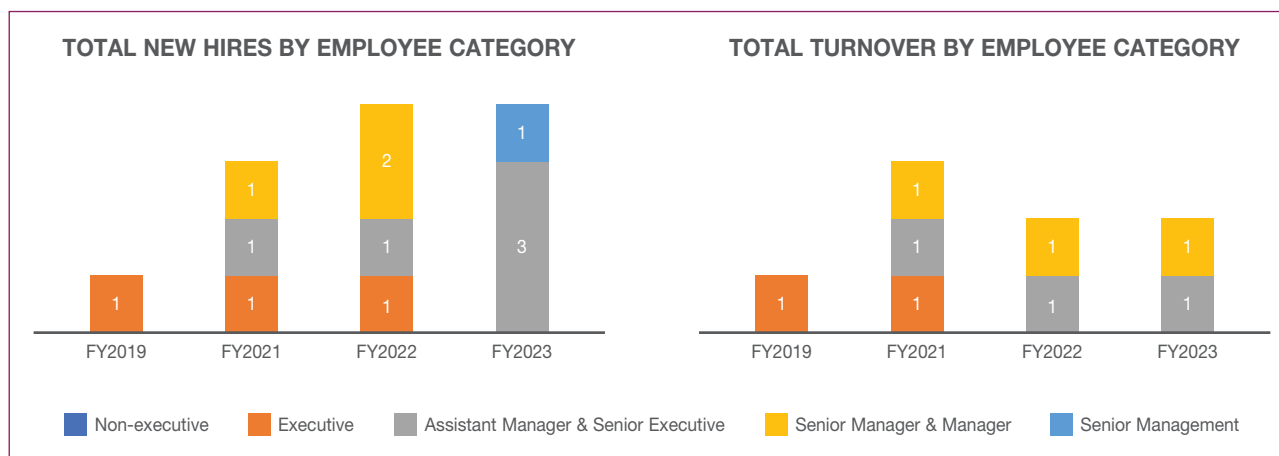
The Manager is proactively reviewing salary structures, employee benefits and company best practices against industry peers. There has been a proposal to increase the salaries of entry-level position, review the salaries of employees with a particular focus on non-executives and senior executives and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

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



Employee Retention and Attrition

Employee New Hires and Turnover



	2019	2021	2022	2023
New hire rates (%)	3.7	12.5	16.7	15.4
Turnover rates (%)	3.7	12.5	8.3	7.7
Employee retention rate (%)	96.3	88.0	91.7	92.0

In 2023, Pavilion REIT continued its commitment to fostering a thriving and engaged workforce. While strategically scaling back recruitment compared to 2021's peak, the Manager maintained a steady influx of new talent with a 15.4% new hire rate. This focus on quality recruitment, coupled with effective retention strategies, resulted in a sustained decline in turnover rates to 7.7%. Consequently, employee retention climbed to 92.0%. This dedication to its people positions Pavilion REIT for continued success in attracting and retaining top talent, driving long-term value for its stakeholders.

T : TRANSFORMING TALENT MANAGEMENT

cont'd

Parental Leave

GRI 401-3

There was no employee who took parental leave during the reporting year. Further details, please refer to Sustainability Key Performance Data in this report.

TRAINING AND EDUCATION

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

Our Training and Education Initiatives

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

The Manager has conducted the following trainings for all employees to ensure everyone is well informed and educated on topics of the trainings:

TRAININGS

Preparation of the 2022 Employers Return Form E

HASiL-MEF Tax Seminar 2023 Towards Sustainable Recovery

Emergency First Aid, CPR and AED

Anti - Bribery And Corruption Refresher Training

Cybersecurity Training

Counter Terrorism

Public Liability Insurance

Employer’s Responsibilities in Managing Immigration and Expatriate Tax Compliance in Malaysia

REINVENTING SHOPPING MALLS - The Paradigm Shift

Bomb Threat

Best Practices for Managing Staff Performance, Attitudinal Issues and Major Misconducts

MIA WEBINAR SERIES: Valuation on Mergers and Acquisitions

Mastering Year End Reporting and Budget 2024 Tax Insights Affecting the Employer and Employee

HR2000 System Refresher Training

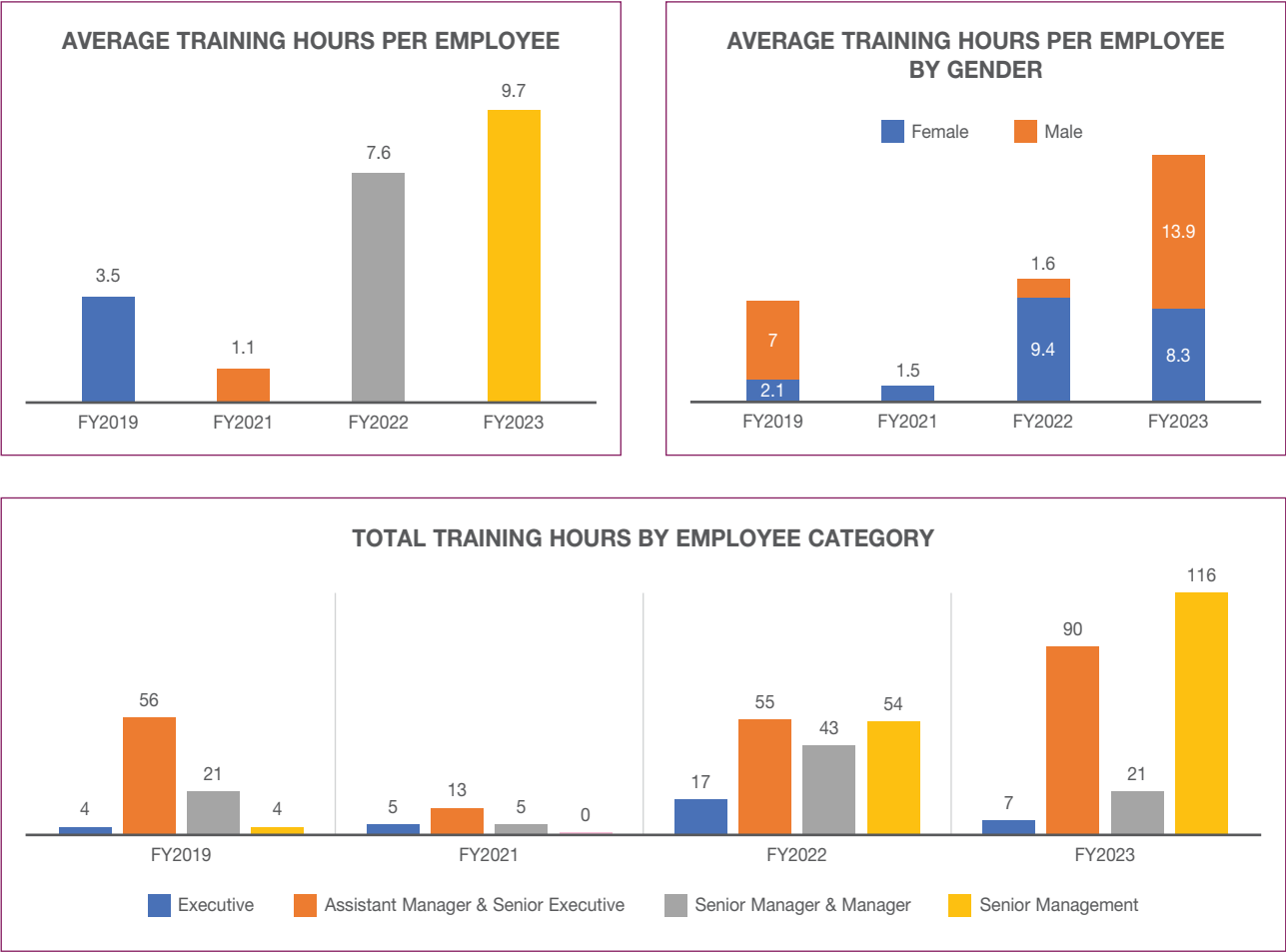
Anti-Bribery and Corruption Policies

Orientation (For New Joiners)

T : TRANSFORMING TALENT MANAGEMENT

cont'd

Training and Education Data

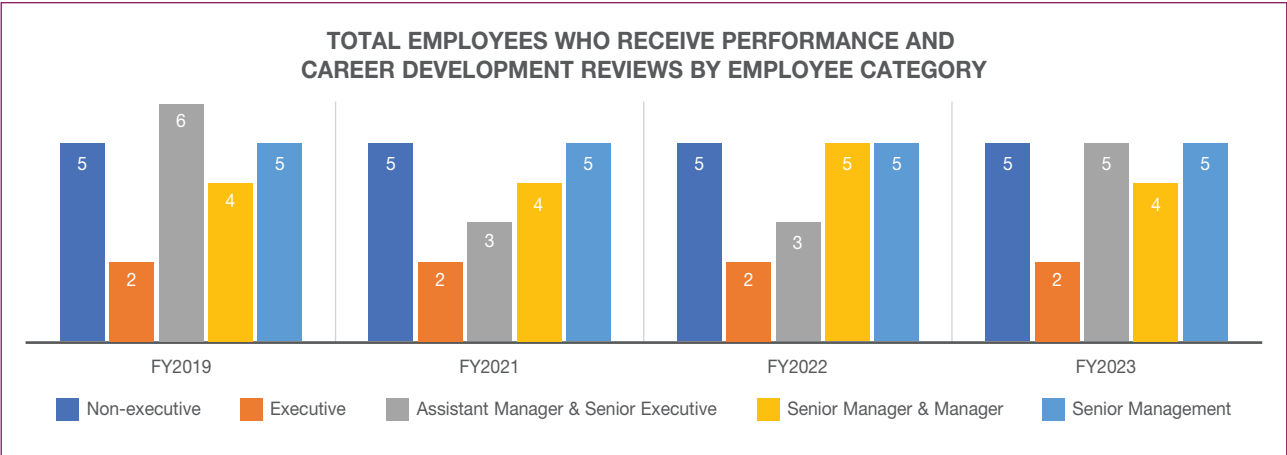
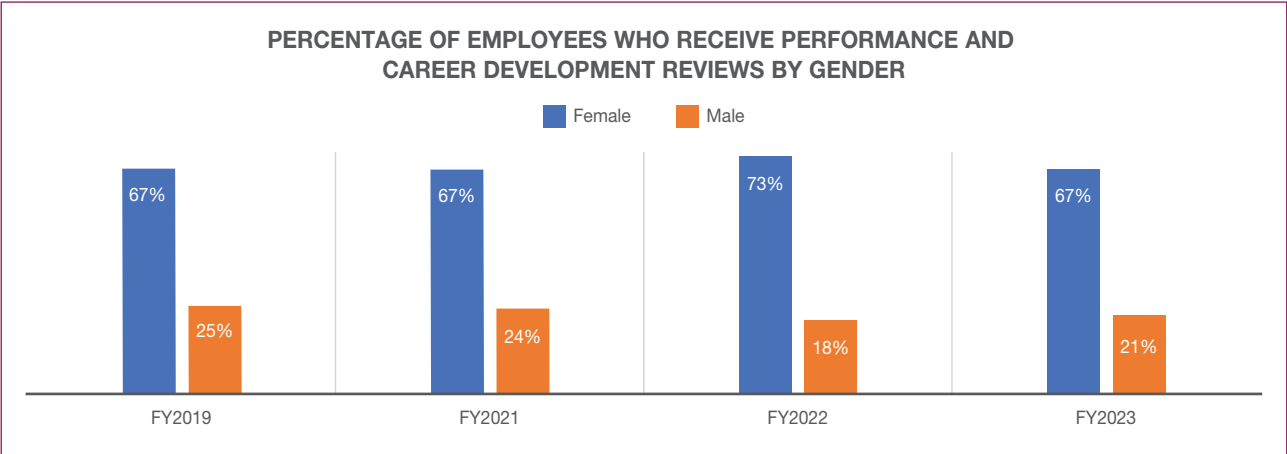


In 2023, 234 hours was spent on training, recorded an increase of 38.2% in total training hours compared to previous financial year.

T : TRANSFORMING TALENT MANAGEMENT
cont'd

Annual Performance and Career Development Reviews

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



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

Short term plan
(1 - 2 years)

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

Medium term plan
(2 - 5 years)

- Focus on new development and new skills acquisition programmes

T : TRANSFORMING TALENT MANAGEMENT

cont'd

DIVERSITY AND EQUAL OPPORTUNITY

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

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

**Malaysia Employment
Act 1955**

**Industrial Relations
Act 1967**

**Occupational Safety and
Health Act (OSHA) 1994**

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

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

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

Diversity of Our Board of Directors and Our Employees

Board of Directors Distribution Data

The Board consists of a total of seven (7) men and four (4) women. The percentage of women board member is at 36%, which is above the recommendations of the MCCG which states that the board members should comprise at least 30% women.

Board Diversity by Gender (%)	FY2019	FY2021	FY2022	FY2023
Male	83%	83%	67%	64%
Female	17%	17%	33%	36%

Board Diversity by Age (%)	FY2019	FY2021	FY2022	FY2023
<30	8%	0%	0%	0%
30-39	17%	17%	17%	18%
40-50	8%	17%	25%	18%
>50	67%	67%	58%	64%

T : TRANSFORMING TALENT MANAGEMENT

cont'd

Employee Distribution Data

Employee Gender and Age

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

Total employees of 24 in 2023				
Gender Diversity - Employees (%)	FY2019	FY2021	FY2022	FY2023
Male	29%	29%	23%	25%
Female	71%	71%	77%	75%
Age Diversity - Employees (%)	FY2019	FY2021	FY2022	FY2023
<30	4%	5%	9%	12%
30-39	25%	24%	18%	17%
40-50	42%	33%	32%	29%
>50	29%	38%	41%	42%
Ethnic Diversity (%)	FY2019	FY2021	FY2022	FY2023
Malay	17%	19%	18%	17%
Chinese	83%	81%	82%	83%
Indian	-	-	-	-
Others	-	-	-	-

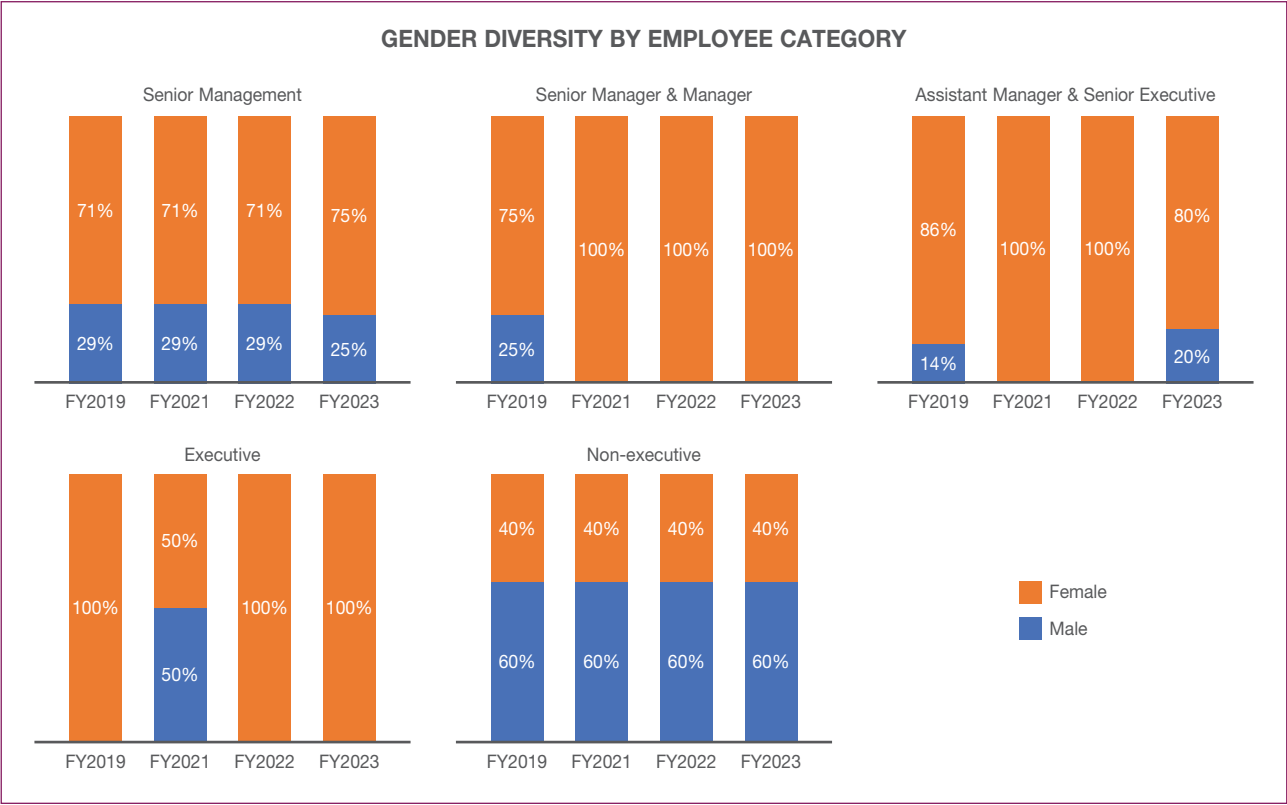
Employee Composition

Pavilion REIT hired all permanent employees, there is no temporary staff.

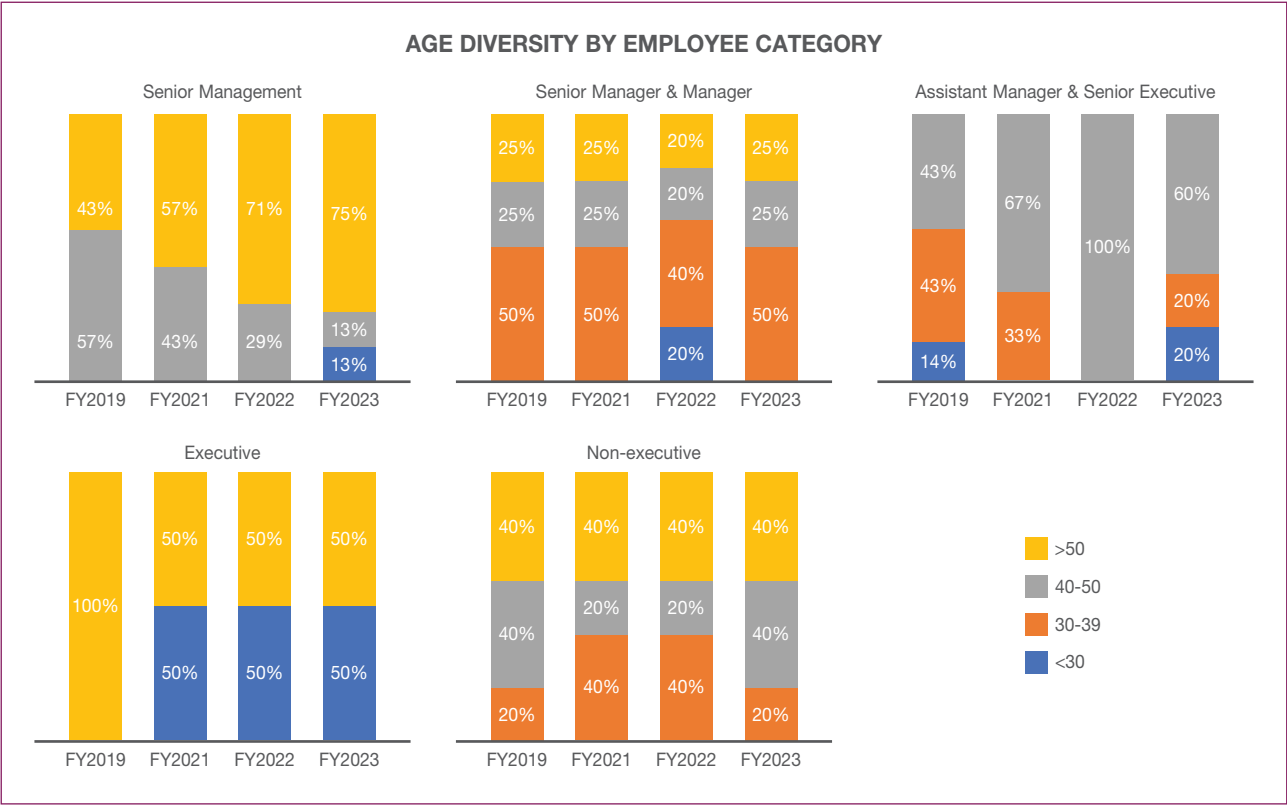
T : TRANSFORMING TALENT MANAGEMENT

cont'd

Gender Diversity by Employee Category



Age Diversity by Employee Category



T : TRANSFORMING TALENT MANAGEMENT

cont'd

HUMAN RIGHTS MANAGEMENT

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

Since FY2020, the Manager has implemented new initiatives to increase its efforts in upholding human rights principles within Pavilion REIT properties.

Since FY2020, the Manager has conducted quarterly human rights audits at the foreign workers' accommodation of all the security and cleaning service providers. This initiative is to ensure there is proper welfare for all foreign workers who work at Pavilion REIT properties. Some of the social and human rights audit checklist includes:

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

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

	FY2021	FY2022	FY2023
Number of substantiated complaints concerning human rights violations	0	0	0

Human Right Policy

Pavilion REIT strives to create a workplace where open and honest communication among all employees is valued and respected. Human Resources Department has established a Human Rights Policy which is in accordance with the UN Guiding Principles on Business and Human Rights to promote and uphold human rights in the workplace. Effective 1st November 2023, the Human Rights Policy applies to all directors and employees, including full-time, part-time, casual, contract, and interns. The Policy also extends to Pavilion REIT's business partners.

The Human Rights Policy covers topics such as:

- (a) non-discrimination, workforce diversity and equal opportunity;
- (b) freedom of association and collective bargaining;
- (c) safe and healthy workplace;
- (d) prevention of violence at the workplace;
- (e) compliance to local laws on minimum wage and working hours;
- (f) prevention of forced labour; and
- (g) protection of the rights of children.

There is also a grievance mechanism for individuals to report suspected policy violations without fear of discrimination or retaliation. In cases of non-compliance or critical concerns, the report ultimately escalates to the CEO of the Manager, who then presents it to the Sustainability Committee with Board oversight.

The appropriate whistleblowing channel is available at : <https://bdoethics.com/v1/r/QxgwQn00Eyx5cz2z6DILFLAGx4xDL6x9>.

T : TRANSFORMING TALENT MANAGEMENT

cont'd

HEALTH AND SAFETY

Aligned with Pavilion REIT's core values, health and safety are important aspects of Pavilion REIT that the Manager takes every effort to ensure the well beings of all employees, ground staff, mall patrons and other stakeholders are well taken care of.

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

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

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

Annual Joint Management-Worker Meeting

It was conducted during the quarterly meeting where EHS committees will discuss and monitor all matters that related to environment, health and safety including the worker's role and responsibilities.

An audit on Pavilion REIT's Health & Safety was conducted by internal auditor this year with no material findings.

EHS Committees

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

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

Office

- Conduct safety checks for any potential hazards in the office premises

Tenant operation

- Conduct safety checks on gas and fire safety at the tenants' premises

External contractor

- Review contractors' applications for work permits
- Ensure safety compliance for those working in high risk work e.g., hot work, lifting operations and work at height

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

SOPs

- Review and update when required to keep updated on the current operations requirements

Training

- Plan and conduct annual training programmes for non-employees to ensure they are updated and well trained to attend and handle any situation

T : TRANSFORMING TALENT MANAGEMENT

cont'd

Keeping our Employees safe

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

Working at Height

Bomb Threat

First Aid

Chemical Handling

Firefighting

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

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

Health and safety training

In 2023, a total of 111 participants were given trainings on health and safety standards.

Number of employees trained on health and safety standards	FY2021	FY2022	FY2023
-> Employees	0	2	5
-> Non-employees ⁽¹⁾	0	128	106
Total	0	130	111

Note:

(1) Non-employees refer to Kuala Lumpur Pavilion Sdn Bhd’s staff stationed in Pavilion Kuala Lumpur Mall and Elite Pavilion Mall.

Health and Safety Data

	FY2021		FY2022		FY2023	
	Employees	Non-Employees	Employees	Non-Employees	Employees	Non-Employees
Total Hours Worked	44,512	663,104	46,592	657,280	50,752	591,136
Number of Fatalities	0	0	0	0	0	0
Number of Lost Time Injuries	0	1	0	0	0	2
Lost Time Incident Rate (“LTIR”) ⁽¹⁾	0	0.30	0	0	0	0.68
Number of work-related illnesses/ill-health	0	0	0	0	0	0

Note:

(1) The lost time incident rate is calculated based on 200,000 man-hours worked.

T : TRANSFORMING TALENT MANAGEMENT

cont'd

Work-related injuries and illnesses/ill-health

Pavilion REIT's ultimate goal is to ensure that all employees return home safely at the end of the day, which is why the Manager strive to maintain zero fatalities annually by preventing and minimising workplace incidents. The Manager recorded no cases of fatalities and work-related illness of its employees in FY2023.

However, in FY2023, there were two incidents of lost-time injuries involving non-employees. These incidents included a fall from height and hand injuries due to the affected persons' oversight. Preventive measures were implemented, including reinforcement of safety and compliance procedures with more regular training and briefing.

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

Prevention of Violence and Harassment including Sexual Harassment at the Workplace

Throughout the reporting year, efforts were undertaken by the Manager to proactively raise awareness and promote understanding of violence and harassment prevention, including sexual harassment, in the workplace. This included the establishment of a comprehensive policy outlining procedures and measures to prevent, manage, and respond to such incidents, ultimately aiming to create a safe and inclusive environment for all employees.

Everyone - employees and management alike - plays a crucial role in fostering a work climate free from violence and harassment. All parties are required to read, understand, and comply with the policy. The Human Resources Department readily provides further clarification and assistance as needed.

To ensure continued vigilance and effectiveness, The Manager is mandated to conduct an annual risk assessment within their respective departments. While no specific risks have been identified to date, ongoing proactive measures remain essential to maintaining a positive and safe work environment.



Section 6:

CORPORATE GOVERNANCE

Section 6.1	Board of Directors' Profile	111
Section 6.2	Key Management Profile	117
Section 6.3	Corporate Governance Overview Statement	122
Section 6.4	Nominating Committee Report	126
Section 6.5	Audit Committee Report	127
Section 6.6	Statement of Risk Management and Internal Control	128
Section 6.7	Investor Relations Report	129

BOARD OF DIRECTORS' PROFILE

BOARD OF DIRECTORS OF THE MANAGER
<i>Chairman and Non-Independent Executive Director</i> Tan Sri Lim Siew Choon
<i>Non-Independent Executive Director</i> Puan Sri Tan Kewi Yong Dato' Lee Tuck Fook
<i>Non-Independent Non-Executive Director</i> Ahmad Mohammed F Q Al-Khanji Mohd Abdulrazzaq A A Al-Hashmi Navid Chamdia
<i>Independent Non-Executive Director</i> Dato' Seri Mohamed Azahari bin Mohamed Kamil Dato' Choo Chuo Siong Dato' Mearia @ Massahariah binti Hamzah Baljeet Kaur Grewal A/P Jaswant Singh Nor Rejina binti Abdul Rahim

TAN SRI LIM SIEW CHOON

Chairman and Non-Independent Executive Director



Nationality : Malaysian



Gender : Male



Age : 63 years old

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 41 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 a director of Pavilion REIT Bond Capital Berhad, 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 annexed. 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



Nationality : Malaysian



Gender : Female



Age : 67 years old

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 annexed. She has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

cont'd

DATO' LEE TUCK FOOK

Non-Independent Executive Director



Nationality : Malaysian



Gender : Male



Age : 69 years old

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 annexed. 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



Nationality : Qatari



Gender : Male



Age : 39 years old

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

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

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

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

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

BOARD OF DIRECTORS' PROFILE

cont'd

MOHD ABDULRAZZAQ A A AL-HASHMI

Non-Independent Non-Executive Director



Nationality : Qatari



Gender : Male



Age : 35 years old

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.

Mohammed Al-Hashmi is the Post Acquisition Director of the Real Estate Department of Qatar Investment Authority (QIA), where he oversees post-acquisition asset management in the real estate sector. He is responsible for the management of QIA's real estate portfolio, and is primarily focused on preserving capital investments, creating value and growing the relationship with existing partners.

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

He has no conflict of interest with Pavilion REIT save for the related party transactions as annexed. 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.

NAVID CHAMDIA

Non-Independent Non-Executive Director



Nationality : British



Gender : Male



Age : 50 years old

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 Chamdia 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 annexed. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

cont'd

DATO' SERI MOHAMED AZAHARI BIN MOHAMED KAMIL

Independent Non-Executive Director



Nationality : Malaysian



Gender : Male



Age : 64 years old

Dato' Seri Mohamed Azahari bin Mohamed Kamil, graduated from Central Michigan University with Master of Business Administration (Finance). He also holds a Bachelor of Business Administration (Finance) from Western Michigan University and a Diploma in Banking from Universiti Teknologi Mara.

Dato' Seri Mohamed Azahari bin Mohamed Kamil is a qualified chartered banker of the Asian Institute of Chartered Bankers as well as a Chartered Professional in Islamic Finance. Throughout his career, he held senior management positions in private and public organisations, including Malaysian Industrial Development Finance Berhad, Permodalan Nasional Berhad Group, Amanah Raya Group and being the Chief Executive Officer of Asian Finance Bank Berhad.

He initiated the first Government REIT owned by Amanah Raya in 2005, a multi asset REIT which was listed in 2006. He was also formerly the Managing Director of QSR Brands (M) Holdings Bhd, the operator of KFC and Pizza Hut restaurants in Malaysia, Singapore, Brunei and Cambodia. He was a Non-Executive Director of KPJ Healthcare Berhad and a director of Larkin Sentral Property Berhad.

He was appointed to the Board of the Manager on 7 August 2023. He was also appointed the Chairman of the Manager's Nominating Committee on 7 August 2023 and also a member of the Audit Committee, Risk Management Committee and Sustainability Committee on the same date.

Dato' Seri Mohamed Azahari Bin Mohamed Kamil is currently an Independent Non-Executive Director of SEG International Bhd and was the Group President. He is also a Non-Executive Independent Director for Aurelius Healthcare Sdn Bhd.

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' CHOO CHUO SIONG

Independent Non-Executive Director



Nationality : Malaysian



Gender : Male



Age : 58 years old

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

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

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

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

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

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

BOARD OF DIRECTORS' PROFILE

cont'd

DATO' MEARIA @ MASSAHARIAH BINTI HAMZAH

Independent Non-Executive Director



Nationality : Malaysian



Gender : Female



Age : 59 years old

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

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

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

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

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

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

She was appointed to the Board of the Manager on 3 January 2023. She was also appointed as a member of the Manager's Audit Committee, Risk Management Committee and Sustainability Committee on the same date. Subsequently on 7 August 2023, she was redesignated as the Chairman of the Risk Management Committee of Manager. She does not hold any directorship in any public or public listed company.

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

BOARD OF DIRECTORS' PROFILE

cont'd

BALJEET KAUR GREWAL A/P JASWANT SINGH

Independent Non-Executive Director



Nationality : Malaysian



Gender : Female



Age : 47 years old

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

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

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

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

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

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

She was appointed to the Board of the Manager on 14 September 2022. She was also appointed as a member of the Manager's Audit Committee, Risk Management Committee and Sustainability Committee on 12 October 2022. She was redesignated as the Chairman of the Audit Committee of Manager on 7 August 2023. She does not hold any directorship in any public or public listed company.

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

NOR REJINA BINTI ABDUL RAHIM

Independent Non-Executive Director



Nationality : Malaysian



Gender : Female



Age : 51 years old

Nor Rejina binti Abdul Rahim graduated with an honours law degree from the University of Kent at Canterbury, UK and was called to the Bar of England and Wales. She is a holder of the Islamic Finance Qualification (IFQ) from the Chartered Institute for Securities and Investment, UK and is a Certified Compliance Professional-Compliance Advocate from the Securities Industry Development Corporation, a related arm of the Securities Commission.

She has 25 years' Capital Markets experience in Malaysia. She was previously the Managing Director and Country Head of Nomura Asset Management Malaysia Sdn Bhd from 2006 to 2021 and subsequently was Advisor until April 2023.

She was appointed to the Board of the Manager on 7 August 2023. She was also appointed as a member and Chairman of the Manager's Sustainability Committee on 7 August 2023 and also a member of the Audit Committee and Risk Management Committee on the same date.

She currently sits on the boards of KAF Investment Bank Berhad and KAF Investment Funds Berhad. She is an Advisor to the Institutional Investors Council of Malaysia and a Council member of The MIFC (Malaysia International Islamic Financial Centre) Leadership Council which promotes Malaysia as an Islamic Finance hub. She is also the Chairperson of the Sustainability Investment Platform, a Committee Member of MYCIF Platform and Founder of Wahine Capital Sdn Bhd.

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

KEY MANAGEMENT PROFILE

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

A Malaysian male, age 57, he 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 35 years of experience in corporate planning, mergers & acquisitions, finance, audit, operations management, property development and construction.

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

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

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

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

A Malaysian female, age 66, she was appointed to the position of Asset Manager (Retail) of the Manager on 1 December 2011. She holds a Bachelor of Arts (Hons) in Business Studies from North East London Polytechnic, London, a Certificate in Centre Management from PPKM and is a registered property manager in Malaysia.

During her 42 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 includes mall operations, leasing, marketing and human resources. Her role also involves developing and maintaining effective networking relationships with local, regional and international retailers. Besides being a past president and current advisor of Malaysia Shopping Malls Association, she was also the past Chairman of Malaysia Tourism Committee and Associated Chinese Chambers of Commerce and Industry of Malaysia as well as a member of International Council of Shopping Centre Asia Pacific Advisory Board.

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

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

KEY MANAGEMENT PROFILE

cont'd

**Lovell Ho
Wai Hoong**
*Asset Manager
(Leasing)*

A Malaysian male, age 55, he was appointed to the position of Asset Manager (Leasing) of the Manager on 1 December 2011. He holds a Bachelor of Business in Marketing from the Royal Melbourne Institute of Technology, Melbourne, Australia. He is also a Certified Marketing Manager by PPKM and a member of PPKM.

He has over 30 years' experiences in shopping mall management particularly in the areas of retail development, leasing and marketing. In the retail industry, he possesses a wide network of both local and international retailers from renowned local brands to international luxury brands and has successfully secured and enhanced the required tenant mix over the years.

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

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

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

Kung Suan Ai
*Asset Manager
(Marketing)*

A Malaysian female, age 52, she was appointed to the position of Asset Manager (Marketing) of the Manager on 1 December 2011. She holds a Bachelor of Arts (Hons) in Communications from Universiti Kebangsaan Malaysia.

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

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

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

KEY MANAGEMENT PROFILE

cont'd

**Francis Ong
Heng Khai**
*Asset Manager
(Facilities
Management)*

A Singaporean male, age 55, he was appointed to the position of Asset Manager (Facilities Management) of the Manager on 1 December 2011. He holds a Bachelor of Business (Property) from the University of South Australia, Australia and a Diploma in Building Management from Ngee Ann Polytechnic, Singapore.

He has over 30 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.

Lim Shoo Wenn
Director – CEO Office

A Malaysian female, age 29, is the Director – CEO Office. She holds a Bachelor of Arts (Hons) Business Management from University of Winchester.

After internships at Prospere Tokyo, a public relations agency specialising in fashion, culture and entertainment industry, Crabtree & Evelyn Sdn Bhd and Malton Berhad, she joined Kuala Lumpur Pavilion Sdn Bhd as Senior Manager - Business Development and thereafter promoted to General Manager – Business Development concentrating on bringing new brands, tenants, ideas, partnerships etc. With over 6 years of experience in the retail and hospitality industry, on 1 May 2023, she joined the Manager as Director – CEO Office supporting the CEO in strategic and managing day to day operational matters of Pavilion REIT.

She is the daughter of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong, who are executive directors of the Manager.

Ong Hui Ling
*Head of Corporate
Planning*

A Malaysian female, age 54, she was appointed to the position of Head of Corporate Planning of the Manager on 1 January 2012. She holds a Master of Business Administration from Victoria University, Melbourne, Australia.

Involved in corporate matters, treasury and investor relation functions, she has over 33 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 listing Pavilion REIT.

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

KEY MANAGEMENT PROFILE

cont'd

Lim Mian Nyee
General Manager
(Finance)

A Malaysian female, age 48, she was appointed to the position of General Manager (Finance) on 1 January 2022. She is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

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

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

**Valerie Foo
Mei Hua**
Senior Manager
(Legal and
Compliance)

A Malaysian female, aged 38, she holds a Bachelor of Laws from University of Northumbria at Newcastle, United Kingdom. She also obtained the Certificate in Legal Practice (CLP) from the Legal Profession Qualifying Board Malaysia and the Certification in Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) from the Asian Institute of Chartered Bankers.

She has over 10 years of work experience in various industries, ranging from legal, banking and telecommunication. She started her career in Citibank Berhad dealing with clients in wealth management before going into the legal and compliance area where she had a brief stint in a law firm and thereafter worked as a Legal Executive in Fuji Xerox Asia Pacific Pte Ltd responsible for the litigation matters.

Subsequently, she worked for Pac Lease Berhad (a wholly-owned subsidiary of OCBC Capital (Malaysia) Sdn Bhd) as the Head of Policy, Compliance and Operation Risk acting as the company's first Compliance Officer. She then joined Maxis Broadband Sdn Bhd as a Compliance Specialist in the Sales and Services Division handling the operation and compliance issues before joining Pavilion REIT on 3 January 2024.

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.

Ng Zee Wan
Senior Manager
(Investment)

A Malaysian female, aged 38, she holds a Bachelor of Commerce in Finance and Financial Planning from Deakin University, Australia.

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

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

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

KEY MANAGEMENT PROFILE

cont'd

Lim Cher Cher
Manager
(Corporate Affairs)

A Malaysian female, aged 30, she holds a Bachelor of Business (Hons) Finance and Economics from University of the West of England, Bristol.

Prior to joining the Manager on 11 April 2022, focusing on sustainability and risk management, she was an Assistant Manager in the Securities Commission Malaysia, where she reviewed and evaluated equity-related proposals and applications, including but not limited to initial public offering. She also assisted in formulation of new policies and guidelines.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

PRINCIPAL A : BOARD LEADERSHIP AND EFFECTIVENESS

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

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

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

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

Although the Chairman is an executive director with about 45% of its Board being independent non-executive directors, the Board believes that the Chairman, who has significant interest in Pavilion REIT will act in the best interest of the Fund’s unitholders.

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

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

The Board has updated its independence and gender diversity in compliance with the recommendation under the latest Malaysian Code on Corporate Governance to have at least 30% women board members. To date, the Board comprise of 36% women board members.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

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

The Board has met six (6) times during the financial year ended 31 December 2023 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	6/6
Puan Sri Tan Kewi Yong	Non-Independent Executive Director	6/6
Dato' Lee Tuck Fook	Non-Independent Executive Director	6/6
Ahmed Ali H A Al-Hammadi ¹	Non-Independent Non-Executive Director	3/4
Ahmad Mohammed F Q Al-Khanji	Non-Independent Non-Executive Director	5/6
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	5/6
Navid Chamdia	Non-Independent Non-Executive Director	5/6
Dato' Mohzani bin Abdul Wahab ²	Independent Non-Executive Director	5/5
Dato' Maznah binti Abdul Jalil ²	Independent Non-Executive Director	5/5
Dato' Choo Chuo Siong	Independent Non-Executive Director	6/6
Baljeet Kaur Grewal A/P Jaswant Singh	Independent Non-Executive Director	6/6
Dato' Mearia @ Massahariah binti Hamzah ³	Independent Non-Executive Director	6/6
Dato' Seri Mohamed Azahari bin Mohamed Kamil ⁴	Independent Non-Executive Director	1/1
Nor Rejina binti Abdul Rahim ⁴	Independent Non-Executive Director	1/1

1 resigned as director on 25 June 2023

2 retired as director on 28 July 2023

3 appointed as director on 3 January 2023

4 appointed as director on 7 August 2023

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

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

- (i) Anti-Bribery and Corruption Awareness Training
- (ii) Audit Oversight Board's Conversation with Audit Committees
- (iii) Capital Market Director Programmes
- (iv) KSY318: Inflation, Financial Crisis and Currency War
- (v) Mandatory Accreditation Programmes

The Nominating Committee have reviewed and accessed 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

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

Sustainability Committee

Name of Directors	Designation	Number of Meetings Attended
Nor Rejina binti Abdul Rahim (Chairperson) ¹	Independent Non-Executive Director	1/1
Dato' Choo Chuo Siong	Independent Non-Executive Director	4/4
Baljeet Kaur Grewal A/P Jaswant Singh	Independent Non-Executive Director	4/4
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	4/4
Dato' Mearia @ Massahariah binti Hamzah ²	Independent Non-Executive Director	4/4
Dato' Seri Mohamed Azahari bin Mohamed Kamil ³	Independent Non-Executive Director	1/1
Dato' Maznah binti Abdul Jalil ⁴	Independent Non-Executive Director	3/3
Dato' Mohzani bin Abdul Wahab ⁵	Independent Non-Executive Director	3/3

1 appointed as a member and Chairperson on 7 August 2023

2 appointed as a member on 3 January 2023

3 appointed as a member on 7 August 2023

4 ceased as Chairperson on retirement as director on 28 July 2023

5 ceased as a member on retirement as director on 28 July 2023

Risk Management Committee

Name of Directors	Designation	Number of Meetings Attended
Dato' Mearia @ Massahariah binti Hamzah (Chairperson) ¹	Independent Non-Executive Director	4/4
Dato' Choo Chuo Siong	Independent Non-Executive Director	4/4
Baljeet Kaur Grewal A/P Jaswant Singh	Independent Non-Executive Director	4/4
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	4/4
Dato' Seri Mohamed Azahari bin Mohamed Kamil ²	Independent Non-Executive Director	1/1
Nor Rejina binti Abdul Rahim ²	Independent Non-Executive Director	1/1
Dato' Maznah binti Abdul Jalil ³	Independent Non-Executive Director	3/3
Dato' Mohzani bin Abdul Wahab ⁴	Independent Non-Executive Director	3/3

1 appointed as a member on 3 January 2023 and redesignated as Chairperson on 7 August 2023

2 appointed as a member on 7 August 2023

3 ceased as Chairperson on retirement as director on 28 July 2023

4 ceased as a member on retirement as director on 28 July 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPAL B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee members, comprising mainly of independent directors, are responsible to review financial reporting, gauge internal and external audit processes as well as to review related party transactions and conflict of interest situations.

Risk Management Committee members, also mainly comprises independent directors are responsible for risk management framework and ensure effectiveness of risk reporting structure. Additional information is available under the section of Audit Committee Report and Statement of Risk Management and Internal Control.

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

PRINCIPAL C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

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

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

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 3 Non-Executive Directors with a majority of independent directors:-

Name of Directors	Designation	Number of Meetings Attended
Dato' Seri Mohamed Azahari bin Mohamed Kamil (Chairman) ¹	Independent Non-Executive Director	1/1
Dato' Choo Chuo Siong	Independent Non-Executive Director	3/3
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	3/3
Dato' Maznah binti Abdul Jalil ²	Independent Non-Executive Director	2/2
Dato' Mohzani bin Abdul Wahab ³	Independent Non-Executive Director	2/2

1 appointed as a director and Nominating Committee Chairman on 7 August 2023

2 ceased as Chairperson on retirement as director on 28 July 2023

3 ceased as a member on retirement as director on 28 July 2023

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

The Nominating Committee is guided by the Directors' Fit and Proper Policy for the appointment, re-election and periodic/annual assessments of the Board, Board Committees and individual director. The Nominating Committee assessed the fit and properness of each director against the criteria in the Directors' Fit and Proper Policy which includes character, integrity, experience, competence, time and commitment. Consideration is also given to the required size and board composition to ensure that the Board and Board Committees are functioning effectively and efficiently to enable the Board to make effective business decisions and recommendations. For the independent directors, they are assessed based on their independence and abilities to discharge their responsibilities and functions with objective judgement.

For the financial year ended 31 December 2023, the Nominating Committee had assessed and reviewed the following:

- the performance of the Board and Board Committees, contribution of each Board member, independence of the Independent Non-Executive Directors and the term of office, performance of Audit Committee and each of its members;
- the retention of the Independent Non-Executive Director whose tenure as Independent Director has exceeded 9 years. During the financial year, 2 Board members retired from the Board as their maximum tenure of 12 years' as Independent Director had ended;
- to recommend those Board members retiring be nominated for re-election; and
- to recommend candidates for appointment as Independent Non-Executive Directors.

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

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

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

AUDIT COMMITTEE REPORT

The Audit Committee, formed on 24 October 2012 comprising of 6 members have been entrusted to 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
Baljeet Kaur Grewal A/P Jaswant Singh (Chairman) ¹	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
Dato' Mearia @ Massahariah binti Hamzah ²	Independent Non-Executive Director	4/4
Dato' Seri Mohamed Azahari bin Mohamed Kamil ³	Independent Non-Executive Director	1/1
Nor Rejina binti Abdul Rahim ³	Independent Non-Executive Director	1/1
Dato' Mohzani bin Abdul Wahab ⁴	Independent Non-Executive Director	3/3
Dato' Maznah binti Abdul Jalil ⁵	Independent Non-Executive Director	3/3

1 appointed as member on 12 October 2022 and redesignated as Chairman on 7 August 2023

2 appointed on 3 January 2023

3 appointed on 7 August 2023

4 ceased as Chairman due to retirement as director on 28 July 2023

5 ceased as member due to retirement as director on 28 July 2023

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 plans prepared by BDO Governance Advisory Sdn Bhd ("BDO GA") on health and safety review with BDO Consulting Sdn Bhd on cyber security posture review (both parties being referred to as "BDO")
- on 26 October 2023, a meeting was held by Audit Committee with BDO to assess the internal control review reports 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 24 January 2024, 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 integrated 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

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 RM255,000 and RM163,000 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 integrated annual report.

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

The Audit Committee and 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, environmental, financial and risks relevant to the property industry or sector. The Risk Management Committee also meets quarterly to review the risk map and risk register of Pavilion REIT based on policy and procedure adopted.

Anti-bribery and corruption assessments were conducted prior to engaging new tenants or renewing expired tenants. Measures to mitigate money laundering / combating the financing of terrorism have also been formalized with training provided. As we continue to leverage on information technology for business operation as well as continuous concern on breach of data security and privacy protection, training was provided to remind and update staff on latest trends of cyber-attack, fundamental principles of information security, information security breaches and threats as well as general security breaches/guidelines.

BDO Governance Advisory Sdn Bhd ("BDO GA") had been appointed as internal auditor whereby they had performed internal control review on health and safety. The review scope was as below:-

- compliance with internal health and safety policy and procedures
- compliance with relevant health safety standards and government regulations/directives
- effectiveness of oversight controls on activities outsourced to third party service providers
- effectiveness of risk management activities in relation to health and safety processes
- tracking, progress and closure of actions resulting from third party and regulatory reviews

The execution strategies that BDO GA 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

In addition to appointing an internal auditor to conduct internal and external vulnerability assessments and penetration tests, BDO Consulting Sdn Bhd ("BDO Consulting") was also engaged for cyber security review in line with selected areas of COBIT 2019 standards.

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

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

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

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

INVESTOR RELATIONS REPORT

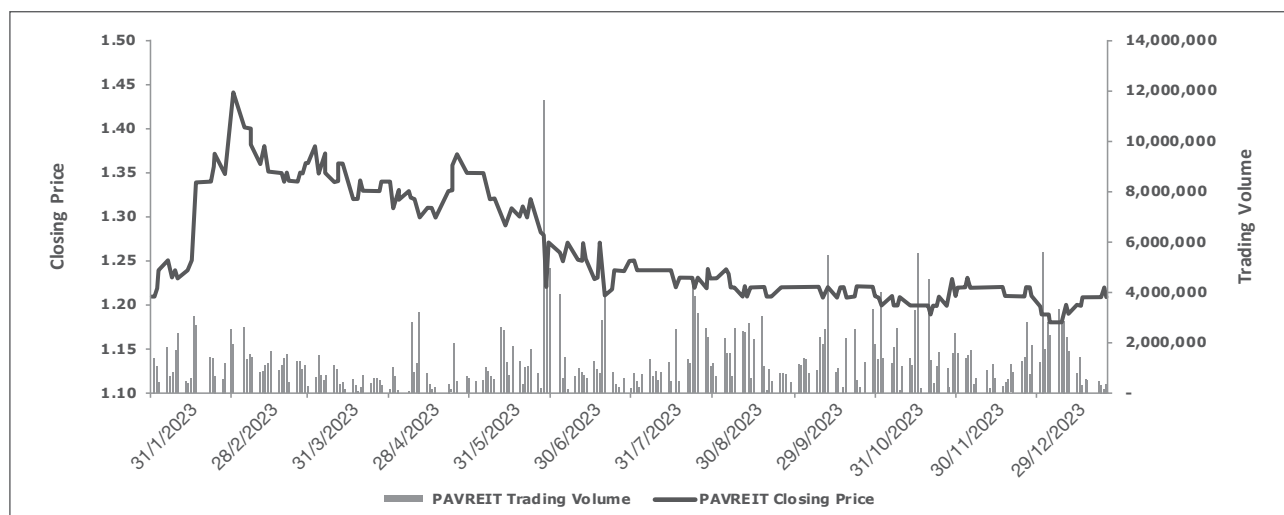
Investors Relation and Fund Management

Pavilion REIT's 11th annual general meeting was held physically on 22 March 2023 whereby its unitholders were updated on the performance of Pavilion REIT for the financial year ended 31 December 2022. Unitholders' meeting on the acquisition of Pavilion Bukit Jalil and its proposals was also held immediately after the adjournment of the annual general meeting on the same day, of which more than 99% voted in favour of all the proposals.

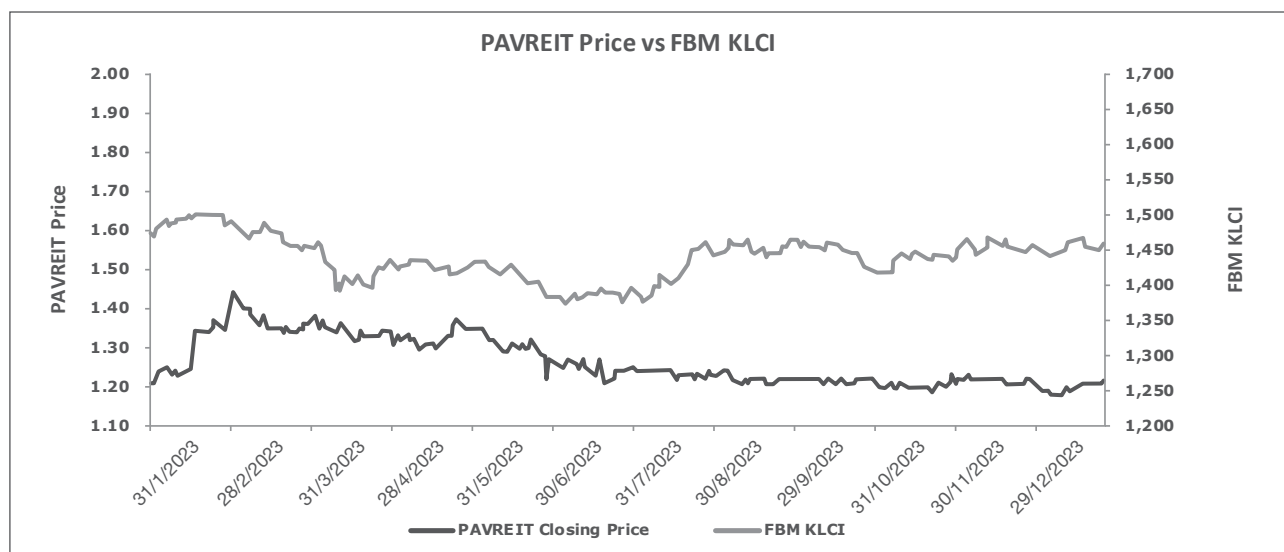
As conditions precedent for the acquisition of Pavilion Bukit Jalil was met, its book building exercise held with over-subscription at issue price of RM1.22 per unit raising approximately RM720 million. This issue price represents a discount of approximately 6.6% to the 5-day volume weighted average market price of the units up to and including 16 May 2023 of RM1.31, making it the largest REIT primary placement in Malaysia.

Regular engagements are also held with analysts and fund managers to keep them abreast with happenings in the retail environment with updates on Pavilion REIT.

Pavilion REIT's Monthly Trading Performance



Pavilion REIT's Unit Price Performance against FBM KLCI



INVESTOR RELATIONS REPORT

cont'd

Trading Summary	FY2019	FY2020	FY2021	FY2022	FY2023
Net Asset Value per Unit (RM)					
- As at 31 December	1.31	1.27	1.27	1.33	1.35
- Lowest during the year	1.29	1.27	1.25	1.26	1.28
- Highest during the year	1.31	1.28	1.27	1.33	1.35
Closing unit price (RM) as at 31 December	1.74	1.50	1.25	1.21	1.21
Highest traded price during the year (RM)	1.92	1.82	1.53	1.41	1.45
Lowest traded price during the year (RM)	1.61	1.35	1.19	1.18	1.17
Capital appreciation/ (depreciation) (%) ¹	6.10	(13.79)	(16.67)	(3.20)	0.00
Annual total return (%) ²	10.98	(11.04)	(13.14)	3.72	7.45
Average total return over 3 years (%)	2.68	2.38	(4.40)	(6.82)	(0.66)
Average total return over 5 years (%)	9.29	4.79	(3.23)	(0.45)	(0.41)
Units in circulation ('000)	3,041,090	3,045,307	3,050,059	3,055,722	3,652,338
Market capitalisation (RM'000)	5,291,497	4,567,961	3,812,574	3,697,423	4,419,329

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

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



Section 7: **FINANCIALS**

Section 7.1 Manager's Report
Section 7.2 Financial Statements

132
136

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 2023.

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

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

Directors

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

Tan Sri Lim Siew Choon
 Puan Sri Tan Kewi Yong
 Dato' Lee Tuck Fook
 Ahmad Mohammed F Q Al-Khanji
 Mohd Abdulrazzaq A A Al-Hashmi
 Navid Chamdia
 Dato' Seri Mohamed Azahari bin Mohamed Kamil (appointed on 7 August 2023)
 Dato' Choo Chuo Siong
 Dato' Mearia @ Massahariah binti Hamzah (appointed on 3 January 2023)
 Baljeet Kaur Grewal A/P Jaswant Singh
 Nor Rejina binti Abdul Rahim (appointed on 7 August 2023)
 Ahmed Ali H A Al-Hammadi (resigned on 25 June 2023)
 Dato' Mohzani bin Abdul Wahab (retired on 28 July 2023)
 Dato' Maznah binti Abdul Jalil (retired on 28 July 2023)
 Ooi Ah Heong (resigned on 3 January 2023)

Directors' Interests in Shares

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

Direct unitholdings in Pavilion REIT:	Number of units			At 31.12.2023
	At 1.1.2023	Bought	Sold	
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

MANAGER'S REPORT

cont'd

	Number of ordinary shares			
	At 1.1.2023	Bought	Sold	At 31.12.2023
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 2023 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 2023, 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 was 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 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 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Material Litigation

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

Auditor

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

For and on behalf of Pavilion REIT Management Sdn Bhd

TAN SRI LIM SIEW CHOON
Chairman

DATO' LEE TUCK FOOK
Non-Independent Executive Director

Kuala Lumpur
24 January 2024



FINANCIAL STATEMENTS

Statement of Financial Position	137
Statement of Profit or Loss and Other Comprehensive Income	138
Statement of Changes in Net Asset Value	140
Statement of Cash Flows	141
Notes to the Financial Statements	142
Statement by the Manager	171
Statutory Declaration	171
Trustee's Report	172
Independent Auditors' Report	173

STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	2023 RM'000	2022 RM'000
Assets			
Plant and equipment	4	2,973	553
Investment properties	5	8,390,000	6,045,000
Total non-current assets		8,392,973	6,045,553
Inventories		3,907	2,873
Trade and other receivables	6	55,186	42,410
Pledged deposits with licensed banks	7	90,922	59,425
Cash and cash equivalents	8	455,501	332,915
Total current assets		605,516	437,623
Total assets		8,998,489	6,483,176
Liabilities			
Borrowings	9	3,290,949	1,394,039
Payables and accruals	10	84,448	44,313
Total non-current liabilities		3,375,397	1,438,352
Borrowings	9	100,000	800,000
Payables and accruals	10	591,626	184,817
Total current liabilities		691,626	984,817
Total liabilities		4,067,023	2,423,169
Net asset value		4,931,466	4,060,007
Financed by:			
Unitholders' fund			
Unitholders' capital	11	3,662,387	2,952,256
Accumulated income		1,269,079	1,107,751
Total unitholders' fund		4,931,466	4,060,007
Net asset value ("NAV")			
Before income distribution		4,931,466	4,060,007
After income distribution*		4,763,458	3,928,916
Number of units in circulation ('000 units)	11	3,652,338	3,055,722
NAV per unit (RM)			
Before income distribution		1.3502	1.3287
After income distribution*		1.3042	1.2858

* after proposed final income distribution of 4.60 sen per unit (2022: 4.29 sen per unit)

The notes on pages 142 to 170 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Rental income		651,424	498,914
Revenue from contract customers	12	46,610	38,269
Other income		25,777	14,166
Gross revenue		723,811	551,349
Utilities		(81,611)	(50,129)
Maintenance		(83,102)	(61,900)
Property taxes		(20,223)	(16,263)
Other operating expenses		(79,764)	(58,856)
Net property income		459,111	364,201
Net fair value changes on investment properties		146,534	151,381
Interest income		11,405	6,523
Net investment income		617,050	522,105
Manager's management fees	13	(37,925)	(30,375)
Trustee's fees	1(c)	(529)	(485)
Valuation fee		(980)	(504)
Other trust expenses	1(c)	(1,238)	(956)
Borrowing costs	14	(144,583)	(91,986)
Income before taxation		431,795	397,799
Tax expense	15	-	-
Income after taxation/Total comprehensive income attributable to unitholders		431,795	397,799
Income after taxation is made up as follows:			
Realised		285,261	246,418
Unrealised		146,534	151,381
		431,795	397,799
Basic/Diluted earnings per unit (sen)	16	12.68	13.03

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023
cont'd

	Note	2023 RM'000	2022 RM'000
Total comprehensive income		431,795	397,799
Distribution adjustments	A	(124,392)	(141,988)
Distributable income		307,403	255,811
Distribution per unit (sen) - interim		4.41	4.08
Distribution per unit (sen) - final		4.60	4.29

Note A

Distribution adjustments comprise:

Accounting adjustment on interest – present value		10,055	-
Amortisation of transaction costs		1,973	1,465
Depreciation	4	633	334
Manager's management fees payable in units	13	9,481	7,594
Net fair value changes on investment properties		(146,534)	(151,381)
		(124,392)	(141,988)

The notes on pages 142 to 170 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE

for the year ended 31 December 2023

	Note	Unitholders' capital RM'000	Accumulated income RM'000	Total funds RM'000
At 1 January 2022		2,945,255	913,198	3,858,453
Income after taxation/Total comprehensive income for the year attributable to unitholders		-	397,799	397,799
Unitholders' transactions				
<i>Contributions by and distributions to unitholders</i>				
Issue of new units		7,001	-	7,001
Distribution to unitholders	17	-	(203,246)	(203,246)
Increase/(Decrease) in net assets resulting from unitholders' transactions		7,001	(203,246)	(196,245)
Net assets at 31 December 2022/1 January 2023		2,952,256	1,107,751	4,060,007
Income after taxation/Total comprehensive income for the year attributable to unitholders		-	431,795	431,795
Unitholders' transactions				
<i>Contributions by and distributions to unitholders</i>				
Issue of new units		727,978	-	727,978
Expenses incurred for placement exercise		(17,847)	-	(17,847)
Distribution to unitholders	17	-	(270,467)	(270,467)
Increase/(Decrease) in net assets resulting from unitholders' transactions		710,131	(270,467)	439,664
Net assets at 31 December 2023		3,662,387	1,269,079	4,931,466

Note 11

The notes on pages 142 to 170 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Cash flows from operating activities			
Income before taxation		431,795	397,799
Adjustments for:			
Borrowing costs	14	144,583	91,986
Depreciation	4	633	334
Plant and equipment written off	4	-	3
Gain on disposal of plant and equipment		(1)	(1)
Impairment loss on trade receivables		7,801	4,778
Interest income		(11,405)	(6,523)
Net fair value changes on investment properties		(146,534)	(151,381)
Operating income before changes in working capital		426,872	336,995
Changes in inventories		(1,034)	195
Changes in receivables		(20,577)	(4,532)
Changes in payables		27,501	26,480
Changes in tenants' deposits		42,472	2,707
Net cash generated from operating activities		475,234	361,845
Cash flows from investing activities			
Acquisition of investment property	5	(1,817,805)	-
Interest received		11,405	6,523
Payment for enhancement of investment properties		(5,767)	(13,619)
Pledged deposit		(31,497)	(1,199)
Purchase of plant and equipment		(3,053)	(153)
Proceed from disposal of plant and equipment		1	4
Net cash used in investing activities		(1,846,716)	(8,444)
Cash flows from financing activities			
Distribution to unitholders		(270,467)	(203,246)
Interest paid		(132,555)	(90,521)
Payment of financing expenses		(5,063)	(724)
Payment of placement expenses		(17,847)	-
Proceed from borrowings		2,095,000	190,000
Repayment of borrowings		(895,000)	(170,000)
Proceed from issuance of units		720,000	-
Net cash generated from/(used in) financing activities		1,494,068	(274,491)
Net increase in cash and cash equivalents		122,586	78,910
Cash and cash equivalents at 1 January		332,915	254,005
Cash and cash equivalents at 31 December		455,501	332,915

The notes on pages 142 to 170 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 Listed 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 2023 comprise Pavilion REIT and its wholly-owned special purpose companies, Pavilion REIT Venture Capital Sdn. Bhd. and Pavilion REIT Bond Capital Berhad, companies incorporated in Malaysia, of which their principal activities are to raise financing for and on behalf of Pavilion REIT.

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

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

The financial statements were approved by the Board of Directors of the Manager on 24 January 2024.

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 RM387,000 (2022: RM380,000) per annum (excluding sales and services tax). In addition, the Property Manager is also entitled to full reimbursement of costs and expenses incurred in the operation, maintenance, management and marketing of the properties held by Pavilion REIT (including but not limited to the cost relating to the employment and remuneration of on-site staff provided) ("Permitted Expenses") as well as fees and reimbursements for Permitted Expenses payable to its service providers.

(b) Manager's management fees

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. GENERAL (cont'd)

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

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

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

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

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

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

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

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

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

(each a "Trigger Event").

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. GENERAL (cont'd)

(c) Trustee's fees

In accordance to the Deed, an annual trusteeship fee of up to 0.05% per annum of NAV, but limited to RM529,000 for the current financial year (2022: 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 RM3,917 (2022: RM657) 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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

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

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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

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

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

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024; and
- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. BASIS OF PREPARATION

(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 and Note 15 – tax expense.

3. CHANGE IN MATERIAL ACCOUNTING POLICIES

Material accounting policy information

Pavilion REIT adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to Pavilion REIT's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

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 2022	1,466	1,495	105	415	2,767	6,248
Addition	-	153	-	-	-	153
Disposal	-	(5)	-	-	-	(5)
Write off	(2)	(5)	-	-	(122)	(129)
At 31 December 2022/ 1 January 2023	1,464	1,638	105	415	2,645	6,267
Addition	-	208	81	-	2,764	3,053
Disposal	-	-	-	-	(1)	(1)
Write off	(16)	-	-	-	(6)	(22)
At 31 December 2023	1,448	1,846	186	415	5,402	9,297

NOTES TO THE FINANCIAL STATEMENTS

cont'd

4. PLANT AND EQUIPMENT (cont'd)

	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
Accumulated depreciation						
At 1 January 2022	1,372	1,150	87	214	2,685	5,508
Depreciation for the year	15	193	17	42	67	334
Disposal	-	(2)	-	-	-	(2)
Write off	(2)	(2)	-	-	(122)	(126)
At 31 December 2022/ 1 January 2023	1,385	1,339	104	256	2,630	5,714
Depreciation for the year	21	234	6	41	331	633
Disposal	-	-	-	-	(1)	(1)
Write off	(16)	-	-	-	(6)	(22)
At 31 December 2023	1,390	1,573	110	297	2,954	6,324
Carrying amounts						
At 1 January 2022	94	345	18	201	82	740
At 31 December 2022/ 1 January 2023	79	299	1	159	15	553
At 31 December 2023	58	273	76	118	2,448	2,973

5. INVESTMENT PROPERTIES

	2023 RM'000	2022 RM'000
At 1 January	6,045,000	5,880,000
Addition to investment properties	2,192,699	-
Enhancements/Capital expenditure	5,767	13,619
Change in fair values recognised in profit or loss	146,534	151,381
At 31 December	8,390,000	6,045,000

The current year's addition is in relation to the acquisition of Pavilion Bukit Jalil which comprise the following:

	RM'000
Acquisition price paid for in cash	1,790,000
Costs on acquisition paid for in cash	27,805
Balance purchase price accrued	374,894
	2,192,699

During the year, the variable lease income earned that does not depend on an index or a rate amounted to RM77,023,000 (2022: RM47,196,000).

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

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 31.12.2023	Fair value as at 31.12.2023	Cost as at 31.12.2023	Percentage of fair value to NAV as at 31.12.2023
					%	RM'000	RM'000	%
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2023	Kuala Lumpur	Leasehold*	95	5,150,000	3,567,012	104
Pavilion Tower	7.12.2011	31.12.2023	Kuala Lumpur	Leasehold*	72	130,000	128,000	3
DA MEN Mall	25.3.2016	31.12.2023	Subang Jaya	Interest in perpetuity	73	160,000	511,264	3
Intermark Mall	25.3.2016	31.12.2023	Kuala Lumpur	Interest in perpetuity	90	190,000	164,191	4
Elite Pavilion Mall	27.4.2018	31.12.2023	Kuala Lumpur	Interest in perpetuity [#]	96	550,000	589,514	11
Pavilion Bukit Jalil	1.6.2023	31.12.2023	Kuala Lumpur	Interest in perpetuity	88	2,210,000	2,192,699	45
Investment properties						8,390,000	7,152,680	

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

* 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% (2022: 6.00% to 6.75%). • Risk-adjusted reversion capitalisation rate of 6.25% to 6.50% (2022: 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 (DM) and Pavilion Bukit Jalil (PBJ)</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% (2022: 6.50%). • Discount rate of 8.50% (2022: 8.00%). • Average growth rate of rental per square feet over 10-year of DM and PBJ are from 10% to 15% (2022: 8.00%) and 2.88% respectively. • Progressive increase of occupancy rate of DM and PBJ are from 70% to 85% (2022: 67% to 100%) and from 92% to 100% over 10 years respectively. 	<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).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

5. INVESTMENT PROPERTIES (cont'd)

5.1 Fair value information (cont'd)

Level 3 fair value

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

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

Valuation processes applied by the Manager for Level 3 fair value

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

Highest and best use

Pavilion REIT's investment properties comprise five 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 two retail malls are within mixed development areas which comprise 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.

5.2 Maturity analysis of operating lease payments

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

	2023 RM'000	2022 RM'000
Up to one year	551,756	304,712
More than one year up to two years	319,085	196,507
More than two years up to three years	63,699	114,061
	934,540	615,280

5.3 Material accounting policy information

Investment properties are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise.

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 period in which the item is derecognised.

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. TRADE AND OTHER RECEIVABLES

	2023 RM'000	2022 RM'000
Current		
Trade		
Trade receivables	73,918	50,739
Less: Impairment losses	(29,057)	(21,247)
	44,861	29,492
Non-trade		
Other receivables	4,354	8,137
Deposits	2,578	2,066
Prepayments	3,393	2,715
	10,325	12,918
	55,186	42,410

7. PLEDGE DEPOSITS WITH LICENSED BANKS

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

8. CASH AND CASH EQUIVALENTS

	2023 RM'000	2022 RM'000
Cash and bank balances	355,940	215,802
Deposits placed with licensed banks	99,561	117,113
	455,501	332,915

9. BORROWINGS

	Note	2023 RM'000	2022 RM'000
Non-current			
Secured syndicated term loan	9.1	673,267	723,267
Unrated medium term notes	9.2	2,625,000	675,000
Less: Unamortised transaction costs		(7,318)	(4,228)
		3,290,949	1,394,039
Current			
Unrated medium term notes	9.2	100,000	800,000
		3,390,949	2,194,039
Average interest rate of borrowings		4.7%	4.1%

NOTES TO THE FINANCIAL STATEMENTS

cont'd

9. BORROWINGS (cont'd)

9.1 Secured syndicated credit facilities of RM815.9 million

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

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

The financing facilities are secured by debenture incorporating fixed and floating charge over all present and future assets of Pavilion REIT Venture Capital Sdn. Bhd. and a guarantee and indemnity from the Trustee as trustee acting for and on behalf of Pavilion REIT.

The tenure of the syndicated credit facilities have been extended to another five years from 7 December 2022 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 2023 onwards.

The revolving term loans are secured over Pavilion Kuala Lumpur Mall and Pavilion Tower as disclosed in Note 5 and an amount of RM23,869,000 (2022: RM23,202,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

9.2 Medium term notes of RM8.0 billion

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

The medium term notes are secured over Pavilion Kuala Lumpur Mall, Pavilion Tower and Pavilion Bukit Jalil as disclosed in Note 5 and an amount of RM67,053,000 (2022: RM36,223,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

9.3 Gearing/Borrowings ratio

The gearing/borrowings ratio as disclosed here is in accordance with the Securities Commission's Guidelines on Listed Real Estate Investment Trusts which defines it as the ratio of the total borrowings or financing facilities, including borrowings or financing through issuance of debt securities or sukuk, and deferred arrangements to the total asset value.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

9. BORROWINGS (cont'd)

9.3 Gearing/Borrowings ratio (cont'd)

The gearing/borrowings ratio is calculated based on total borrowings of RM3,390,949,000 (2022: RM2,194,039,000) and deferred payment of RM374,949,000 (2022: nil), over total assets of RM8,998,489,000 (2022: RM6,483,176,000).

	2023	2022
Gearing/Borrowings ratio	41.9%	33.8%

9.4 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 RM'000	At 31 December RM'000
2023				
Secured syndicated term loan	723,267	(50,000)	-	673,267
Unrated medium term notes	1,475,000	1,250,000	-	2,725,000
Less: Unamortised transaction costs	(4,228)	(5,063)	1,973	(7,318)
	2,194,039	1,194,937	1,973	3,390,949
2022				
Secured syndicated term loan	683,267	40,000	-	723,267
Unrated medium term notes	1,495,000	(20,000)	-	1,475,000
Less: Unamortised transaction costs	(4,969)	(724)	1,465	(4,228)
	2,173,298	19,276	1,465	2,194,039

10. PAYABLES AND ACCRUALS

	Note	2023 RM'000	2022 RM'000
Non-current			
Trade			
Tenants' deposits	10.1	84,448	44,313
		84,448	44,313

NOTES TO THE FINANCIAL STATEMENTS

cont'd

10. PAYABLES AND ACCRUALS (cont'd)

	Note	2023 RM'000	2022 RM'000
Current			
Trade			
Trade payables		16,063	13,328
Tenants' deposits	10.1	74,608	72,271
		90,671	85,599
Non-trade			
Payable relating to acquisition of property	10.2	384,949	-
Other payables and accrued expenses	10.3	116,006	99,218
		591,626	184,817
		676,074	229,130

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

10.2 This is payable to Regal Path Sdn. Bhd., a related party (see Note 23), being an amount of RM10,000,000 defects rectification payment and an amount of RM400,000,000 being the balance of the purchase price for the acquisition of Pavilion Bukit Jalil which is payable only upon Pavilion Bukit Jalil meeting a targeted Net Property Income ("NPI") of RM146,000,000 on or before June 2025. The Directors of the Manager expect the targeted NPI of RM146,000,000 to be met on or before June 2025 and have accrued for the balance purchase price, discounted at a rate of 4.7% on initial recognition.

The sum of RM400,000,000 is payable either in cash or in units. Should the payment be in units, the price of the units payable shall be based on the bookbuilding price in the event placement exercises are undertaken by Pavilion REIT, or otherwise based on the 5-day volume weighted average market price of the units up to and including the day preceding the day in which Pavilion REIT decides to issue units as settlement of the balance purchase price.

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

	2023 RM'000	2022 RM'000
The Manager	8,385	6,160
Trustee	48	41
Urusharta Cemerlang (KL) Sdn. Bhd.	2,380	2,380
	10,813	8,581

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

Amount due to Urusharta Cemerlang (KL) Sdn. Bhd., a related party (see Note 23), 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

11. TOTAL UNITHOLDERS' FUNDS

11.1 Unitholders' capital

	2023 Number of units '000	2022 Number of units '000
Issued and fully paid with no par value		
At 1 January	3,055,722	3,050,059
Manager's management fees paid in units	6,452	5,663
Units issued to fund the acquisition of investment property	590,164	-
At 31 December	3,652,338	3,055,722
	2023 RM'000	2022 RM'000
Issued and fully paid with no par value		
At 1 January	2,952,256	2,945,255
Manager's management fees paid in units	7,978	7,001
Units issued to fund the acquisition of investment property	720,000	-
Expenses incurred for placement exercise	(17,847)	-
At 31 December	3,662,387	2,952,256

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

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

	Number of units '000	Amount RM'000
2023		
Issued at:		
i) RM1.2934 per unit for entitlement for the 6 months ended 31 December 2022	3,034	3,925
ii) RM1.1859 per unit for entitlement for the 6 months ended 30 June 2023	3,418	4,053
Total Manager's fees paid in units and RM	6,452	7,978
iii) Issuance of new units at RM1.2200 per unit to fund the acquisition of new investment property on 1 June 2023	590,164	720,000
	596,616	727,978

NOTES TO THE FINANCIAL STATEMENTS

cont'd

11. TOTAL UNITHOLDERS' FUNDS (cont'd)

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

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

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

	2023		2022	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
<i>Pavilion REIT's substantial unitholders' direct unitholdings in Pavilion REIT:</i>				
Qatar Holding LLC	1,008,900	1,220,769	1,008,900	1,220,769
Tan Sri Lim Siew Choon	845,425	1,022,964	845,425	1,022,964
Puan Sri Tan Kewi Yong	281,875	341,069	281,875	341,069
Employees Provident Fund Board	396,072	479,247	307,325	371,863
Kumpulan Wang Persaraan (Diperbadankan)	41,117	49,752	184,722	223,514
<i>The Manager's direct unitholdings in Pavilion REIT</i>	22,680	27,443	16,227	19,635

	2023		2022	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
<i>The Manager's Directors' direct unitholdings in Pavilion REIT:</i>				
Tan Sri Lim Siew Choon	845,425	1,022,964	845,425	1,022,964
Puan Sri Tan Kewi Yong	281,875	341,069	281,875	341,069
Dato' Lee Tuck Fook	100	121	100	121
Navid Chamdia	100	121	100	121
Ooi Ah Heong (resigned on 3.1.2023)	N/A	NA	100	121
Dato' Maznah Binti Abdul Jalil (retired on 28.7.2023)	N/A	N/A	100	121

Notes:

The market value of the units was computed based on the closing market price as at 31 December 2023 of RM1.21 (2022: RM1.21).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12. REVENUE FROM CONTRACT CUSTOMERS

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

Included in revenue from contract customer is advertisement revenue of approximately RM36,652,000 (2022: RM31,231,000).

Pavilion REIT applies the following practical expedients:

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

13. MANAGER'S MANAGEMENT FEES

	2023 RM'000	2022 RM'000
Base fee	24,151	19,449
Performance fee	13,774	10,926
	37,925	30,375
Acquisition fee	22,000	-

During the financial year, the Manager received a base fee of 0.3% (2022: 0.3%) per annum of the Total Asset Value of Pavilion REIT, a performance fee of 3.0% (2022: 3.0%) per annum of Net Property Income.

Acquisition fee of 1.0% (2022: nil) of transaction value in relation to the acquisition of Pavilion Bukit Jalil was capitalized as part of the acquisition cost of investment properties as disclosed in Note 5.

Manager's management fees payable in units amounts to RM9,481,000 (2022: RM7,594,000) which represents 25% (2022: 25%) of the total manager's management fees payable.

14. BORROWING COSTS

	2023 RM'000	2022 RM'000
Interest expense	142,610	90,521
Amortisation of transaction costs	1,973	1,465
	144,583	91,986

NOTES TO THE FINANCIAL STATEMENTS

cont'd

15. TAX EXPENSE

15.1 Reconciliation of tax expense

	2023 RM'000	2022 RM'000
Income before taxation	431,795	397,799
Income tax using Malaysian tax rate of 24% (2022: 24%)	103,631	95,471
Non-deductible expenses	6,642	3,989
Non-taxable income	(37,906)	(37,897)
Effect of income exempted from tax	(72,367)	(61,563)
	-	-

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 at least 90% of its total income (as defined in the Act) to its unitholders for the financial year ended 31 December 2023, no provision for taxation has been made for the current year.

15.2 Material accounting policy information

Where investment properties are carried at their fair values, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying values 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.

15.3 Significant judgement

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

16. EARNINGS PER UNIT - BASIC AND DILUTED

The calculation of earnings per unit is based on income after taxation attributable to unitholders for the year of RM431,795,000 (2022: RM397,799,000) divided by the weighted average number of units in circulation during the year of 3,405,656,184 (2022: 3,053,556,965).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

17. DISTRIBUTION TO UNITHOLDERS

Distribution to unitholders is from the following sources:

	2023 RM'000	2022 RM'000
Rental income	651,424	498,914
Revenue from contract customers	46,610	38,269
Other income	25,777	14,166
Net fair value changes on investment properties	146,534	151,381
Interest income	11,405	6,523
	881,750	709,253
Less: Total expenses	(449,955)	(311,454)
	431,795	397,799
Distribution adjustments	(124,392)	(141,988)
Distributable income	307,403	255,811
Final distribution paid (2022/2021)	131,090	78,692
Interim distribution paid (2023/2022)	139,377	124,554
Distribution to unitholders	270,467	203,246
	2023	2022
Interim distribution per unit (sen)	4.41	4.08
Final distribution per unit (sen)	4.60*	4.29
Net distribution per unit** (sen)	9.01	8.37

* The final distributable income for the 6 months ended 31 December 2023 is proposed to be 4.60 sen per unit or RM168.0 million to be payable on 29 February 2024.

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

	Withholding tax rate	
	2023	2022
Resident corporate	N/A^	N/A^
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

^ to tax at prevailing rate

NOTES TO THE FINANCIAL STATEMENTS

cont'd

18. MANAGEMENT EXPENSE RATIO

	2023	2022
Management expense ratio ("MER") (%)	1.27	0.80

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.

The increase compared to the prior year is due to the acquisition fee (Note 1(b)(iv)) of RM22 million paid to the Manager relating to the acquisition of Pavilion Bukit Jalil.

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

19. OPERATING SEGMENTS

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

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

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

	Retail RM'000	Office RM'000	Total RM'000
For the year ended 31 December 2023			
Segment profit	456,152	2,959	459,111
<i>Included in the measure of segment profit are:</i>			
Gross revenue	714,576	9,235	723,811
Property expenses	258,424	6,276	264,700
Net measurement of impairment loss	7,549	252	7,801
At 31 December 2023			
Segment assets and liabilities			
Segment assets	8,776,458	131,109	8,907,567
Segment liabilities	4,025,837	32,221	4,058,058
For the year ended 31 December 2023			
<i>Included in the measure of segment assets and liabilities are:</i>			
Additions to non-current assets	2,201,519	-	2,201,519
Net fair value changes to non-current assets	146,534	-	146,534

NOTES TO THE FINANCIAL STATEMENTS

cont'd

19. OPERATING SEGMENTS (cont'd)

	Retail RM'000	Office RM'000	Total RM'000
For the year ended 31 December 2022			
Segment profit	360,121	4,080	364,201
<i>Included in the measure of segment profit are:</i>			
Gross revenue	541,837	9,512	551,349
Property expenses	181,716	5,432	187,148
Net measurement of impairment loss	4,868	(90)	4,778
At 31 December 2022			
Segment assets and liabilities			
Segment assets	6,292,464	131,287	6,423,751
Segment liabilities	2,383,651	31,869	2,415,520
For the year ended 31 December 2022			
<i>Included in the measure of segment assets and liabilities are:</i>			
Additions to non-current assets	13,772	-	13,772
Net fair value changes to non-current assets	151,381	-	151,381
Reconciliation of reportable segment profit			
	2023 RM'000	2022 RM'000	
Total profit for reportable segments	459,111	364,201	
Net fair value changes on investment properties	146,534	151,381	
Interest income	11,405	6,523	
Trust expenses	(40,672)	(32,320)	
Borrowing costs	(144,583)	(91,986)	
Income before taxation	431,795	397,799	
Taxation	-	-	
Income after taxation	431,795	397,799	

NOTES TO THE FINANCIAL STATEMENTS

cont'd

19. OPERATING SEGMENTS (cont'd)

Reconciliation of reportable segment assets and liabilities

	Segment assets RM'000	Segment liabilities RM'000
2023		
Total reportable segments	8,907,567	(4,058,058)
Other non-allocated assets/(liabilities)	90,922	(8,965)
Total assets/(liabilities)	8,998,489	(4,067,023)
2022		
Total reportable segments	6,423,751	(2,415,520)
Other non-allocated assets/(liabilities)	59,425	(7,649)
Total assets/(liabilities)	6,483,176	(2,423,169)

Geographical information

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

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

	Carrying amounts RM'000	Amortised cost RM'000
2023		
Financial assets		
Receivables and deposits	51,793	51,793
Cash and bank balances	546,423	546,423
	598,216	598,216
Financial liabilities		
Payables and accruals	(676,074)	(676,074)
Borrowings	(3,390,949)	(3,390,949)
	(4,067,023)	(4,067,023)
2022		
Financial assets		
Receivables and deposits	39,695	39,695
Cash and bank balances	392,340	392,340
	432,035	432,035
Financial liabilities		
Payables and accruals	(229,130)	(229,130)
Borrowings	(2,194,039)	(2,194,039)
	(2,423,169)	(2,423,169)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

20. FINANCIAL INSTRUMENTS (cont'd)

20.2 Net gains and losses arising from financial instruments

	2023	2022
	RM'000	RM'000
Financial assets at amortised cost	3,604	1,745
Financial liabilities at amortised cost	(144,583)	(91,986)
	(140,979)	(90,241)

20.3 Financial risks management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

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

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to credit risk and credit quality

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

20. FINANCIAL INSTRUMENTS (cont'd)

20.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2023.

	Gross - carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2023			
Not past due	12,074	-	12,074
Past due	61,844	(29,057)	32,787
	73,918	(29,057)	44,861
2022			
Not past due	6,038	-	6,038
Past due	44,701	(21,247)	23,454
	50,739	(21,247)	29,492

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

	2023 RM'000	2022 RM'000
Balance at 1 January	21,247	18,662
Amount recovered/(written off)	9	(2,193)
Net remeasurement of loss allowance	7,801	4,778
Balance as at 31 December	29,057	21,247

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

20. FINANCIAL INSTRUMENTS (cont'd)

20.5 Liquidity risk

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

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2023						
Financial liabilities						
Borrowings	3,390,949	4.20 - 5.07	3,967,966	258,169	157,145	3,552,652
Payables and accruals	384,949	4.70	410,000	410,000	-	-
Payables and accruals	291,125	-	291,125	206,677	54,445	30,003
	4,067,023		4,669,091	874,846	211,590	3,582,655
2022						
Financial liabilities						
Borrowings	2,194,039	3.85 - 4.97	2,437,336	872,072	60,216	1,505,048
Payables and accruals	229,130	-	229,130	184,817	16,309	28,004
	2,423,169		2,666,466	1,056,889	76,525	1,533,052

20.6 Market risk

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

20.6.1 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

20. FINANCIAL INSTRUMENTS (cont'd)

20.6 Market risk (cont'd)

20.6.1 Interest rate risk (cont'd)

Exposure to interest rate risk

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

	2023 RM'000	2022 RM'000
Fixed rate instrument		
Financial asset - Deposits placed with licensed banks	190,483	176,538
Financial liabilities - Borrowings	(425,000)	(775,000)
Financial liabilities - Deferred payment	(374,949)	-
	(609,466)	(598,462)
Floating rate instruments		
Financial liabilities - Borrowings	(2,965,949)	(1,419,039)

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 2023 RM'000	100bp decrease 2023 RM'000	100bp increase 2022 RM'000	100bp decrease 2022 RM'000
Floating rate instruments	(29,659)	29,659	(14,190)	14,190

NOTES TO THE FINANCIAL STATEMENTS

cont'd

20. FINANCIAL INSTRUMENTS (cont'd)

20.7 Fair value information

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

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

	Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000
2023					
Financial liabilities					
Tenants' deposits	-	-	(153,898)	(153,898)	(159,056)
Borrowings	-	-	(3,331,715)	(3,331,715)	(3,390,949)
Other payables					
- Deferred payment	-	-	(400,000)	(400,000)	(374,949)
	-	-	(3,885,613)	(3,885,613)	(3,924,954)
2022					
Financial liabilities					
Tenants' deposits	-	-	(113,467)	(113,467)	(116,584)
Borrowings	-	-	(2,170,937)	(2,170,937)	(2,194,039)
	-	-	(2,284,404)	(2,284,404)	(2,310,623)

Level 3 fair value

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

Financial instruments not carried at fair value

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

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

21. CAPITAL MANAGEMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. CAPITAL MANAGEMENT (cont'd)

As at 31 December 2023, Pavilion REIT recorded a gearing/borrowings ratio of 41.9% (2022: 33.8%) and interest coverage ratio in excess of the minimum requirement (2022: in excess of the minimum requirement). The calculation of the gearing/borrowings ratio and interest coverage ratio is based on the definition stated in the Facility Agreements. Pavilion REIT has not breached the financial covenants.

Distribution Policy

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

22. CAPITAL COMMITMENTS

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

	2023 RM'000	2022 RM'000
Capital expenditure commitments		
Investment properties		
<i>Authorised and contracted for:</i>		
- Within one year	386	399

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	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Pavilion REIT Management Sdn. Bhd.	Rental income and its related charges	435	463	4	5
Malton Berhad Group *	Rental income and its related charges	2,587	2,576	174	6
Regal Path Sdn. Bhd. **	Acquisition of investment property and additional assets	(2,202,863)	-	(384,949)	-
Lumayan Indah Sdn. Bhd. ∞	Procurement of hotel related services	-	(2)	-	-
Impian Ekspresi Sdn. Bhd. ◇	Rental income and its related charges	800	975	136	62
Kuala Lumpur Pavilion Sdn. Bhd. ^	Expenses of MRT station naming rights fee and its related charges	(1,250)	(1,221)	-	-
Urusharta Cemerlang (KL) Sdn. Bhd. Δ	Reimbursement of electricity supply to Pavilion Suites	2,509	1,883	414	338
	Reimbursement of shared common cost	(13)	55	(13)	42
	Shared common property maintenance charge and sinking fund	(175)	(473)	-	-
Harmoni Perkasa Sdn. Bhd. α	Reimbursement of electricity supply to Pavilion Hotel	4,770	3,542	391	298
	Procurement of hotel related services	(782)	(23)	-	-
Pavilion Management (DTC) Sdn. Bhd. α	Rental income and its related charges	264	259	1	1
Makna Mujur Sdn. Bhd. Ω	Rental expense and its related charges	(42)	(42)	-	-

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.
- ** Regal Path Sdn. Bhd. is deemed party related to the Manager by virtue of the directorship and interest of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong, his spouse, in Malton Berhad.
- ∞ Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Lumayan Indah Sdn. Bhd. ("LISB").

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

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

- ^ Tan Sri Lim Siew Choon, Puan Sri Tan Kewi Yong and Dato' Lee Tuck Fook are directors of Kuala Lumpur Pavilion Sdn. Bhd.. Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong hold the entire issued and paid up share capital of Kuala Lumpur Pavilion Sdn. Bhd..

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

24. SIGNIFICANT EVENT

On 22 November 2022, the Board of Directors of Pavilion REIT Management Sdn Bhd ("Board"), the management company of Pavilion REIT ("Manager"), CIMB Investment Bank Berhad ("CIMB") and Maybank Investment Bank Berhad ("Maybank IB") announced that MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT, had on 22 November 2022 entered into a conditional sale and purchase agreement ("SPA") with Regal Path Sdn Bhd for the acquisition of Pavilion Bukit Jalil ("PBJ Mall") together with the related assets and rights for an aggregate purchase consideration of RM2,200 million ("Proposed Acquisition").

In conjunction with the Proposed Acquisition, the Board also proposed to undertake proposed placements of new units in Pavilion REIT ("Units") to raise gross proceeds of up to RM1,270 million at an issue price to be determined later by way of bookbuilding ("Proposed Placements") to partly fund the Proposed Acquisition and also defray the expenses relating to the Proposals.

The Proposed Acquisition and Proposed Placements were approved by the unitholders of Pavilion REIT at the Unitholders' Meeting held on 22 March 2023.

On 1 June 2023, the acquisition was completed upon meeting all the conditions precedent as set out in the SPA.

An addition to investment properties has been recognised amounting RM2,192,699,000 being the acquisition cost of PBJ Mall. As disclosed in Note 5 to the financial statements, the acquisition price comprised amounts paid in cash, acquisition costs, as well as balance consideration which is payable only upon meeting the requirements for defect rectification and a targeted Net Property Income of RM146,000,000 for the property on or before June 2025.

For the issuance of units for funding the acquisition, Tranche 1 placement has been completed following the listing of and quotation for 590,163,900 placement units on the Main Market of Bursa Securities on 1 June 2023. Based on the placement issue price of RM1.22 per placement unit, the gross proceeds raised from the Tranche 1 placement were approximately RM720 million.

As requirements has been met, payment for strata title of RM100 million has been made together with RM40 million as defects rectification payment in December 2023 to Regal Path Sdn. Bhd..

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 137 to 170 are drawn up in accordance with Malaysian Financial Reporting Standards and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), so as to give a true and fair view of the financial position of Pavilion Real Estate Investment Trust as at 31 December 2023 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: 24 January 2024

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 137 to 170 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 24 January 2024.

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 2023. 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 Listed 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 2023 are in line with and are reflective of the objectives of Pavilion REIT. Final income distribution of 4.60 sen per unit has been declared for the financial year ended 31 December 2023 and is payable on 29 February 2024.

For and on behalf of the Trustee,
MTrustee Berhad

Sufiah Ahmad
SVP, Compliance & Risk

Selangor,

Date: 24 January 2024

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 2023, 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 material accounting policy information, as set out on pages 137 to 170.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pavilion REIT as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting 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 Matters

Key audit matters are matters that, in our professional judgement, were of most significance in our audit of the financial statements of Pavilion REIT for the current year. This matters were 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 these matters.

Valuation of investment properties

Pavilion REIT owns a portfolio of investment properties comprising 5 shopping malls and an office block located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position.

These investment properties are stated at their fair values, which are estimated by Pavilion REIT Management Sdn. Bhd. ("the Manager") with the assistance of external valuers.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied.

This is a key audit matter because some of the key assumptions are unobservable and hence, required significant judgement from us.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust
(Incorporated in Malaysia)
cont'd

Key Audit Matters (cont'd)

Valuation of investment properties (cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the Manager's processes for the selection of the external valuers and the determination of the scope of work of the valuers.
- We read the valuation reports issued by the external valuers.
- We considered the qualifications and competencies of the external valuers.
- We compared the valuation methodologies used by the external valuers against those applied by other external valuers for similar types of property.
- We test checked the data provided to external valuers to lease agreements.
- We challenged the capitalisation rates used in the valuation by comparing them against historical rates and other internal and external sources.
- We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.

Acquisition of Pavilion Bukit Jalil

The acquisition of Pavilion Bukit Jalil ("PBJ") at the purchase consideration of RM2.2 billion is a significant transaction during the financial year.

The accounting for the new acquisition is complex as the acquisition involves conditional purchase consideration and is subject to the fulfilment of various conditions precedent under the sale and purchase agreement dated 22 November 2022 ("SPA").

This is a key audit matter due to the size of the transaction and the complexity and judgement involved.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We read the SPA to identify the completion date of the transaction, the amount of consideration paid and payable by Pavilion REIT and other clauses relating to recognition and measurement of the asset and liability arising from the acquisition.
- We vouched the consideration paid and payable to relevant supporting documentation.
- We performed a recomputation on the balance purchase consideration following the terms of the SPA.
- We assessed the reasonableness of the discount rate used on the computation of the balance purchase consideration.
- We tested journal entries for unusual or irregular transactions relating to investment property recognition.

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.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust (Incorporated in Malaysia) cont'd

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 IFRS Accounting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of Pavilion REIT that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Pavilion REIT, the Manager is responsible for assessing the ability of Pavilion REIT to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate Pavilion REIT or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of Pavilion REIT as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of Pavilion REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Pavilion REIT.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Pavilion REIT to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of Pavilion REIT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Pavilion REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of Pavilion REIT, including the disclosures, and whether the financial statements of Pavilion REIT represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Pavilion REIT to express an opinion on the financial statements of Pavilion REIT. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust

(Incorporated in Malaysia)

cont'd

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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.

OTHER MATTER

This report is made solely to the unitholders of Pavilion REIT, as a body, in accordance with the trust deed of Pavilion REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

(LLP0010081-LCA & AF 0758)

Chartered Accountants

Petaling Jaya

Date: 24 January 2024

Thong Foo Vung

Approval Number: 02867/08/2024 J

Chartered Accountant



Section 8:

ADDITIONAL INFORMATION

Section 8.1	Analysis of Unitholdings	178
Section 8.2	Market Overview	181
Section 8.3	Additional Compliance Information	206
Section 8.4	Corporate Information	207
Section 8.5	Sustainability Key Performance Data	209
Section 8.6	Sustainability Performance Report (Bursa LINK)	218
Section 8.7	Sustainability Assurance Statement	222
Section 8.8	GRI Content Index	225
Section 8.9	Glossary	231
Section 8.10	Notice of Annual General Meeting	232
Section 8.11	Administrative Guide	235

ANALYSIS OF UNITHOLDINGS

DISTRIBUTION OF UNITHOLDINGS AS AT 31 JANUARY 2024

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Unitholdings
Less than 100	114	0.70	1,657	0.00
100 - 1,000	3,714	22.71	2,370,750	0.06
1,001 - 10,000	8,681	53.08	41,417,033	1.13
10,001 - 100,000	3,264	19.96	101,779,826	2.79
100,001 to less than 5% of issued units	577	3.53	1,215,382,993	33.28
5% and above of issued units	4	0.02	2,291,385,842	62.74
Total	16,534	100.00	3,652,338,101	100.00

THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS AS AT 31 JANUARY 2024

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	27.62
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	18.90
3.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	310,385,842	8.50
4.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - CIMB Investment Bank Berhad for Tan Kewi Yong (UCDSB-SSCA)</i>	281,775,000	7.71
5.	Kumpulan Wang Persaraan (Diperbadankan)	170,705,500	4.67
6.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - Ambank (M) Berhad for Lim Siew Choon</i>	155,000,000	4.24
7.	Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera</i>	73,132,100	2.00
8.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (AHAM AM)</i>	38,948,500	1.07
9.	Permodalan Nasional Berhad	34,571,800	0.95
10.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (CIMB Prin)</i>	31,255,575	0.86
11.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Nomura)</i>	28,451,600	0.78
12.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt an for AIA Bhd.</i>	24,593,300	0.67
13.	Pavilion REIT Management Sdn Bhd	22,679,801	0.62
14.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (NP-Other-REITS)</i>	22,134,500	0.61

ANALYSIS OF UNITHOLDINGS

cont'd

THIRTY LARGEST UNITHOLDERS AS PER RECORD OF DEPOSITORS AS AT 31 JANUARY 2024 (cont'd)

No	Name of Unitholders	No. of Units	%
15.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Exempt an for AHAM Asset Management Berhad (TSTAC/CLNTT)</i>	19,239,800	0.53
16.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)</i>	19,068,900	0.52
17.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Principal Eqits)</i>	17,288,100	0.47
18.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Manulife Insurance Berhad (Equity Fund)</i>	15,832,400	0.43
19.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)</i>	14,133,200	0.39
20.	Amanahraya Trustees Berhad <i>Amanah Saham Malaysia 2 - Wawasan</i>	14,000,000	0.38
21.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (Life Par)</i>	13,795,500	0.38
22.	Lembaga Tabung Angkatan Tentera	12,997,900	0.36
23.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (LSF)</i>	12,214,800	0.33
24.	Citigroup Nominees (Asing) Sdn Bhd <i>UBS AG</i>	11,878,593	0.33
25.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (LEEF)</i>	10,850,000	0.30
26.	Maybank Nominees (Tempatan) Sdn Bhd <i>AHAM Asset Management Berhad for Hong Leong Assurance Berhad (PAR-220082)</i>	10,424,700	0.29
27.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)</i>	8,797,800	0.24
28.	HSBC Nominees (Asing) Sdn Bhd <i>J.P. Morgan Securities PLC</i>	8,772,861	0.24
29.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Zurich General Insurance Malaysia Berhad (GI-REITS)</i>	8,463,600	0.23
30.	Maybank Nominees (Tempatan) Sdn Bhd <i>RHB Trustees Berhad for Areca Global Emerging Momentum Fund 2 (440965)</i>	8,196,700	0.22

ANALYSIS OF UNITHOLDINGS

cont'd

MAJOR UNITHOLDERS AS AT 31 JANUARY 2024

No	Name of Unitholders	Direct Interest No. of Units	%	Deemed Interest No. of Units	%
1.	Qatar Holding LLC	1,008,900,000	27.62	-	-
2.	Tan Sri Lim Siew Choon	845,425,000	23.15	-	-
3.	Puan Sri Tan Kewi Yong	281,875,000	7.72	-	-
4.	Employee Provident Fund Board	396,072,117	10.84	-	-

UNITHOLDINGS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AS AT 31 JANUARY 2024

No	Name of Unitholder	Direct Interest No. of Units	%	Deemed Interest No. of Units	%
1.	Tan Sri Lim Siew Choon	845,425,000	23.15	-	-
2.	Puan Sri Tan Kewi Yong	281,875,000	7.72	-	-
3.	Dato' Lee Tuck Fook	100,000	*	-	-
4.	Navid Chamdia	100,000	*	-	-
5.	Dato' Philip Ho Yew Hong	125,000	*	-	-

*: Negligible

MARKET OVERVIEW

GENERAL ECONOMIC OVERVIEW 2023 & OUTLOOK FOR 2024

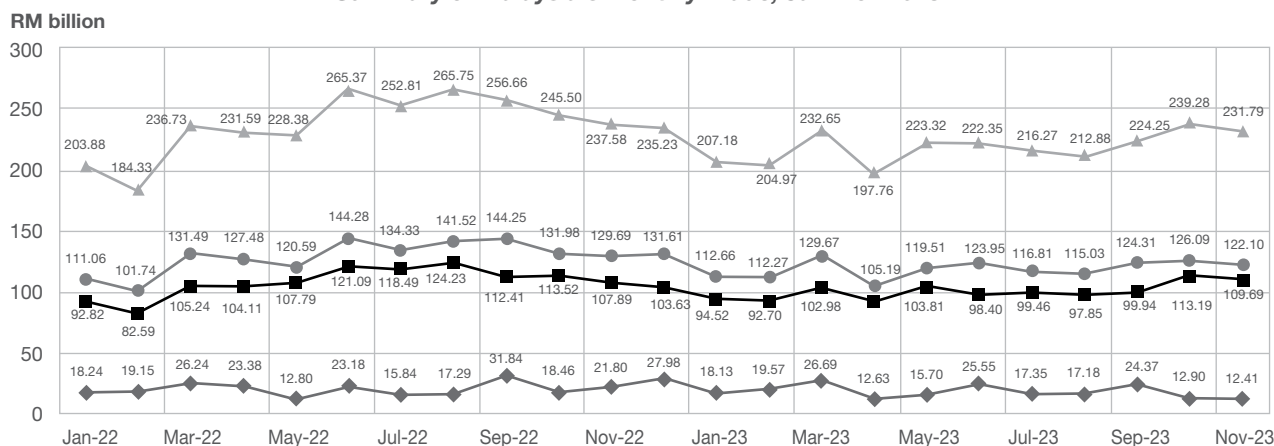
After chalking up an impressive 8.7% GDP growth in 2022, marking a strong recovery from the pandemic hit years of 2020 – 21, Malaysia's economic growth moderated in 2023, rising 3.9% in the first nine months of 2023 (compared to 9.2% in the corresponding period in 2022), weighed down by a contraction in the country's total trade but fortunately bolstered by resilient domestic demand as well as private and public expenditure. The government has expressed its confidence in achieving the growth forecast of between 4% and 5% for the year.

On the global front, the International Monetary Fund (IMF) has forecast that growth in 2023 will decelerate to 3.0%, down from 3.5% in 2022 and will further slow down to 2.9% in 2024, well below the historical average of 3.8% (2000-2019). The continuing war in Ukraine which is now into its second year and the conflict between Israel and Palestine in Gaza as well as economic issues faced by leading economies like USA, China and Europe all weigh down on economic growth.

The country managed to secure approved investments amounting to RM225 billion in the first nine months of 2023 which exceeded the full year target set earlier and is higher than the ten- year average of RM222.6 billion. Foreign direct investments (FDIs) contributed 55.9% or RM125.7 billion with the Netherlands leading the pack followed by Singapore, the United States, China and Japan. Domestic direct investments (DDIs) on the other hand made up 44.1% of the total, amounting to RM99.3 billion. The services sector attracted RM117.7 billion worth of investments, constituting 52.3% of total investments whilst the manufacturing sector contributed RM99.8 billion or 44.4%. Kuala Lumpur (RM48.9 billion), Penang (RM44.9 billion) and Selangor (RM41.6 billion) were the top three investment destinations.

Malaysia's trade performance for the eleven-month period January to November 2023 registered a decline of 7.7% to RM2.4 trillion compared to the same period the year before, in line with the drop in exports (down by 7.8% y.o.y.) as well as imports (down by 7.1% y.o.y.) The trade surplus also recorded a decrease of 11.3%. It is noted that exports and imports have declined monthly since March. Overall, trade performance for full year 2023 is expected to register a contraction. For 2024, economists are however confident that the trade performance will show an improvement, riding on the anticipated resurgence of China's economy and the implementation of the National Industrial Master Plan.

Summary of Malaysia's Monthly Trade, Jan-Nov 2023



Growth m-o-m (%)												Growth y-o-y (%)											
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	
Exports	-14.4	-0.3	15.5	-18.9	13.6	3.7	-5.8	-1.5	8.1	1.4	-3.2	1.4	10.3	-1.4	-17.5	-0.9	-14.1	-13.0	-18.7	-13.8	-4.5	-5.9	
Imports	-8.8	-1.9	11.1	-10.1	12.1	-5.2	1.1	-1.6	2.1	13.3	-3.1	1.8	12.2	-2.2	-11.1	-3.7	-18.7	-16.1	-21.2	-11.1	-0.3	1.7	
Trade Balance	-35.2	7.9	36.4	-52.7	24.3	62.7	-32.1	-1.0	41.9	-47.1	-3.8	-0.6	2.2	1.7	-46.0	22.7	10.2	9.6	-0.6	-23.4	-30.1	-43.1	
Total Trade	-11.9	-1.1	13.5	-15.0	12.9	-0.4	-2.7	-1.6	5.3	6.7	-3.1	1.6	11.2	-1.7	-14.6	-2.2	-16.2	-14.5	-19.9	-12.6	-2.5	-2.4	

Source: Matrade

MARKET OVERVIEW

cont'd

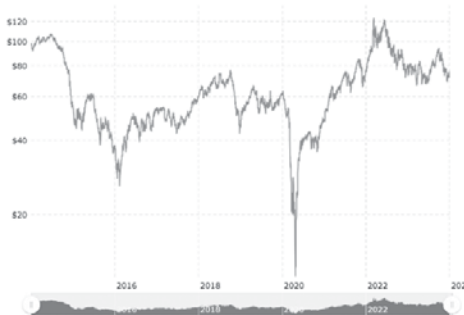
Meanwhile Malaysia's industrial production index (IPI) increased by 2.7% y.o.y. in October compared to a negative 0.5% the month before. In November, the IPI went up further by 4.8%, boosted by an uptick in the manufacturing, mining and electricity sectors.

Malaysia Industrial Production Index Jan – Oct 2023



Source: Trading Economics / DOSM

Crude oil price movement 2014-2023



Source: Macrotrends

Crude oil prices have rebounded from the lows of 2022 in the aftermath of the COVID-19 pandemic and recovered and touched a peak of US\$122.11 on 17 June 2022. In 2023, the performance of crude oil was however more muted, starting off at US\$80.26 on 2 January and managing to breach the US\$95 mark in September before settling down at US\$71.33 on 29 December 2023. Although OPEC+ has reached an agreement to support prices, the continued weak economic performance of leading economies, the strong US dollar as well as the easing of sanctions on Venezuelan oil may restrain prices from breaching the US\$100 level.

The Malaysian Ringgit was the worst performing currency in Asia in 2023, after the Japanese yen, falling to its lowest level since the days of the Asian currency crisis in 1997-98. External factors such as the strong US dollar, the Federal Reserve's monetary policy direction and a weak Chinese economy all contributed to the weak Ringgit. Meanwhile the weak Ringgit has helped to make Malaysian exports as well as tourism more attractive although trade figures does not show that the weaker Ringgit has translated into higher exports for the country. The country recorded 26 million tourist arrivals between January and November 15 this year and has exceeded the target set by the Ministry of Tourism, Arts and Culture. With the government's plan to make 2025 Visit Malaysia Year (now rescheduled to 2026) as well as the recent announcement by the government to introduce visa free arrivals for several countries including China and India, the weaker Ringgit will certainly help to boost tourist arrivals to the country.

Performance of MYR (Jan – Dec 2023)

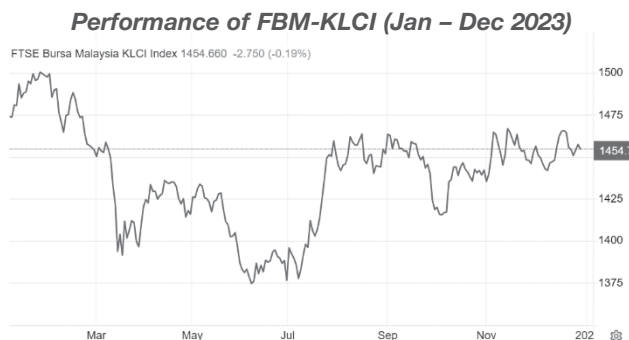


Source: Trading Economics

MARKET OVERVIEW

cont'd

The FBM KLCI started off strongly at the beginning of the year but went through a series of ups and downs between March and July before starting a recovery in August. The index kicked off 2023 by closing at 1,473.99 points on 3 January and closed down at 1,454.66 points on 29 December 2023, the last trading day of the year. The performance of the bourse was largely affected by negative sentiments arising from global events such as the ongoing war in Ukraine, the outbreak of hostilities in the Middle East between Israel and Palestinian Hamas as well as the uncertainty of the recovery of the Chinese economy and the weak Ringgit. Analysts however believe that the equities market will perform better in 2024 in view of the continued positive economic growth, expected improvements in corporate earnings and favourable government policy initiatives.



Source: Trading Economics

Locally, the Malaysian political situation appeared to have stabilized although there are still reported attempts by the opposition to topple the unity government amidst the continuing green wave in recent by elections. The regaining of a two-thirds majority in Parliament has put the government in a stronger position and raises hope that the government will now be able to focus on nurturing economic growth as well as implementing much needed political and economic reforms to strengthen and ensure the long-term sustainability of the country's economic prosperity.

Despite the weak Ringgit, BNM has not raised the OPR and has maintained the rate at 3% since the last increase in May 2023. This is positive for businesses and supportive of economic growth. Economists are projecting that BNM will keep the OPR at this level for the whole of 2024.

Malaysia's Overnight Policy Rate Movement 2023

Date	Change in OPR (%)	New OPR level (%)
02 Nov 2023	0	3.00
07 Sep 2023	0	3.00
06 Jul 2023	0	3.00
03 May 2023	+0.25	3.00
09 Mar 2023	0	2.75
19 Jan 2023	0	2.75

Source: BNM

MARKET OVERVIEW

cont'd

THE RETAIL SECTOR

Klang Valley - Supply & Demand of Retail Space in 2023

As at December 2023, the Klang Valley (covering Kuala Lumpur, Selangor and Putrajaya) had 285 shopping centres with a total supply of more than 87 million square feet of retail space as detailed out in the table below:

Retail Supply and Demand in Klang Valley, 2023

No.	Location	No. of Malls [#]	Total Nett Floor Area (sq ft)	Average Rental Rate (RM psf/mth [*]	Average Occupancy Rate (%)
1	Kuala Lumpur	122	40,747,826	12.03	73.9
2	Selangor	160	45,478,456	10.93	73.6
3	Putrajaya	3	1,018,000	13.11	75.4
	TOTAL	285	87,244,282	11.47	73.8

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

The average occupancy rate of shopping centres in the Klang Valley improved moderately from 72.4% in 2022 to 73.8% in 2023 because of the improved retail market and employment situation. The average occupancy rate of shopping centres in Kuala Lumpur was maintained at 73.9% in 2023. Shoppers have generally returned to all shopping centres after almost three years of disruption during the COVID-19 pandemic. Although new shopping centres that opened over the last 3 years did not achieve high occupancy rates during their initial opening, new shops nevertheless continued to open on a monthly basis. On the other hand, the average occupancy rate of shopping centres in Selangor improved from 71.1% in 2022 to 73.6% in 2023. New shopping centres that opened in the last 3 years have achieved better occupancy rates. The average occupancy rate of shopping centres in Putrajaya rose from 73.5% in 2022 to 75.4% in 2023.

The average rental rate for Klang Valley shopping centres dropped marginally from RM11.60 psf per month in 2022 to RM11.47 psf per month in 2023. This average did not include rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley, etc.

Although shopping traffic has returned to pre-COVID-19 levels in 2023, many retail landlords still needed to offer attractive rental packages to new retailers due to intense competition especially with the opening of a number of new malls over the past few years. Nevertheless, rental rates of retail lots in prominent locations within the shopping centres continued to improve because many retailers preferred to pay higher rentals for prime shops rather than cheaper rentals at upper levels where shopper traffic tend to be less. At the same time, rental rates of upper floors of shopping centres declined as many retailers at upper levels suffered greatly during the lockdown periods.

MARKET OVERVIEW

cont'd

New Shopping Centre Opening in 2023

Three large shopping centres were opened in 2023 with a total nett floor area of more than 2.5 million sq ft. They included:

New Shopping Centres in Klang Valley for the Year 2023

No.	Name	Location	Nett Floor Area (sq ft)
1	Pavilion Damansara Heights Mall	Damansara Heights	533,361
2	The Exchange TRX	Jalan Tun Razak	1,300,000
3	KSL Esplanade Mall	Klang	700,000
	TOTAL		2,533,361

Source: Henry Butcher Retail

- Pavilion Damansara Heights Mall opened Phase 1 of the shopping centre on 9 October 2023. Anchor tenants included The Food Merchant, Harvey Norman and ALL IT Hypermarket. It achieved a take-up rate of 80% upon opening and targeted at least 100 retail shops to open by the end of the year.
- The Exchange TRX opened on 29 November 2023. Anchor tenants included Seibu and Mercato. Many international brands opened their first stores in this upmarket shopping centre. They included Acqua di Parma, Drunk Elephant, Gentle Monster, Heytea, Maison Kitsune, Marimekko, Mil Toast House, Reborn Coffee, Alo Yoga, Topsy Flamingo, Yomaro, FRED and Seibu. A unique feature of this mall is the 10-acre public park located on the roof top of the shopping centre. This shopping mall achieved a 95% take-up rate during its opening.
- KSL Esplanade Mall, located at the southern part of Klang, opened on 31 May 2023. Major tenants include Star Grocer, Al-Ikhsan Sports, Putien, Loong Sing Restaurant, Pets Wonderland, Happy Fish Swimming School, EnerG X Park, Xctive Kidz, Xroller, etc. It achieved a 75% take-up rate during opening.

Performance of Klang Valley Shopping Centres in 2023

Post COVID-19 Pandemic

Similar to the second half of 2022, shopping traffic of most shopping centres in the Klang Valley in 2023 have generally returned to 2019 levels. For the year, shopping centres in cities, towns and tourist attractions enjoyed good business during long weekends, public holidays and festivals. Malaysians from all parts of the country travelled for shopping, gatherings and meetings in the Klang Valley. Foreign workers returned to KLCC and Bukit Bintang shopping districts during the Hari Raya holidays. The weak Ringgit and higher cost of airfares from the third quarter of 2023 led to many Malaysians spending their holidays within Malaysia.

Artisan markets held on weekends in shopping centres within the Klang Valley were highly popular. They offered a wide variety of merchandise not usually found in retail shops within shopping centres. They drew large crowds to the shopping centres. During the recent Christmas and New Year celebrations, major shopping centres throughout the Klang Valley were packed with shoppers. Traffic jams in shopping mall car parks were common during peak shopping hours.

MARKET OVERVIEW

cont'd

Major New Retail Openings

There were numerous major openings in 2023:

- a) NSK Trade City opened at The Square @ One City in USJ25 on 1 January 2023. It replaced SKM Market as the shopping centre's grocery anchor.
- b) Giant Pekan Rawang which closed down in 2019 re-opened in August 2023.
- c) iN Design Lab, a 40,000 sq ft renovation mart, opened in INC KL Eco City (formerly known as KL Eco City Mall) during the month of August.
- d) Tsutaya Bookstore from Japan opened its second outlet in Malaysia at Intermark Mall in October.
- e) MBO re-opened in Harbour Place Klang during October after closing during the COVID-19 pandemic.
- f) The first Uniqlo in Malaysia re-opened in Fahrenheit 88 during November after a major renovation. The first Uniqlo Coffee was added in the new store.
- g) Velvet Cinemas is a boutique cinema operated by GSC. It opened in 163 Retail Park in November.
- h) The indoor rainforest park in One Utama Phase 2 was refurbished into an outdoor adventure park called Treetop Adventure in November.
- i) In December, a brand-new Ferrari car showroom by Ital Auto was opened on the ground floor of Shoppes at Four Seasons Place.
- j) Jaya Grocer opened in BMC Mall on December 15. It is the second grocery operator in the shopping centre after NSK Trade City.
- k) Pier8 in southern Klang secured Hero Market as its anchor tenant and will be ready for opening in 2024.

Major Replacements and Closures

There were many large-format store replacements and closures during the year:

- a) AEON Maxvalue closed its outlet in Seventeen Mall during February 2023.
- b) Village Grocer replaced Redtick as its grocery anchor in Gamuda Walk in the month of March.
- c) NSK Trade City replaced Giant hypermarket in Klang Sentral in March 2023.
- d) NSK Grocer replaced Hero Market in Berjaya Times Square during the month of April.
- e) After closing down its hypermarket in Subang USJ in 2022, Giant re-opened in April 2023. Other major tenants include Decathlon and SSF Home Furnishing.
- f) Don Don Donki closed down in Tropicana Gardens Mall during the month of May after operating for less than 2 years.
- g) After 9 years of operation, Parkson closed down its outlet in Nu Sentral in May 2023.
- h) In July, AEON closed down in Sunway Pyramid after 16 years of operation. Jaya Grocer will replace part of the anchor space. Jaya Grocer opened a pop-up store in October.
- i) Village Grocer replaced Mercato in Hartamas Shopping Centre during August 2023.

MARKET OVERVIEW

cont'd

- j) GSC closed down its cineplex located in Alamanda Shopping Centre during August.
- k) In September, Urban Marketplace replaced AEON as the grocery anchor in Seventeen Mall.
- l) Lulu Hypermarket and Department Store in Setia City Mall Phase 2 closed down in October. AEON will take up this vacated anchor tenant space.
- m) GSC Cineplex closed down in Berjaya Times Square on November 26. This cineplex space will be replaced by MMCineplexes.
- n) Giant Mall Kelana Jaya closed down on 26 November 2023. This shopping centre will be redeveloped by the new land owner, UEM Sunrise Berhad.
- o) After Parkson vacated the anchor space in Nu Sentral, it was replaced partly by Uniqlo in December.
- p) In December, NSK Grocer replaced Giant as its grocery anchor tenant in Summit USJ.

Sale and Refurbishment

Several sales and refurbishments of retail stores took place during the year:

- a) In February 2023, Dairy Farm International disposed its Giant brand in Malaysia for an undisclosed sum to a Malaysian company led by Datuk Andrew Lim of Sogo.
- b) Sunway REIT acquired 5 Giant hypermarket malls in Klang Valley from KWSP in March 2023. The 5 Giant hypermarkets are located in Bandar Kinrara, Putra Heights, Subang USJ, Klang and Ulu Kelang.
- c) In April, KWSP sold Giant Klang Sentral to NSK Trading Sdn Bhd for an estimated RM60 million.
- d) During the month of May, KWSP sold its 9-acre land occupied by Giant Mall Kelana Jaya to UEM Sunrise Berhad.
- e) Pavilion REIT concluded the purchase of Pavilion Bukit Jalil in June 2023.
- f) KIP-REIT purchased KIPMall Kota Warisan from Cahaya Serijaya Sdn Bhd for RM80 million in June 2023.
- g) Alamanda Shopping Centre started its major redevelopment in July and it is expected to be completed by the last quarter of 2024. This will add 50,000 sq ft of retail space.
- h) Under a new ownership, Empire Shopping Gallery was renamed as NU Empire from July 2023 after a mall upgrade.
- i) AEON Mall Cheras Selatan undertook a major refurbishment and re-opened on December 1, 2023.
- j) Boulevard Business Park in Jalan Kuching, Kuala Lumpur was sold for RM56 million in 2022. Johor-based general merchandise retailer, Cowboy, opened in this vacant shopping centre in December 2023.

Klang Valley Retail Market in 2023

By the end of 2022, Malaysia's retail industry has returned to 2019 sales levels. For 2023, the retail industry went through a normalisation period after historical high growth rates in 2022.

MARKET OVERVIEW

cont'd

Quarterly Retail Sales Performances

- a) For the first quarter of 2023, Malaysia's retail industry recorded a better-than-expected growth rate of 13.8% in retail sales, as compared to the same period in 2022. The strong growth rate was driven by Chinese New Year celebrations in January as well as the 1-month school holiday in February and March.
- b) The recovery of Malaysia's retail industry appears to have been sustainable since end of 2021. Shopping traffic has returned in all major shopping malls and commercial centres located across the country. Shoppers have returned to physical stores. Malaysian consumers were buying non-essential goods as well as dining in good quality cafes and restaurants.
- c) The purchasing power of most Malaysians has dropped during the first quarter of 2023 due to the higher cost of living. Malaysian consumers sought out discounts and offers by retailers and F&B operators as they try to maintain the quality of their lives.
- d) For the second quarter of 2023, the Malaysian retail industry recorded an unexpected decline of -4.0% in retail sales, as compared to a year ago. The weaker-than-expected result was attributed to two main factors- lower sales during Hari Raya festival and a high base effect.
- e) Hari Raya Aidilfitri in 2023 was celebrated nationwide on April 23. Although retail sales were encouraging, it was not comparable to a year ago. The Hari Raya festival a year ago was celebrated nationwide during the months of April and May. This period encouraged Malaysians of all races to shop outdoor after 2 years of lockdown.
- f) In 2022, shopping centres and main commercial centres throughout Malaysia started to attract large shopping crowds three weeks before Hari Raya. The shopping traffic in major shopping malls stayed at high levels even 2 weeks after the holidays ended.
- g) During the second quarter of 2022, retail sales expanded by 62.5%. It was one of the highest quarterly growth rate achieved in the history of Malaysia's retail industry. Therefore, the negative growth rate in the second quarter of 2023 was partly due to this high base effect.

Malaysia's Retail Sale and Other Economic Performances, 2023

Economic Indicator (%)	Q1	Q2	Q3	Q4	Q1-Q4
Retail sale	13.8	-4.0	2.7	(e) 2.1	(e) 2.8
GDP	5.6	2.9	3.3	NA	NA
Private consumption	5.9	4.3	4.6	NA	NA
Inflation rate	3.9	3.4	2.5	NA	NA

Notes:

NA - not available

(e) - estimate

Source: Retail Group Malaysia/ Bank Negara Malaysia

- h) For Q3 2023, Malaysia's retail industry achieved a better-than-expected growth rate of 2.7% in retail sales, as compared to the same period in 2022. During the same period a year ago, the retail industry expanded by 96.0% due to the re-opening of retail businesses after 2 years of lockdown.
- i) The quarterly growth rate of 96.0% in 2022 was the highest growth rate achieved in the history of Malaysia's retail industry. Therefore, the lower growth rate in the third quarter of 2023 was partly due to the high base effect.
- j) Although shopping traffic has returned to pre-Covid levels, the spending power has been weakened due to the rising cost of living. Although the average inflation rate eased during Q3, the prices of many basic necessities and consumer goods were higher compared to the pre-lockdown period.

MARKET OVERVIEW

cont'd

- k) The further weakening of the Malaysian currency during Q3 led to another round of price increases due to higher import costs of raw materials, semi-finished goods and finished retail goods.
- l) The relatively high interest rate also led to Malaysian house owners having to pay higher monthly instalments. This led to many Malaysians delaying the purchases of high-value consumer goods.
- m) For the fourth quarter of 2023, the estimated retail sales growth rate was 2.1%.
- n) Food prices continued to rise during the last quarter of this year. This affected both costs of cooking at home as well as dining out at restaurants. The higher cost of living continued to have a negative impact on the purchasing power of Malaysian consumers.
- o) The Israel-Hamas war that started in early October 2023 led to a boycott of many western brands with alleged links to Israel or those who purportedly pledged support to the Jewish state. Malaysian consumers avoided stepping into these retail stores and buying these brands from grocery retailers. This pro-longed boycott affected businesses of certain retail brands. At the same time, Malaysians switched to support Malaysian and other Asian brands.
- p) The spike in COVID-19 cases since the beginning of December is expected to affect retail spending during the year-end to a small extent as people start avoiding crowded places. The majority of Malaysian consumers however continued to visit popular shopping malls.
- q) The shopping traffic for the last 3 months of the year should be similar to 2022's level and Malaysian consumers should still be spending. However, the holiday sales would not be same as pre-COVID level due to the shortened school holidays. For this year, the year-end school holiday is only for two weeks.
- r) The RM100 eMadani handout was distributed to 10 million qualified Malaysians in December. This e-wallet handout would be able to stimulate retail spending at physical stores during the last month of the year.
- s) For the entire year, Retail Group Malaysia (RGM) estimated the retail sales growth rate at 2.8%.

Retailing Trends in the Klang Valley

In 2023, Klang Valley consumers were back to the pre-COVID shopping behaviour and patterns.

- a) Shopping centre visits have returned as a leisure pastime of Malaysian shoppers.
- b) Despite many Malaysians learning the skill to shop online during COVID-19 pandemic, they still wanted to visit physical retail outlets to see, feel and try the products.
- c) However, this did not mean online shopping was dead. It was still very much alive. Retailing today has become omni-channel. Traditional retailers cannot rely solely on physical stores to grow. They needed to provide multiple channels to reach out to modern consumers. Even online retailers were doing so. A Malaysian retailer needed to offer both physical and online stores as consumers can buy goods and services in multiple ways.
- d) Various cash handouts, vouchers and e-wallet incentives were distributed to Bottom 40% (B40) and Middle 40% (M40) Malaysians during the year after the revised Malaysia Budget 2023 was announced in February.
- e) The reduction of income tax by 2.0% for many employees in the M40 group channeled this extra money to retail spending on a monthly basis.
- f) Higher income tax (1.5% more) for the upper-income category did not have a major impact on the spending power of this group of people.

MARKET OVERVIEW

cont'd

- g) On 3 May 2023, Bank Negara Malaysia raised the Overnight Policy Rate (OPR) by 25 basis points to 3.0%. This was the fifth revision since May 2022. This rate was the same as November 2019. This has eroded the purchasing power of Malaysians.
- h) The higher interest rate led to house owners in the Klang Valley having to pay higher monthly instalments on their mortgages and resulted in some Malaysian consumers delaying their purchases of high-value consumer goods and instead encouraged them to put more money in the banks.
- i) The weak Ringgit since the third quarter of 2023 led to another round of price increases due to higher import costs for raw materials, semi-finished food products and finished food products.
- j) As a consequence, the purchasing power has dropped due to the rising cost of living. Malaysian consumers have always been seeking out discounts and offers by retailers and F&B operators as they try to maintain the quality of their lives.
- k) Higher retail prices lead to higher cost of living. This meant lesser money to buy non-essential goods and services. The shopping behaviour and patterns of B40 and M40 have accordingly changed. They try to cook more at home, delay buying high-value goods, pay greater attention to offers and discounts given by retailers as well as making lesser trips to nice cafes and restaurants.
- l) During the year, Malaysian consumers were spending more on personal care items such as make-up, cosmetics, skin care and perfume. Pharmacies were giving more shelf space to these personal care items.
- m) Conventional mini-markets and traditional convenience stores were still popular because a large majority of their outlets were located at shop offices with outdoor surface parking. They are also located near to residential houses and one just needed 5 minutes to pick up what they need in these places as compared to supermarkets and hypermarkets where they have to walk longer distances from the car park to the retail area and from aisle to aisle in search of what they want to buy.
- n) Closures of shops in shopping centres were not so obvious in 2023. More retail closures were found in shop offices due to declining sales, intense competition, rising rentals and high manpower costs.
- o) For many retail outlets, the lack of staff affected their sales and operation hours in 2023. The shortage of staff applied to both Malaysians and foreign workers and affected the entire retail supply chain.
- p) Higher electricity tariffs on commercial users that used medium and high voltages has also contributed to higher operation costs. For retail shops, the increase has been up to 40% per month. For shopping centres, the increase has been about 30-50% per month.

Food & Beverage Trends in the Klang Valley

- a) Despite many Malaysians having learned to order food online during the COVID-19 pandemic, they actually preferred to dine in physical outlets to enjoy the atmosphere and environment of dining. They enjoyed the gathering of family members, lovers, friends and colleagues.
- b) Higher food prices and higher operation costs remained the struggles for most F&B operators in 2023. The weak Ringgit since the third quarter of 2023 led to higher costs for raw materials and food ingredients. To avoid losses and closures, many F&B operators had to increase food prices. Some had to reduce manpower costs by reducing operation days and hours.
- c) The Israel-Hamas war, which started in October 2023, led to the boycott of several international F&B franchises. Local F&B businesses with western names were also affected by this conflict as many Malaysian consumers avoided stepping into these restaurants and cafes.

MARKET OVERVIEW

cont'd

- d) During this period, Malaysians changed to have their meals at Malaysian and other Asian F&B brands. In addition, many local F&B operators switched their food supplies and beverages to local brands.
- e) Western F&B franchises had to use attractive discounts and offers to get their customers back.

Opening of Foreign Retailers in the Klang Valley

After 3 years of the COVID-19 pandemic, Malaysia has returned as a highly popular country in South-East Asia for foreign retailers. For 2023, at least 76 new brands from 20 countries opened their first stores (shopping centres only) in Malaysia. Klang Valley accounted for 94% of these new entries in Malaysia. The opening of several new high quality shopping malls within the Klang Valley in recent years attracted these retailers to set up stores here.

Opening of First Stores (Shopping Centres only) in Malaysia by Foreign Retailers, 2023

No	Country of Origin	Brand Name	Trade
1	Spain	Camper	Fashion accessories
2	Japan	Seibu	Department store
3		Goldflog Coffee	Food & Beverage outlet
4		Gashpon Bandai	Toys
5		Sushinosuke	Food & Beverage outlet
6		Yoshiyama Ramen	Food & Beverage outlet
7		Maisen Tonkatsu	Food & Beverage outlet
8		Alpro Sugi Pharmacy	Health & beauty
9	Philippines	Potato Corner	Food & Beverage outlet
10	Canada	Talimu	Fashion accessories
11	South Korea	Paris Baguette	Food & Beverage outlet
12		Sulbing	Food & Beverage outlet
13		Gentle Monster	Fashion accessories
14		MIL Toast House	Food & Beverage outlet
15		MLB	Fashion
16		Tiger Fish Cake	Food & Beverage outlet
17	Thailand	Laem Charoen	Food & Beverage outlet
18		Khiang	Food & Beverage outlet
19		Tummour	Food & Beverage outlet
20		Chatramue	Food & Beverage outlet
21	Germany	Yomaro	Food & Beverage outlet
22	Switzerland	Vacheron Constantin	Fashion accessories
23		MBT Shoes	Fashion accessories
24		Kybun	Fashion accessories
25		La Prairie	Health & beauty
26		Laderach	Chocolate
27	United States	Tesla	Car showroom
28		Carhartt	Fashion
29		Drunk Elephant	Health & beauty
30		National Geographic Apparel	Fashion
31		Alo Yoga	Fashion
32		Champion*	Fashion

MARKET OVERVIEW

cont'd

No	Country of Origin	Brand Name	Trade
33	France	HOKA	Fashion accessories
34		Kering Eyewear	Fashion accessories
35		Maison Kitsune	Fashion
36		Cafe Kitsune	Food & Beverage outlet
37		Guerlain	Health & beauty
38		Chaumet	Health & beauty
39		FRED	Fashion accessories
40	Indonesia	Richeese Factory	Food & Beverage outlet
41		Warung Eropa	Food & Beverage outlet
42	Brazil	Clube Melissa*	Fashion accessories
43	China	Tanyu	Food & Beverage outlet
44		HAOFA Tourbillon	Fashion accessories
45		Shuyi	Food & Beverage outlet
46		Heytea	Food & Beverage outlet
47		Tea Expert	Food & Beverage outlet
48		Yang Guo Fu Mala Tang	Food & Beverage outlet
49		Mama's Bun & Stewed Fish	Food & Beverage outlet
50		BYD	Car showroom
51		Fish With You	Food & Beverage outlet
52		Zhang Liang Mala Tang	Food & Beverage outlet
53	Singapore	Tamago-En	Food & Beverage outlet
54		Sift & Pick	Fashion accessories
55		Mustafa Jewellery	Fashion accessories
56		The Original Vadai	Food & Beverage outlet
57		Tipsy Flamingo	Food & Beverage outlet
58		SHH Boutique	Fashion accessories
59		Playmade	Food & Beverage outlet
60	United Kingdom	Udders	Food & Beverage outlet
61		EL&N	Food & Beverage outlet
62		Penhaligon's	Health & beauty
63		CeX	Pre-owned goods
64		John Richmond	Fashion
65		Street Pizza	Food & Beverage outlet
66		Molton Brown	Health & beauty
67	Italy	Ben's cookies	Food & Beverage outlet
68		Roberto Cavalli	Fashion
69		Venchi	Food & Beverage outlet
70		Aqua di Parma	Health & beauty
71	Belgium	Valentino Rudy	Fashion
72		Delvaux	Fashion accessories
73	Morocco	Bacha	Food & Beverage outlet
74	Australia	OMI	Food & Beverage outlet
75	Finland	Marimekko	Fashion
76	UAE	Sun & Sand Sports	Sporting goods

* - opened end 2022

Source: Henry Butcher Retail

MARKET OVERVIEW

cont'd

Closures of Foreign Retailers in Klang Valley

Several foreign retailers closed down in 2023 due to weak demand and intense competition. They included:

- a) In August 2023, Borders from United States closed down its last outlet in Bangsar Village II after 18 years of operation in Malaysia. It also ceased its online operations.
- b) Nuttea from Taiwan closed down in Pavilion KL within a year.
- c) The Cheesecake Factory from United States operated by Legasea Bakery closed down in Sunway Pyramid. However, the cheesecakes are still sold via online and selected cafes.

Tourist Arrivals in 2023

Between January 1 and November 15 of 2023, Malaysia received 26 million tourists, surpassing the target set by Ministry of Tourism, Arts & Culture for the year.

The largest numbers of tourist arrivals in 2023 (between January and November) were from Singapore (48.6%), Indonesia (12.2%), Thailand (8.0%), China (5.4%), Brunei (3.5%) and India (3.0%).

Although the number of international tourists has returned to pre-Covid levels, tourism spending has not. High-spending tourists from China, India and western countries have yet to return to pre-pandemic levels.

Rental Rates of Selected Shopping Centres in Klang Valley in 2023

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

Rental Rates of Selected Shopping Centres in Klang Valley, 2023 (RM psf)

Name	Rental Rate (RM psf per month)					
	Lower Ground	Ground floor	First floor	Second floor	Third floor	Fourth floor
Suria KLCC	35.00 – 207.00	44.00 – 151.00	42.00 – 95.00	36.50 – 100.50	44.00 – 91.00	37.00 – 61.00
Low Yat Plaza	26.50 – 30.00	19.00 – 48.00	23.00 – 35.00	10.00 – 25.00	14.00 – 39.00	11.00 – 22.00
Cheras Leisure Mall	18.00 – 34.00	13.00 – 22.00	10.00 – 27.00	8.00 – 22.00	NA	NA
Mid Valley Megamall	25.00 – 36.00	45.00 – 80.00	33.00 – 38.00	23.00 – 25.00	15.00 – 22.00	NA
3 Damansara	11.00 – 25.00	10.00 – 14.00	7.00 – 12.00	7.50 – 9.50	NA	NA
The Mines	NA	7.00 – 18.00	8.00 – 18.00	5.00 – 24.00	9.00 – 19.00	NA
SACC Mall	2.00 – 7.00	4.00 – 14.00	4.00 – 12.00	2.50 – 7.00	3.00 – 6.00	NA

Note:

NA -not applicable

Source: Property Market Report, NAPIC / Henry Butcher Retail

The achieved rental rates did not include rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley, etc.

MARKET OVERVIEW

cont'd

Klang Valley Retail Supply in 2024

At least eight new shopping centres, one mall extension and one mall re-opening are expected in 2024 and will add on a total nett floor area of almost 5.0 million sq ft. Six of them are located in Kuala Lumpur whilst four are situated in Selangor. They are tabulated below:

New Shopping Centres / extension / reopening in Klang Valley for the Year 2024

No.	Name	Location	Nett Floor Area (sf)
1	Bloomsvale Mall	Old Klang Road	300,000
2	Senada Shopping Centre	Bukit Kiara	231,000
3	MET Galleria	Mont Kiara	80,000
4	118 Mall	Kuala Lumpur CBD	1,400,000
5	Pavilion Damansara Heights Mall P2	Damansara Heights	529,353
6	8 Conlay	KLCC	130,000
7	168 Park Selayang	Selayang	235,000
8	Sunsuria Forum 2	Setia Alam	175,000
9	Elmina Lakeside Mall	City of Elmina	200,000
10	Empire City Mall	Damansara	1,700,000
	TOTAL		4,980,353

Source: Henry Butcher Retail

- a) Bloomsvale Mall is part of a mixed-use development in the Old Klang Road area. The entire development consists of 2 blocks of residential towers, 25-storey office suites, Courtyard by Marriot 4-star hotel and a retail podium. Confirmed anchor tenants include Village Grocer, Believe Fitness, Guardian Pharmacy and Coffee Bean & Tea Leaf.
- b) The 3-storey Senada shopping centre is part of the Senada Residence development that includes two residential towers and an office block.
- c) MET Galleria is a 2-storey shopping centre and is the first retail component within the mega mixed development of KL Metropolis and is located below a residential tower with 616 units.
- d) 118 Mall is a 7-storey shopping mall located at the base of the second tallest building in the world, PNB 118. This shopping mall will be surrounded by a 4-acre linear park.
- e) The second phase of Pavilion Damansara Heights Mall is planned for opening in the Q4 2024.
- f) 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 a mixed-use development with two residential towers to be managed by Kempinski Hotel as well as a tower block consisting of hotel and service suites.
- g) 168 Park Selayang, formerly known as Selayang Star City, is a 2-storey shopping centre targeted for opening in the third quarter of 2024. Village Grocer is the confirmed grocery operator.
- h) Sunsuria Forum 2 is a 2-storey retail arcade below an office tower and two blocks of service apartments. It is linked to Sunsuria Forum 1 with Village Grocer and numerous F&B outlets.
- i) Elmina Lakeside Mall targets for opening in the first half of 2024. Confirmed major tenants include Jaya Grocer, Harvey Norman and Pets Wonderland.

MARKET OVERVIEW

cont'd

- j) Empire City Mall was partly opened in 2017 with the completion of the Malaysian National Ice-Skating Stadium. In addition, a grocery store and several F&B outlets were opened during the initial years. It closed down completely during the COVID-19 pandemic. With several new investors that took over from Mammoth Empire Holding Sdn Bhd in 2021, this mega mall is targeting for re-opening in the middle of 2024.

Outlook of the Klang Valley Shopping Centre Market in 2024

The prospects of the Klang Valley shopping centre market in 2024 remains highly dependent on the performance of the Malaysian economy and how well the government maneuvers its way through challenges like international conflicts and economic slowdowns experienced by Malaysia's major trading partners as well as the purchasing power of Malaysian consumers.

The Klang Valley Shopping Centre Market

On weekends and public holidays in 2024, major shopping malls in Klang Valley will still be packed with shoppers and diners. The shopping behaviour and patterns of Klang Valley consumers are back to pre-pandemic level.

Domestic tourism has recovered since the Hari Raya festival in 2022. It will continue to sustain the shopping traffic of shopping centres in the new year. The weak Ringgit will encourage more Malaysians to spend their weekends and public holidays within the country instead of travelling overseas.

Foreign tourist arrivals will continue to rise in 2024. The weaker Ringgit and Malaysia's Visa Liberalisation Plan will attract international tourists from all parts of the world. This will contribute to higher sales for retail businesses in shopping centres that are dependent on foreign tourists.

Due to the severe oversupply of retail space in the Klang Valley, existing shopping centres will continue to struggle to secure new tenants and to achieve high occupancy rates. Retail landlords of many shopping centres will need to offer lower rental rates, longer renovation period, renovation subsidy, extra rent-free period and base rental with turnover rent to attract quality tenants.

The Klang Valley Consumer Market

Retail Group Malaysia (RGM) has forecast a 3.5% growth rate for the Malaysian retail industry in 2024. For the same period, the Malaysian government expects the national economy to grow by between 4.0% and 5.0%. Similar to 2023, the biggest challenge for Malaysia's retail industry in the new year is the rising cost of living.

Based on Budget 2024 announced on October 13, the Malaysian government will increase the subsidies for households and persons to battle rising inflation. These include:

- a) RM29 billion will be allocated for the control of prices of goods and services for the benefit of the people.
- b) Implementation of the Rahmah Sales Program that offers basic necessities at prices which are 30% cheaper across the country.
- c) Rahmah Cash Contribution (STR) will increase by RM2 billion and will benefit 60% of the adult population in Malaysia.
- d) Maximum rate of STR will increase from RM3,100 to RM3,700.
- e) Minimum rate of STR for the youth will increase from RM350.00 to RM500.00.
- f) Rahmah Foundation Contribution (SARA) will increase to 700,000 STR recipients with RM100 per month for a period of 12 months.

MARKET OVERVIEW

cont'd

The Malaysian government has introduced several tax-related policies that will have impact on consumer spending in 2024:

- a) The Service Tax rate will increase from 6.0% to 8.0%. This increment will lead to further increases in prices of retail goods and services and is expected to affect retail spending.
- b) Beginning 1 January 2024, any online seller or facilitating marketplace selling to consumers in Malaysia of imported goods shipped by air of not more than RM500.00 will have to charge 10% Sales Tax.
- c) The Malaysian government will also introduce a High Value Goods Tax (HVGT) at a rate of 5.0% to 10.0% on certain high-value retail goods based on the threshold value of the goods. This new tax will commence from 1 May 2024. The introduction of this new luxury tax will however not deter Malaysians wanting to buy luxury items in the country. During the COVID-19 pandemic, luxury brands such as LV, Gucci, Dior and Coach were doing well. This was especially so when retail outlets were allowed to open for public walk-in. Therefore, luxury brands with a strong following in Malaysia should continue to do well even after HVGT tax has been implemented in 2024.

New foreign retailers expected in Klang Valley for Year 2024 will include:

1.	Apple	5.	Santa Maria Novella
2.	Shake Shack	6.	Matierre Premiere
3.	Molton Brown	7.	Space Plus
4.	Laderach	8.	Etc.

Malaysian Tourism Prospects in 2024

- a) Effective from 1 December 2023, the Malaysian government has granted visa-free entry to citizens of China and India for stays of up to thirty days. This is part of the Malaysian Visa Liberalisation Plan announced during the Malaysia Budget 2024. This visa exemption will last until end of 2024.
- b) The weaker Ringgit since the third quarter of 2023 will encourage more international tourists to spend more during their trips in Malaysia. The weak Malaysian currency has been especially attractive for visitors from Singapore.
- c) The Malaysian government will also introduce a High Value Goods Tax (HVGT) at a rate of 5.0% to 10.0% on certain high-value retail goods based on the threshold value of the goods. This new tax will commence from 1 May 2024. Tax refunds on High Value Goods Tax (HVGT) will be allowed for international tourists. The introduction of HVGT may have an impact on the price competitiveness of luxury items sold in Malaysia as compared to other Asian countries. Many international tourists buy luxury items in Malaysia because the prices are cheaper or as highly competitive as compared to their home countries. The introduction of HVGT in 2024 may discourage foreign tourists to visit Malaysia in the short term. Even though tax refunds will be allowed, the tourists may not want to take this risk and go through the hassle of getting the tax refund. Nevertheless, the luxury tax rate and the list of goods to be taxed have not been announced yet. It is too early to establish the impact on the tourism sector.

MARKET OVERVIEW

cont'd

PURPOSE BUILT OFFICE SECTOR

Existing & incoming supply

The supply of privately owned purpose-built offices (PBOs) in Kuala Lumpur stood at 9.338 million sq metres as at Q3 2023 whilst Selangor saw its supply of PBOs rise to 4.331 million sq metres.

Existing & incoming supply of office space in the Kelang Valley as at Q3 2023

Location	No. of Buildings	Total Space (Sq. m)	Total Space Occupied (Sq. m.)	% Occupancy
KL - City Centre	306	7,384,247	5,427,422	73.5
KL - Outside City Centre	107	1,954,343	1,311,364	67.1
Total	413	9,338,590	6,738,786	72.2
Selangor	253	4,331,342	3,057,927	70.6

Source: Naptic

Four new buildings were completed in Kuala Lumpur in the first nine months of 2023 and this added another 231,000 sq metres of office space to the existing supply whilst in Selangor, one new building provided another 42,000 sq metres to the market. There is a trend of more of the newer buildings being designed to be ESG compliant and better equipped with higher quality telecommunications infrastructure to accommodate the requirements of modern businesses and multinationals which have higher expectations of quality and specifications in line with international standards of their head offices.

New office buildings completed in 2023

Building	NLA (Sq. m.)
Kuala Lumpur	
V2 Corporate Office Tower @ Sunway velocity	36,362
Aspire Tower @ KL Eco City	60,400
Pavilion Damansara Heights Corporate Tower 1	119,287
PNB 1194	14,864
Selangor	
HCK Tower, Empire City	42,735

Source: Naptic / HB Research

The stock of PBOs in both Kuala Lumpur and Selangor will see further increases in the coming years as there are a number of new PBOs currently under construction as well as planned.

MARKET OVERVIEW

cont'd

Future supply of PBOs in KL and Selangor

Location/Status	No. of Buildings	Total Space (Sq. m)
KL – Completion		
City Centre	1	29,185
Outside City Centre	0	0
Total	2	29,185
KL - Incoming Supply		
City Centre	9	801,726
Outside City Centre	6	158,186
Total	15	959,912
Selangor - Completion	0	0
Selangor - Incoming Supply	3	60,243
Total	3	60,243

Source: Napic / HB Research

The following table shows the new PBOs which are expected to be completed over the next few years in Kuala Lumpur and Selangor. This includes mega developments like PNB's Merdeka 118 which will be the world's second tallest building and will add substantially to the supply of PBOs when the building is opened for occupation in January 2024.

Office Buildings under construction in Kuala Lumpur and Selangor (as at Q3 2023)

Building	Location	NLA (Sq. m.)	Expected Completion
Kuala Lumpur			
Sunway V2 Tower	Sunway Velocity	33,668	2023
Oxley Tower	Jalan Ampang	32,144	2023
MET Corporate Tower	Solaris Mont Kiara	59,102	2023
Mercu Aspire	KL Eco City	60,387	2023
Merdeka 118	Changkat Stadium	157,900	2024
Pavilion Embassy Corporate Tower	Jalan Ampang	33,445	2024
Phb Bangsar 61	Bangsar	50,910	2024
Menara Felcra	Jalan Semarak	104,000	2024
Menara Sentral RAC	Brickfield	15,059	2024
Total		546,616	
Selangor			
Office Tower @ Atwater	PJ	15,728	2024
Sunway South Quay Corporate Tower 1 & 2	Bandar Sunway	91,614	2025
Sunsuria Forum Corporate Office	Setia Alam	29,517	2025
Tower 5 @ PJ Sentral	PJ	NA	2025
One City Phase 3	USJ	139,000	2026
PJ Sentral - PKNS	Section 52, PJ	80,000	TBA
Petaling Tin Redevelopment	PJ	28,000	TBA
PJCC	PJ	27,000	TBA
Fraser Square	Section 13, PJ	22,000	TBA
Total		432,860	

Source: Napic / HB Research

MARKET OVERVIEW

cont'd

In addition, we noted that there are a number of proposed office development projects which have been announced which, if the developers proceed with their construction, will add significantly to the future supply of office space in Kuala Lumpur. Some of these involve the redevelopment of existing buildings. Nevertheless, some of these projects may not be launched in the immediate future depending on market conditions and the financial strength and space requirements of their developers / promoters.

- Lot 185 KLCC – 500,000 sq ft of retail & office space & a hotel
- Bukit Bintang City Centre (BBCC) Signature Tower by Eco World Group
- Former Brickfields District HQ – Seni Nadi
- Tradewinds Square, Jalan Sultan Ismail (redevelopment of Kompleks Antarabangsa & Crowne Plaza Hotel) – proposed 110-storey, 775 metres tall corporate tower, 61-storey mixed use tower and a retail mall. The development is reported to have an office building which will become the second tallest building in the world if the project proceeds to its completion.
- Tradewinds Towers – 50- and 26-storey office towers to be built on the former Menara Tun Razak site, Jalan Raja Laut
- New 60-storey office tower to be added to Menara Dayabumi
- Bandar Malaysia

Office occupancy rates & rentals

Buoyed by improved economic conditions and more optimistic business sentiments, the occupancy rate of PBOs in Kuala Lumpur inched up slightly to 72.2% as at Q3 of 2023 with PBOs located outside the city centre recording a lower occupancy rate of 67.1% compared to those located within the city centre which registered an occupancy rate of 73.5%. Meanwhile, the occupancy rate of PBOs in Selangor as at Q3 2023 also improved and was recorded at 70.2%.

The office market clearly benefitted from the improved business and consumer sentiments following the recovery of the country's economy after exiting from the various lockdowns and movement restrictions imposed by the government during the height of the Covid 19 pandemic between 2020-2021. The improved sentiments enabled businesses to recover and refocus on growth and this led to an increase in demand for new office space.

The next few years will see a significant supply of office space coming onto the market. There will be several new buildings, including the PNB's mega Merdeka 118 and this will impact occupancy rates and put more pressure on rental rates. Some of these new buildings are designed to be ESG compliant, green certified buildings with superior infrastructure and facilities. The design of the new buildings has also evolved to accommodate the change in workstyles to a hybrid mix of work in office and work from home. We also noticed a trend of companies shifting to newer buildings with higher grade infrastructure upon expiry of their existing tenancies.

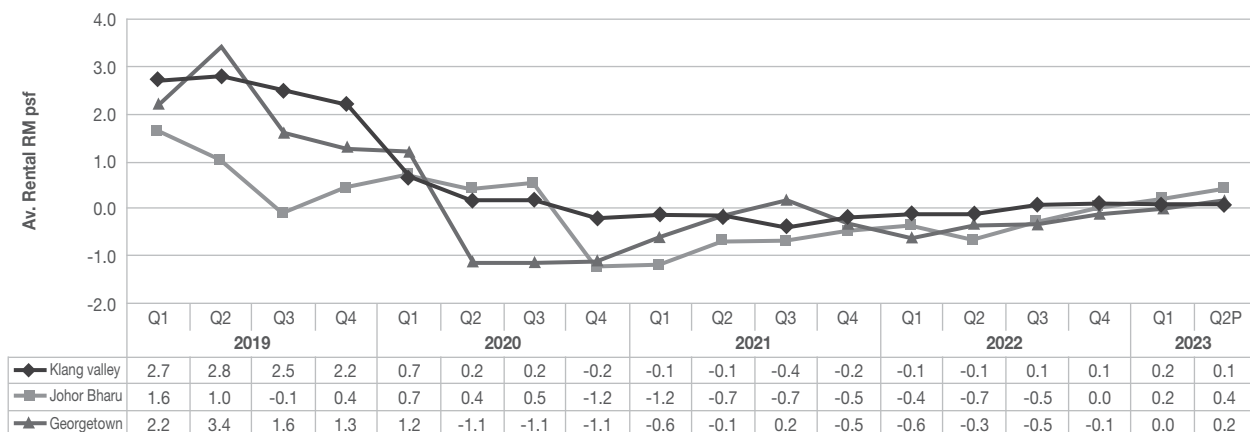
Based on Nipic's report for the first half of 2023, the rental index for PBOs for Klang Valley was seen to have registered a marginal increase of 0.1% in each of the first two quarters of 2023, due to an increase in take up of office space which led to an improvement in occupancy rates.

MARKET OVERVIEW

cont'd

Purpose Built Office rental trend Q1 2019 – Q2 2023

Rental Trend of Purpose Built Office Space in Klang Valley, JB & Georgetown (Q12019-Q2 2023)



Source: Napic

The following tables summarise the current rental rates charged by Grade A and B purpose built office buildings in various commercial hubs within Kuala Lumpur.

Overall range of office rentals (1H 2023)

Location	Rental Range Per Month (RM/Sq. m.)	
	2022	2023
KLCC / GT		
Grade A+	80.73 - 131.32	83.96 - 136.50
Grade A	59.25 - 100.11	66.74 - 96.88
Grade B	40.37 - 73.20	41.98 - 84.07
CBD		
Grade A	51.13 - 70.50	53.82 - 59.20
Grade B	37.67 - 69.21	35.52 - 53.82
WCC	57.05 - 96.88	38.75 - 115.93
Suburbs	40.90 - 92.57	26.91 - 80.73

Source: NPIC / HBM Research

MARKET OVERVIEW

cont'd

Rentals of selected Grade A purpose built office buildings in Kuala Lumpur

Building	Location	Rental (RM/Sq. m.)
KLCC / GT		
Petronas Twin Tower (Tower II)	KLCC	117.11
Menara Darussalam	KLCC	88.39 - 105.59
Menara Maxis	KLCC	89.13 - 136.50
G Tower	Jalan Tun Razak	48.44 - 92.57
Intermark (Integra Tower)	Jalan Tun Razak	92.36 - 122.71
Menara Pavillion Tower	Bukit Bintang	68.35 - 80.73
Menara AIA Sentral	Bukit Bintang	48.44 - 77.50
Menara Perak	Jalan Perak	69.97 - 84.07
CBD		
Menara Multi-Purpose	Jalan Munshi Abdullah	25.30 - 80.73
Menara Olympia	Jalan Raja Chulan	43.06 - 49.73
Wisma Lee Rubber	Jalan Melaka	53.82 - 59.20
Menara JKG	Jalan Raja Laut	43.06 - 53.82
Menara OCBC	Jalan Tun Perak	53.82 - 57.26
WCC area, KL		
1 Sentral	KL Sentral	53.82 - 70.50
Menara NU2	KL Sentral	62.75 - 80.19
Centrepont South	Mid Valley City	53.82 - 80.73
Garden, North Tower	Mid Valley City	64.58 - 85.04
Menara Shell	Jalan Tun Sambanthan	46.39 - 115.93

Source: Nipic / Henry Butcher Research

Major office sales transactions

There were not many transactions of office buildings in Kuala Lumpur in 2023. The most significant transaction was Menara CelcomDigi in Petaling Jaya which was bought over by Sentral REIT for RM450 million ie. approximately RM1,000 psf. EPF signed a 30-year lease agreement with Pacific Senior Living Sdn Bhd on the landmark EPF building in PJ and it was reported that the building will be repurposed into accommodation for senior living.

Major office transactions in 2023

Building	Location	NLA (Sq.ft.)	Price (RM)	PSF (RM)	Buyer
CelcomDigi Tower	Petaling Jaya	450,000	450,000,000	1,000	Sentral REIT
TM Tower Semarak	Jalan Tun Razak	324,155	72,000,000	222	Titijaya
EPF Building (30-year lease)	Jalan Gasing, PJ	NA	NA	NA	Lessee: Pacific Senior Living
EPF Building Damansara Fairway	Tropicana, PJ	NA	24,000,000	NA	LKL International
Q1 Tower, Block C	Jalan Barat, PJ	155,291	88,810,000	572	Silver Formula ABS
Wisma Speedy	Ampang Hilir	NA	10,380,000	NA	Private
HSBC Tower	Lebu Ampang	NA	41,112,500	NA	Pact REIT Managers SB

Source: Henry Butcher Research

MARKET OVERVIEW

cont'd

Outlook for the office sector

With business and consumer sentiments having recovered from the slowdown experienced during the pandemic hit years of 2020-2021, businesses have recovered and some have started to expand whilst new businesses have also sprouted up, leading to a rise in demand for office space. This has pushed up occupancy rates of office buildings in both Kuala Lumpur and Selangor in 2023.

In line with the latest market trends and to accommodate the requirements of modern businesses, more of the new office buildings have been designed to be ESG compliant and equipped with better specifications in order to meet the expectations of these businesses.

The trend of businesses relocating outside the congested city centre has continued especially with improved public transport which has made these areas more accessible. The completion and availability of high quality office space in new integrated commercial developments such as TRX, KL Eco City and Pavilion Damansara Heights have attracted businesses to relocate to these new business hubs.

The Malaysian economy is projected to achieve a steady growth of between 4% to 5% in 2024 and this augurs well for the business environment generally and will be beneficial to the office market. Nevertheless, we note that there is a significant amount of office space which will come onto the market over the next few years and this is expected to put pressure on occupancy rates and could lead to a softening of rental rates as landlords compete to fill up their buildings. Newer buildings with better specifications and more facilities as well as higher compliance with ESG standards will generally be in a better position to attract tenants compared to older buildings which have not upgraded. Going forward, we may see more of the older buildings either embarking on upgrading exercises or being taken over and repurposed to other uses like hotels, serviced apartments or senior living accommodation.

THE MALAYSIAN REITS (M-REITS) MARKET OVERVIEW 2023

The Malaysian REIT (MREIT) sector continued to grow in 2023, expanding its market capitalization from RM39 billion as at 31 December 2022 to RM41.69 billion as at 31 December 2023. This is a huge jump from the market capitalisation of only RM9 billion in 2010 and works out to an average increase of about RM2.5 billion a year over the 13 year period.

The MREIT sector was boosted by the improvements in business and consumer sentiments which led to a recovery of occupancy rates of shopping malls and office buildings. Based on a report by Retail Group Malaysia (RGM), Malaysia's retail industry continued its recovery from the slowdown induced by the Covid 19 pandemic in 2020-21 and expanded by 3.3% in 2023 (based on data up to Q3) compared to the same period in 2022.

We have carried out a review and analysis of the financial performance of seven major REITs which own shopping malls, hotels and office buildings and our findings reveal that in FY2022, four of the REITs posted a higher gross revenue compared to the year before whilst three recorded marginal declines. All seven of the REITs reported an improvement in Net Property Income for FY2022 compared to FY2021. Only two REITs have announced their financial results for FY2023 and both reported an improvement in their gross revenue as well as Net Property Incomes.

MARKET OVERVIEW

cont'd

Financial performance of selected REITS (2022 – 2023)

REIT	Gross Revenue 2021	Gross Revenue 2022	Gross Revenue 2023	% change in Gross Revenue 2023 vs 2022	% change in Gross Revenue 2022 vs 2021	Net Property Income 2021	Net Property Income 2022	Net Property Income 2023	% change in Net Property Income 2023 vs 2022	% change in Net Property Income 2022 vs 2021
IGB Reit	399,527	556,409	n.a.	n.a.	39.27%	275,101	420,249	n.a.	n.a.	52.76%
Sun Reit	675,558	651,446	n.a.	n.a.	-3.57%	457,076	500,238	n.a.	n.a.	9.44%
Pavilion Reit	488,591	569,691	n.a.	n.a.	16.60%	236,622	364,201	n.a.	n.a.	53.92%
UOA Reit	116,884	114,802	n.a.	n.a.	-1.78%	40,042	60,981	n.a.	n.a.	52.29%
YTL Reit	326,276	363,857	486,830	33.80%	11.52%	205,269	214,818	251,271	16.97%	4.65%
KIP Reit	74,249	73,700	83,750	13.64%	-0.74%	56,662	56,754	62,152	9.51%	0.16%
Hektar Reit	96,599	117,446	n.a.	n.a.	21.58%	47,018	58,687	n.a.	n.a.	24.82%

NB: Not many of the REITS have reported their financial performance for 2023 at the point of preparing this report

Source: HB / Bursa Malaysia / individual company annual reports

As at 29 December 2023, KLCCP maintained its top position as the largest REIT in Malaysia by capitalization at RM12.818 billion (RM12.114 billion at end 2022) followed by IGB REIT at RM6.231 billion (2022: RM5.918 billion), Sunway REIT at RM5.240 billion (2022: RM5.00 billion) and Pavilion REIT at RM4.456 billion (2022: RM3.697 billion). There are five other REITs (four in 2022) which have market capitalizations of above RM1 billion viz., Axis Real Estate REIT (RM3.145 billion), YTL Hospitality (RM1.756 billion), Capitaland Malaysia Mall Trust (RM1.535 billion), IGB Commercial REIT (RM1.147 billion) and Al Aqar, a new entrant at RM1.041 billion.

Overall, the market capitalisation of Malaysian REITs rose from RM39 billion in 2022 to RM41.8 billion in 2023 as the office, retail and industrial sectors recorded an improved performance during the year. The number of REITS which declared dividends of above 6% increased to twelve as compared to only eight the year before. Twelve of the REITS recorded an improvement in their ROEs whilst seven REITs recorded a decline. The performance of the M-REITs for 2023 are summarized in the table overleaf:

No	Company	Property Portfolio	Market Capital (RM)	Last share	P/E Ratio	Dividend Yield (%)	OE (%)
1	Alaqaar	Health Care	1.041b	1.24	18.79	6.53	5.16
2	Al-Salam	Islamic diversified	263.90m	0.46	4.33	5.49	9.58
3	Amereit	Real Estate	681.14m	1.30	9.89	2.92	12.27
4	AmFirst	Office / Retail	216.22m	0.32	14.19	8.57	1.90
5	Amanah Raya	Diversified	232.15m	0.41	71.05	8.40	0.45
6	Atrium	Industrial	369.12m	1.39	16.53	5.90	6.35
7	Axis	Offices / Industrial / Retail	3.145b	1.80	18.81	5.42	6.08
8	Capitaland	Retail	1.535b	0.56	28.00	7.16	2.09
9	Hektar	Retail	377.92m	0.65	5.93	12.31	8.91
10	IGBCR	Commercial	1.147b	0.49	18.10	7.05	2.72
11	IGBREIT	Real Estate	6.231b	1.73	10.89	5.70	14.15
12	KIP	Retail	553.67m	0.90	8.88	6.93	9.26

MARKET OVERVIEW

cont'd

No	Company	Property Portfolio	Market Capital (RM)	Last share	P/E Ratio	Dividend Yield (%)	OE (%)
13	KLCCP	Office / Retail	12.818b	7.10	15.52	5.35	6.30
14	Pavilion	Office / Retail	4.456b	1.22	10.61	6.86	9.08
15	Sentral	Office / Retail	938.47m	0.79	19.24	7.64	3.48
16	Sunway	Diversified	5.240b	1.53	16.83	6.03	6.20
17	Tower	Office	102.38m	0.37	-	1.59	-3.63
18	UOA	Office	743.16m	1.10	13.21	7.84	5.81
19	YTL Hospitality	Hotels	1.756b	1.03	12.09	7.22	5.02

Malaysian REITs – Performance as at 31 December 2023

Source: Stockbiz / Bursa Malaysia

Major acquisitions / disposals by REITS in 2023

- a) Capitaland Malaysia Trust (CLMT) has acquired a freehold logistics warehouse in Hicom-Glenmarie Industrial Park for RM39.7 million. The property is a single-storey detached warehouse with an annexed three storey office building with a built-up area of 84,755 sq ft. CLMT plans to convert the property into a temperature-controlled distribution centre at a cost of RM14.6 million and subsequently leased to a fashion retailer for ten years.
- b) Sunway REIT has disposed the Sunway Medical Centre to Sunway Group for RM430 million.
- c) Sunway REIT has proposed to buy an industrial property in Bukit Tengah Industrial Park in Prai, Penang for RM 66.8 million. The property sits on a 10.4 acre site with leasehold tenure expiring in 2052 and has a gross floor area of 307,487 sq ft. The property is fully tenanted by multinational tenants.
- d) YTL Hospitality will be acquiring Hotel Stripes located along Jalan Kamunting in Kuala Lumpur for RM138 million. The property is a 20 storey, 184 room hotel with 156 car park bays and a gross floor area of 194,000 sq ft. The current lease agreement features a step-up provision of 5 per cent every five years.
- e) Hektar REIT is acquiring a private college campus in Melaka for RM150 million. The campus is operated by KYS College Sdn Bhd and is a fully residential and co-educational private school offering secondary school education for students from Form 1 to Form 5.
- f) CLMT has divested its interest in the office tower of its 3 Damansara asset for RM52 million to Lagenda Harta Sdn Bhd, a wholly owned subsidiary of Lagenda Properties Berhad. The office tower is part of the 3 Damansara integrated development that was acquired by the REIT in 2015.
- g) AME REIT through its trustee, RHB Trustees Berhad, has acquired three industrial properties located in AME Elite's integrated industrial park in Iskandar Malaysia, Johor for a total of RM 69.3 million. The properties have a combined agreed lettable area (ALA) of more than 256,000 square feet (sq ft).
- h) The trustee of Axis Real Estate Investment Trust, RHB Trustees Bhd, has acquired an industrial premise on 637,331 sq ft of freehold land from Matrix Concepts Holdings Bhd for RM 48 million. The industrial premise, located in Sendayan Techvalley Industrial Park, Seremban has a net lettable area of 105,311 sq ft.
- i) Sunway Real Estate Investment Trust (Sunway REIT) entered into an agreement to acquire six Giant hypermarkets for RM520 million. The hypermarkets are located in Kinrara, Putra Heights, USJ, Klang, Ulu Kelang and Plentong. Collectively, these properties will have a total land area and total gross floor area of 56 acres and 2.35 million sq ft, respectively.

MARKET OVERVIEW

cont'd

- j) Pavilion Real Estate Investment Trust (Pavilion REIT) has acquired Pavilion Bukit Jalil Mall (PBJ) from Regal Path Sdn Bhd for an aggregate purchase consideration of RM2.2 billion. The acquisition involves one block of the five-storey retail mall with two basement car park levels located within Bukit Jalil City, Kuala Lumpur, together with the related assets and rights. In addition, Pavilion REIT will also acquire additional movable assets required for the operations of PBJ Mall. PBJ Mall is a five-storey shopping mall that spans over 1.8 million square feet.
- k) KIP Real Estate Investment Trust (KIP REIT) has acquired KIPMall Kota Warisan in Dengkil, Sepang for RM80 million. KIPMall Kota Warisan houses a one-and-a-half-storey retail centre with a nett lettable area of approximately 17,300 sq m and an occupancy rate of 98%.
- l) Atrium Real Estate Investment Trust's (Atrium REIT) asset manager, Atrium REIT Managers Sdn Bhd (ABSB) has acquired buildings and leasehold land in Shah Alam, Selangor from a related party, Amazing Blitz Sdn Bhd (ABSB), for RM 41 million cash. The land, measuring 24,295.208 sq m, is surrounded by a mixture of residential, commercial, and industrial developments and is near i-City, a notable landmark in Selangor.

ADDITIONAL COMPLIANCE INFORMATION

This information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia and SC's Guidelines on Listed REITs:

1. Utilisation of Proceeds

In conjunction with the acquisition of Pavilion Bukit Jalil, Tranche 1 placement of new units was undertaken. Its utilisation of expenses are as below:-

RM (million)	Estimated	Incurred to Date
Placement fee	38.1	17.1
Manager's fee	22.0	22.0
Professional fees	6.0	5.3
Miscellaneous expense	3.9	1.3
Repay borrowings	-	16.5

2. Sanctions and/or Penalties

There is no public sanction and/or penalty imposed on Pavilion REIT, the Manager or Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 December 2023.

3. Audit and Non-Audit Fees

Audit and non-audit fees payable to the external auditor of Pavilion REIT for the current financial year amounted to RM255,000 and RM163,000 respectively.

4. Recurrent Related Party Transactions

Please refer to disclosure in Audited Financial Statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS OF THE MANAGER

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

Non-Independent Executive Director
Puan Sri Tan Kewi Yong
Dato' Lee Tuck Fook

Non-Independent Non-Executive Director
Ahmad Mohammed F Q Al-Khanji
Mohd Abdulrazzaq A A Al-Hashmi
Navid Chamdia

Independent Non-Executive Director
Dato' Seri Mohamed Azahari bin Mohamed Kamil*
Dato' Choo Chuo Siong
Dato' Mearia @ Massahariah binti Hamzah*
Baljeet Kaur Grewal A/P Jaswant Singh
Nor Rejina binti Abdul Rahim*

MANAGER & ITS PRINCIPAL PLACE OF BUSINESS

Pavilion REIT Management Sdn Bhd
[Company Number: 201101011359 (939490-H)]
Lot 10.00.00, Level 10, Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Telephone No. : +603 2118 8888
Facsimile No. : +603 2118 8889
E-mail : info@pavilion-reit.com
Website : www.pavilion-reit.com

MANAGER'S REGISTERED OFFICE

6-2 Level 6 East Wing
Menara Goldstone (Holiday Inn Express)
No. 84 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Telephone No. : +603 2166 9818
Facsimile No. : +603 2166 6818

AUDIT COMMITTEE

Baljeet Kaur Grewal A/P Jaswant Singh (Chairman)
Dato' Seri Mohamed Azahari bin Mohamed Kamil*
Dato' Choo Chuo Siong
Dato' Mearia @ Massahariah binti Hamzah*
Navid Chamdia
Nor Rejina binti Abdul Rahim*



NOMINATING COMMITTEE

Dato' Seri Mohamed Azahari bin Mohamed Kamil (Chairman)*
Dato' Choo Chuo Siong
Mohd Abdulrazzaq A A Al-Hashmi

RISK MANAGEMENT COMMITTEE

Dato' Mearia @ Massahariah binti Hamzah (Chairman)*
Dato' Seri Mohamed Azahari bin Mohamed Kamil*
Dato' Choo Chuo Siong
Mohd Abdulrazzaq A A Al-Hashmi
Baljeet Kaur Grewal A/P Jaswant Singh
Nor Rejina binti Abdul Rahim*

SUSTAINABILITY COMMITTEE

Nor Rejina binti Abdul Rahim (Chairman)*
Dato' Seri Mohamed Azahari bin Mohamed Kamil*
Dato' Choo Chuo Siong
Dato' Mearia @ Massahariah binti Hamzah*
Mohd Abdulrazzaq A A Al-Hashmi
Baljeet Kaur Grewal A/P Jaswant Singh

* Newly appointed

CORPORATE INFORMATION

cont'd

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

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

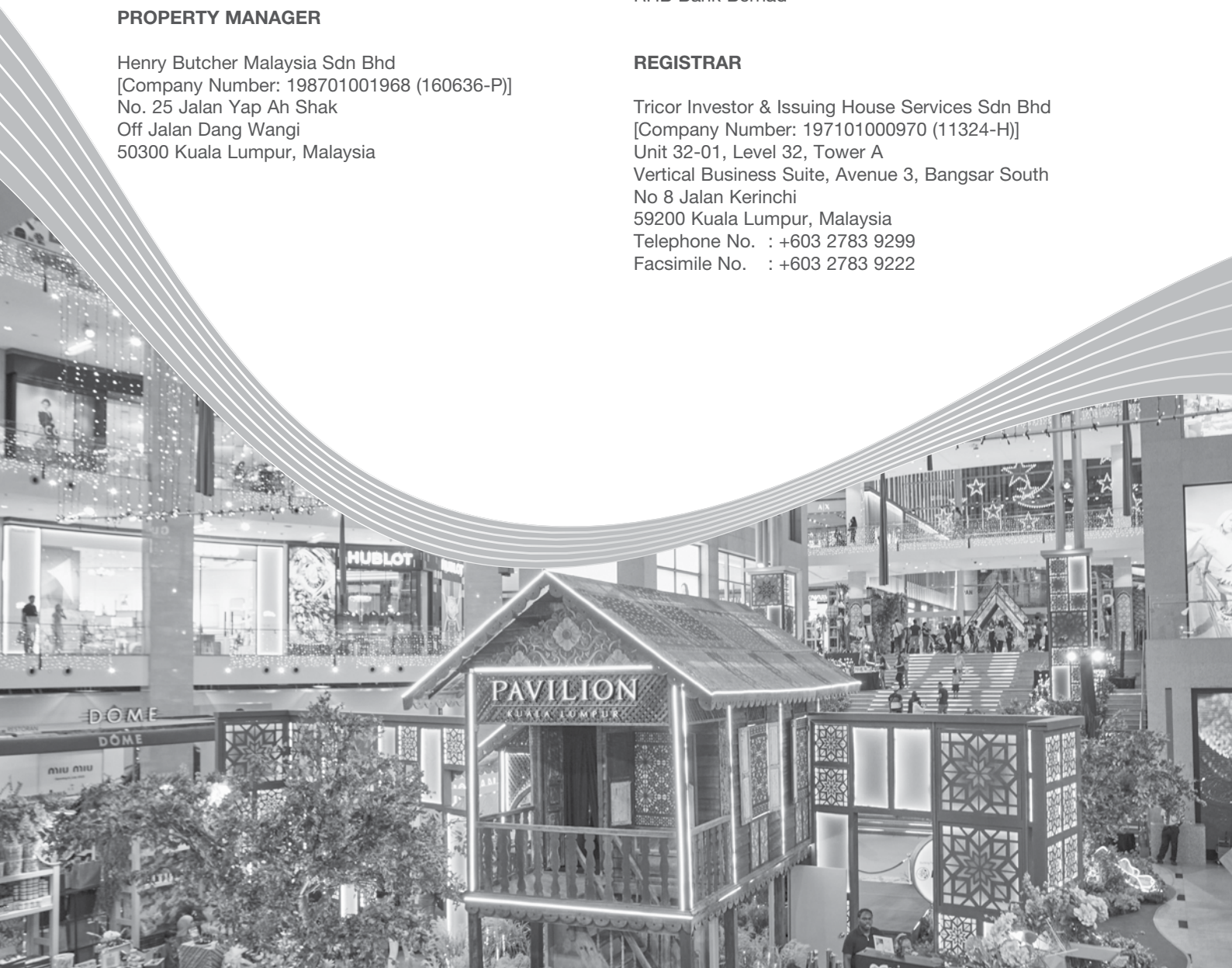
KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
RHB Bank Berhad

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
[Company Number: 197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No 8 Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Telephone No. : +603 2783 9299
Facsimile No. : +603 2783 9222



SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators

EESG Performance Indicators

Climate Change and Energy Management

	Unit of Measurement	FY2019	FY2021	FY2022	FY2023
Scope 1 GHG Emission					
Pavilion Kuala Lumpur Mall	tCO2eq/MWh				9
Elite Pavilion Mall					5
Pavilion Tower					22
Intermark Mall					0
DA MEN Mall					-
Pavilion Bukit Jalil					0
Total					36
Scope 2 GHG Emission					
Pavilion Kuala Lumpur Mall	tCO2eq/MWh	53,584	40,887	45,595	44,755
Elite Pavilion Mall		11,146	6,878	8,485	9,250
Pavilion Tower		1,417	1,123	1,280	1,249
Intermark Mall		8,040	7,161	7,638	6,971
DA MEN Mall		9,441	6,495	8,338	9,247
Pavilion Bukit Jalil		-	-	-	23,285
Total		83,628	62,544	71,336	94,757 ⁽¹⁾

Note: (1) The GHG emission data for Scope 2 in FY2023 has been assured externally by KPMG.

Scope 3 GHG Emission					
Pavilion Kuala Lumpur Mall	tCO ₂ eq/MWh				37,802
Elite Pavilion Mall					
Pavilion Tower					465
Intermark Mall					
DA MEN Mall					
Pavilion Bukit Jalil					
Total					38,267⁽¹⁾

Note:

- (1) The GHG emission data for Scope 3 of Pavilion Kuala Lumpur Mall (including Pavilion Hotel, Pavilion Suite and Elite Pavilion Mall) and Pavilion Tower has been assured externally by KPMG. The Manager only disclosed data for properties where Pavilion REIT is the direct electricity supplier. Pavilion REIT's Scope 3 GHG emission refers to generation of electricity that is purchased and then resold to end users.

GHG Intensity (Scope 1 & 2)					
Pavilion Kuala Lumpur Mall	tCO ₂ eq/sqm	0.26	0.20	0.21	0.20
Elite Pavilion Mall		0.26	0.16	0.20	0.23
Pavilion Tower		0.06	0.05	0.06	0.06
Intermark Mall		0.26	0.23	0.24	0.22
DA MEN Mall		0.14	0.10	0.12	0.14
Pavilion Bukit Jalil		-	-	-	0.07
Total		0.98	0.74	0.83	0.92

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators

cont'd

Unit of Measurement		FY2019	FY2021	FY2022	FY2023
GHG Intensity (Scope 3)					
Pavilion Kuala Lumpur Mall	tCO2eq/sqm				0.17
Elite Pavilion Mall					
Pavilion Tower					0.02
Intermark Mall					
DA MEN Mall					
Pavilion Bukit Jalil					
Total					0.19
Energy Consumption (Landlord)					
Pavilion Kuala Lumpur Mall	kWh	70,691,732	53,941,271	60,152,226	59,043,173
Elite Pavilion Mall		14,704,134	9,073,441	11,194,093	12,202,799
Pavilion Tower		1,869,281	1,481,472	1,688,618	1,647,964
Intermark Mall		10,607,385	9,447,435	10,076,841	9,197,162
DA MEN Mall		12,455,544	8,568,919	10,999,492	12,199,083
Pavilion Bukit Jalil		-	-	-	30,719,065
Total		110,328,076	82,512,538	94,111,270	125,009,245
Energy Consumption (Tenants and Consumers)					
Pavilion Kuala Lumpur Mall	kWh				49,870,470
Elite Pavilion Mall					
Pavilion Tower					613,772
Intermark Mall					
DA MEN Mall					
Pavilion Bukit Jalil					
Total					50,484,242
Energy Consumption (Green Electricity)					
Pavilion Kuala Lumpur Mall	kWh			19,272,717	25,068,000
Pavilion Tower					
Intermark Mall				820,000	
DA MEN Mall					
Pavilion Bukit Jalil					
Total				19,272,717	25,888,000
Building Energy Intensity					
Retail	kWh/m²/year	311	230	309	288
Pavilion Kuala Lumpur Mall		338	258	363	612
Elite Pavilion Mall		341	210	259	308
Intermark Mall		338	301	321	320
DA MEN Mall		190	126	162	179
Pavilion Bukit Jalil		-	-	-	92
Office		83	66	75	100
Pavilion Tower		83	66	75	100
Overall Energy Intensity		297	220	295	282

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators
cont'd

Water Management

	Unit of Measurement	FY2019	FY2021	FY2022	FY2023
Water Consumption (Landlord)					
Pavilion Kuala Lumpur Mall	m ³	529,388	344,928	462,686	508,442
Elite Pavilion Mall		123,114	62,505	89,909	104,180
Pavilion Tower		24,502	10,884	14,991	16,583
Intermark Mall		46,167	45,150	56,819	59,011
DA MEN Mall		84,237	74,238	74,967	75,659
Pavilion Bukit Jalil		-	-	-	291,941
Total		807,408	537,705	699,372	1,055,816

Water Consumption (Tenants)					
Pavilion Kuala Lumpur Mall	m ³	252,037	137,020	208,516	292,694
Elite Pavilion Mall		65,028	37,902	60,027	72,407
Pavilion Tower					
Intermark Mall		68,227	42,287	52,400	54,637
DA MEN Mall		49,923	30,051	37,885	37,507
Pavilion Bukit Jalil		-	-	-	142,505
Total		435,215	247,260	358,828	599,750

SECONDARY SOURCE

Water Withdrawn from Fresh Water – Rain Water Harvesting

Pavilion Kuala Lumpur Mall	m ³		139
Elite Pavilion Mall			
Pavilion Tower			87
Intermark Mall			
DA MEN Mall			
Pavilion Bukit Jalil			
Total			226

Recycled/Reused Water – Condensate Harvesting

Pavilion Kuala Lumpur Mall	m ³		2,320
Elite Pavilion Mall			458
Pavilion Tower			
Intermark Mall			134
DA MEN Mall			
Pavilion Bukit Jalil			
Total			2,912

Water Withdrawn from Groundwater

Pavilion Kuala Lumpur Mall	m ³		165
Elite Pavilion Mall			
Pavilion Tower			
Intermark Mall			
DA MEN Mall			
Pavilion Bukit Jalil			
Total			165

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators

cont'd

	Unit of Measurement	FY2019	FY2021	FY2022	FY2023
Water Use Intensity					
Retail	m ³ /m ² /year	3.5	2.2	2.9	2.4
Pavilion Kuala Lumpur Mall		3.7	2.3	3.1	3.7
Elite Pavilion Mall		4.4	2.3	3.5	4.5
Intermark Mall		3.6	2.8	3.5	3.6
DA MEN Mall		2.0	1.5	1.7	1.7
Pavilion Bukit Jalil		-	-	-	1.3
Office		1.1	0.5	0.7	0.7
Pavilion Tower		1.1	0.5	0.7	0.7
Overall Water Use Intensity		3.3	2.1	2.8	2.3

Waste Management

	Unit of Measurement	FY2019	FY2021	FY2022	FY2023
Waste Management					
Total Waste Generated	tonnes	5,368.8	2,174.5	4,264.1	5,445.2
Total Waste Diverted from Disposal					
Hazardous Waste					
Other recovery operations	tonnes	1.3	0.3	0.2	0.3
Non-Hazardous Waste (Total Waste Recycled)					
Recycling: Plastic	tonnes	1.7	-	-	4.3
Recycling: Paper		191.9	77.5	164.6	239.5
Recycling: Metal		1.7	1.1	1.0	3.1
Total		195.3	78.6	165.6	246.9
Total Waste Diverted from Disposal	tonnes	196.6	78.9	165.8	247.2
Total Waste Directed to Disposal					
Landfilling	tonnes	5,172.2	2,095.6	4,098.4	5,198.0
Waste Collected & Recycled	%	3.7	3.6	3.9	4.5

Social Pillar

	Unit of Measurement	FY2019	FY2021	FY2022	FY2023
Employee Count (excluding Board of Directors)					
Number of Employees	Number	24	21	22	24
Board of Directors					
Number of Board members	Number	12	12	12	11
Gender of Board of Directors					
Male	Number	10	10	8	7
Female		2	2	4	4

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators
cont'd

	Unit of Measurement	FY2019	FY2021	FY2022	FY2023
Nationality of Board of Directors					
Malaysian	Number	8	8	8	8
Foreign		4	4	4	3
Age group of Board of Directors					
< 30	Number	1	0	0	0
30 to 39		2	2	2	2
40 to 50		1	2	3	2
>50		8	8	7	7
Ethnicity of Board of Directors					
Malay	Number	3	3	3	3
Chinese		5	5	4	4
Indian		0	0	0	0
Others		4	4	5	4
Total Employees By Category, Age and Gender					
Senior Management - Male					
<30	Number	0	0	0	0
30 – 39		0	0	0	0
40 – 50		0	0	0	0
>50		2	2	2	2
Senior Manager and Manager - Male					
<30	Number	0	0	0	0
30 – 39		1	0	0	0
40 – 50		0	0	0	0
>50		0	0	0	0
Assistant Manager and Senior Executive - Male					
<30	Number	0	0	0	0
30 – 39		0	0	0	1
40 – 50		1	0	0	0
>50		0	0	0	0
Executive - Male					
<30	Number	0	1	0	0
30 – 39		0	0	0	0
40 – 50		0	0	0	0
>50		0	0	0	0
Non-Executive - Male					
<30	Number	0	0	0	0
30 – 39		1	1	1	1
40 – 50		2	1	1	1
>50		0	1	1	1

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators

cont'd

Unit of Measurement		FY2019	FY2021	FY2022	FY2023
Senior Management - Female					
<30	Number	0	0	0	1
30 – 39		0	0	0	0
40 – 50		4	3	2	1
>50		1	2	3	4
Senior Manager and Manager - Female					
<30	Number	0	0	1	0
30 – 39		1	2	2	2
40 – 50		1	1	1	1
>50		1	1	1	1
Assistant Manager and Senior Executive - Female					
<30	Number	1	0	0	1
30 – 39		3	1	0	0
40 – 50		2	2	3	3
>50		0	0	0	0
Executive - Female					
<30	Number	0	0	1	1
30 – 39		0	0	0	0
40 – 50		0	0	0	0
>50		1	1	1	1
Non-Executive – Female					
<30	Number	0	0	0	0
30 – 39		0	1	1	0
40 – 50		0	0	0	1
>50		2	1	1	1
Total Turnover					
Turnover - Gender					
Male	Number	0	1	0	0
Female		1	2	2	2
Turnover – Age					
<30	Number	0	0	0	0
30 - 39		0	0	2	1
40 - 50		0	3	0	1
>50		1	0	0	0

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators
cont'd

Unit of Measurement		FY2019	FY2021	FY2022	FY2023
Turnover – Ethnicity					
Malay	Number	1	0	0	0
Chinese		0	3	2	2
Indian		0	0	0	0
Others		0	0	0	0
Turnover - Category					
Senior Management	Number	0	0	0	0
Senior Manager and Manager		0	1	1	1
Assistant Manager and Senior Executive		0	1	1	1
Executive		1	1	0	0
Non-Executive		0	0	0	0
Total New Hire					
New Hire - Gender					
Male	Number	0	1	0	1
Female		1	2	4	3
New Hires - Age					
<30	Number	0	1	2	2
30 - 39		1	2	1	1
40 - 49		0	0	1	1
>50		0	0	0	0
New Hires - Ethnicity					
Malay	Number	0	0	0	0
Chinese		1	3	4	4
Indian		0	0	0	0
Others		0	0	0	0
New Hires - Category					
Senior Management	Number	0	0	0	1
Senior Manager and Manager		0	1	2	0
Assistant Manager and Senior Executive		0	1	1	3
Executive		1	1	1	0
Non-Executive		0	0	0	0
Total Temporary Staff					
By gender					
Male	Number	0	0	0	0
Female		0	0	0	0
Employee Training Hours					
Average training hours per employee	Hour	3.5	1.1	7.6	9.7
Number of Training Hours By Gender					
Male	Hour	49	0	8	84
Female		36	23	160	150

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators

cont'd

Unit of Measurement		FY2019	FY2021	FY2022	FY2023
Number of Training Hours By Category					
Senior Management	Hour	4	0	54	116
Senior Manager and Manager		21	5	43	21
Assistant Manager and Senior Executive		56	13	55	90
Executive		4	5	17	7
Employees Receiving Performance and Career Development Reviews					
By Gender					
Male	%	25	24	18	21
Female		67	67	73	67
By Category					
Senior Management	Number	5	5	5	5
Senior Manager and Manager		4	4	5	4
Assistant Manager and Senior Executive		6	3	3	5
Executive		2	2	2	2
Non-Executive		5	5	5	5
Total Number of Discrimination Incidents					
Total number of incidents of discrimination during reporting period	Number	0	0	0	0
Status of incidents and action taken		0	0	0	0

SUSTAINABILITY KEY PERFORMANCE DATA

EESG Performance Indicators
cont'd

	Unit of Measurement	FY2019	FY2021	FY2022	FY2023
Parental Leave					
Total number of employees	Number	24	21	22	24
Employees entitled for parental leave					
• Male		7	6	5	6
• Female		17	15	17	18
Employees that took parental leave					
• Male		2	0	0	0
• Female		0	1	1	0
Employees returned to work after parental leave ends					
• Male		2	0	0	0
• Female		0	1	1	0
Employees that were still employed 12 months after their return to work					
• Male		2	0	0	0
• Female		0	1	1	0
Return to work rate	Percentage				
• Male		100%	N/A	N/A	N/A
• Female		N/A	100%	100%	N/A
Retention rate					
• Male		N/A	N/A	N/A	N/A
• Female		N/A	N/A	100%	0%
Number of days applied for paternity leave	Number	6	0	0	0
Number of days applied for maternity leave		0	60	60	0

SUSTAINABILITY PERFORMANCE REPORT

(Bursa LINK)

Indicator	Measurement Unit	2019	2020	2021	2022	2023
Bursa (Anti-corruption)						
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category						
Senior Management	Percentage	-	-	-	-	33.00
Senior Manager and Manager	Percentage	-	-	-	-	17.00
Assistant Manager and Senior Executive	Percentage	-	-	-	-	21.00
Executive	Percentage	-	-	-	-	8.00
Non-Executive	Percentage	-	-	-	-	21.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	-	-	-	-	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	-	-	-	-	0
Bursa (Community/Society)						
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	-	-	-	-	188,627.40
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	-	-	-	-	5,294
Bursa (Diversity)						
Bursa C3(a) Percentage of employees by gender and age group, for each employee category						
Age Group by Employee Category						
Senior Management Under 30	Percentage	0.00	0.00	0.00	0.00	13.00
Senior Management Between 30-39	Percentage	0.00	0.00	0.00	0.00	0.00
Senior Management Between 40-49	Percentage	57.00	43.00	43.00	29.00	13.00
Senior Management Above 50	Percentage	43.00	57.00	57.00	71.00	75.00
Senior Manager and Manager Under 30	Percentage	0.00	0.00	0.00	20.00	0.00

Internal assurance

External assurance

No assurance

(*) Restated

SUSTAINABILITY PERFORMANCE REPORT

(Bursa LINK)
cont'd

Indicator	Measurement Unit	2019	2020	2021	2022	2023
Senior Manager and Manager Between 30-39	Percentage	50.00	50.00	50.00	40.00	50.00
Senior Manager and Manager Between 40-49	Percentage	25.00	25.00	25.00	20.00	25.00
Senior Manager and Manager Above 50	Percentage	25.00	25.00	25.00	20.00	25.00
Assistant Manager and Senior Executive Under 30	Percentage	14.00	25.00	0.00	0.00	20.00
Assistant Manager and Senior Executive Between 30-39	Percentage	43.00	25.00	33.00	0.00	20.00
Assistant Manager and Senior Executive Between 40-49	Percentage	43.00	50.00	67.00	100.00	60.00
Assistant Manager and Senior Executive Above 50	Percentage	0.00	0.00	0.00	0.00	0.00
Executive Under 30	Percentage	0.00	0.00	50.00	50.00	50.00
Executive Between 30-39	Percentage	0.00	0.00	0.00	0.00	0.00
Executive Between 40-49	Percentage	0.00	50.00	0.00	0.00	0.00
Executive Above 50	Percentage	100.00	50.00	50.00	50.00	50.00
Non-Executive Under 30	Percentage	0.00	0.00	0.00	0.00	0.00
Non-Executive Between 30-39	Percentage	20.00	40.00	40.00	40.00	20.00
Non-Executive Between 40-49	Percentage	40.00	40.00	20.00	20.00	40.00
Non-Executive Above 50	Percentage	40.00	20.00	40.00	40.00	40.00
Gender Group by Employee Category						
Senior Management Male	Percentage	29.00	29.00	29.00	29.00	25.00
Senior Management Female	Percentage	71.00	71.00	71.00	71.00	75.00
Senior Manager and Manager Male	Percentage	25.00	25.00	0.00	0.00	0.00
Senior Manager and Manager Female	Percentage	75.00	75.00	100.00	100.00	100.00
Assistant Manager and Senior Executive Male	Percentage	14.00	0.00	0.00	0.00	20.00

Internal assurance

External assurance

No assurance

(*) Restated

SUSTAINABILITY PERFORMANCE REPORT

(Bursa LINK)

cont'd

Indicator	Measurement Unit	2019	2020	2021	2022	2023
Assistant Manager and Senior Executive Female	Percentage	86.00	100.00	100.00	100.00	80.00
Executive Male	Percentage	0.00	0.00	50.00	0.00	0.00
Executive Female	Percentage	100.00	100.00	50.00	100.00	100.00
Non-Executive Male	Percentage	60.00	60.00	60.00	60.00	60.00
Non-Executive Female	Percentage	40.00	40.00	40.00	40.00	40.00
Bursa C3(b) Percentage of directors by gender and age group						
Male	Percentage	83.00	83.00	83.00	67.00	64.00
Female	Percentage	17.00	17.00	17.00	33.00	36.00
Under 30	Percentage	8.00	0.00	0.00	0.00	0.00
Between 30-39	Percentage	17.00	25.00	17.00	17.00	18.00
Between 40-49	Percentage	8.00	8.00	17.00	25.00	18.00
Above 50	Percentage	67.00	67.00	67.00	58.00	64.00
Bursa (Energy management)						
Bursa C4(a) Total energy consumption	Megawatt	100,328.08	90,673.14	82,512.54	94,111.27	125,009.24
Bursa (Health and safety)						
Bursa C5(a) Number of work-related fatalities	Number	0	0	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00	0.00	0.30	0.00	0.68
Bursa C5(c) Number of employees trained on health and safety standards	Number	142	28	0	130	111
Bursa (Labour practices and standards)						
Bursa C6(a) Total hours of training by employee category						
Senior Management	Hours	4	22	0	54	116
Senior Manager and Manager	Hours	21	3	5	43	21
Assistant Manager and Senior Executive	Hours	56	4	13	55	90
Executive	Hours	4	2	5	17	7
Non-Executive	Hours	0	6	0	0	0
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	0.00	0.00	0.00	0.00	0.00

Internal assurance

External assurance

No assurance

(*) Restated

SUSTAINABILITY PERFORMANCE REPORT

(Bursa LINK)
cont'd

Indicator	Measurement Unit	2019	2020	2021	2022	2023
Bursa C6(c) Total number of employee turnover by employee category						
Senior Management	Number	0	0	0	0	0
Senior Manager and Manager	Number	0	0	1	1	1
Assistant Manager and Senior Executive	Number	0	4	1	1	1
Executive	Number	1	0	1	0	0
Non-Executive	Number	0	1	0	0	0
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	0	0	0	0
Bursa (Supply chain management)						
Bursa C7(a) Proportion of spending on local suppliers	Percentage	-	-	-	99.00	99.00
Bursa (Data privacy and security)						
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0	0	0
Bursa (Water)						
Bursa C9(a) Total volume of water used	Megalitres	807.408000	684.717000	537.705000	699.372000	1,055.816000
Bursa (Waste management)						
Bursa C10(a) Total waste generated	Metric tonnes	5,368.80	3,030.80	2,174.50	4,264.10	5,445.20
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	196.60	121.10	78.90	165.80	247.20
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	5,172.20	2,909.70	2,095.60	4,098.40	5,198.10
Bursa (Emissions management)						
Bursa C11(a) Scope 1 emissions in tonnes of CO ₂ e	Metric tonnes	-	-	-	-	36.00
Bursa C11(b) Scope 2 emissions in tonnes of CO ₂ e	Metric tonnes	83,629.00	68,730.00	62,545.00	71,336.00	94,757.00
Bursa C11(c) Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting)	Metric tonnes	-	-	-	-	38,267.00

Internal assurance

External assurance

No assurance

(*) Restated

SUSTAINABILITY ASSURANCE STATEMENT

INDEPENDENT LIMITED ASSURANCE REPORT



KPMG PLT

(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

The Manager
Pavilion Real Estate Investment Trust
Level 10, Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur

Dear Sirs,

Independent Limited Assurance Report on Selected Sustainability Information of Pavilion Real Estate Investment Trust ("Pavilion REIT") for the financial year ended 31 December 2023

We, KPMG PLT ("KPMG"), were engaged to provide limited assurance on Pavilion REIT's Selected Sustainability Information (the "Subject Matter"), published in Pavilion REIT's Integrated Annual Report for the financial year ended 31 December 2023 (the "Integrated Annual Report"), in the form of an independent limited assurance conclusion as to whether anything has come to our attention that would cause us to believe that the Subject Matter, in all material respects, has not been prepared in accordance with Pavilion REIT's definition and calculation methodologies which are disclosed in the Integrated Annual Report, including any significant inherent limitations (the "Applicable Criteria").

Subject Matter

The Selected Sustainability Information covered by our limited assurance engagement is as follows:

- (i) Scope 2 greenhouse gas ("GHG") emissions (purchased electricity) (tCO₂eq/ MWh) ("Scope 2"); and
- (ii) Scope 3 GHG emissions (generation of electricity that is purchased and then resold to end users) (tCO₂eq/ MWh) ("Scope 3").

The boundary of the limited assurance engagement by KPMG on the Selected Sustainability Information are as follows:

- (i) Scope 2 – All Pavillion REIT's properties; and
- (ii) Scope 3 – Pavilion Kuala Lumpur Mall and Pavilion Tower.

Board of Directors and Management's Responsibilities

The Board of Directors (the "Directors") of Pavilion REIT Management Sdn. Bhd. (the "Manager"), and the management of the Manager (the "Management") are responsible for the preparation and presentation of the Subject Matter in accordance with the Applicable Criteria, and the information and assertions contained within it; for determining that the criteria is appropriate to meet their needs; and for establishing and maintaining appropriate performance management and internal control systems from which the Subject Matter is derived.

The Directors and the Management are responsible for the prevention and detection of fraud and error mainly through the implementation and continued operation of an adequate system of internal control.

SUSTAINABILITY ASSURANCE STATEMENT

cont'd



Pavilion Real Estate Investment Trust ("Pavilion REIT")
*Independent Limited Assurance Report on Selected Sustainability
 Information of Pavilion REIT for the financial year ended 31 December 2023
 24 January 2024*

Board of Directors and Management's Responsibilities (cont'd)

The Directors and the Management are also responsible for ensuring that staff involved with the preparation and presentation of the description of the Subject Matter in the Integrated Annual Report are properly trained, ensuring that information systems are properly updated and that any changes in reporting encompass all significant business units.

The Directors and the Management are responsible for disclosing to us their knowledge of: (i) known, actual or possible non-compliance with laws or regulations that have or may have a material effect on the Subject Matter; and (ii) allegations of or suspected fraud or dishonesty committed against Pavilion REIT.

The Directors and the Management are responsible to make available to us the Subject Matter and any other information timely to facilitate the completion of the engagement within the required time frame.

The Directors and the Management are responsible for disclosing to us facts that may affect the Subject Matter, of which they may become aware up to the date of the independent limited assurance report.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a limited assurance opinion based on the work performed and evidence obtained.

We conducted our engagement in accordance with Malaysian Approved Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform procedures to obtain limited assurance that nothing has come to our attention that causes us to believe that the Subject Matter, in all material respects, is not prepared in accordance with the Applicable Criteria.

Procedures Performed

Our limited assurance engagement on the Subject Matter consists of making enquiries, primarily of persons responsible for the preparation of the Subject Matter, and applying analytical and other evidence gathering procedures, as appropriate. These procedures, amongst others, included:

- Enquired Management to gain an understanding of the processes established from which the Subject Matter is derived;
- Interviewed relevant staff responsible for preparing and presenting the Subject Matter in the Integrated Annual Report;
- Compared the Subject Matter presented in the Integrated Annual Report to underlying sources on a sample basis to determine whether the relevant information has been appropriately disclosed; and
- Read the Subject Matter presented in the Integrated Annual Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of Pavilion REIT.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

SUSTAINABILITY ASSURANCE STATEMENT

cont'd



Pavilion Real Estate Investment Trust ("Pavilion REIT")
*Independent Limited Assurance Report on Selected Sustainability
Information of Pavilion REIT for the financial year ended 31 December 2023
24 January 2024*

Our Quality Management and Independence

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Inherent Limitations

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Integrated Annual Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Integrated Annual Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the limited assurance procedures performed and evidence obtained, as described above, nothing has come to our attention that would cause us to believe that the Subject Matter for the financial year ended 31 December 2023 is not prepared, in all material respects, in accordance with the Applicable Criteria.

Restriction on distribution and use of our report

In accordance with the terms of our engagement, this report on the Subject Matter has been prepared for the Directors of the Manager for the purpose as described in the first paragraph of this report and for no other purpose. Our report should also not be regarded as suitable to be used or relied on by any other party.

We consent to the inclusion of this report in Pavilion REIT's Integrated Annual Report in respect of the financial year ended 31 December 2023, to assist the Directors of the Manager in responding to their governance responsibilities by obtaining independent limited assurance report on the Subject Matter. We will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

KPMG PLT

(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya

Date: 24 January 2024

GRI CONTENT INDEX

Statement of use	Pavilion REIT has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD 3	DISCLOSURE	F4GBM ESG Themes	Bursa's Common Sustainability Matter	UN SDG	LOCATION
GRI 2: General Disclosures 2021	The organisation and its reporting practices				
	2-1 Organizational details				Section 2: Overview
	2-2 Entities included in the organization’s sustainability reporting				Section 1: Reporting Scope and Boundary
	2-3 Reporting period, frequency and contact point				Section 1: Reporting Scope and Boundary, Feedback and Contact Point
	2-4 Restatements of information				Section 1: Exclusions or Changes in Reporting
	2-5 External assurance				Section 6: Audit Committee Report, Statement of Risk Management and Internal Controls Section 7: Financials Section 8: Sustainability Assurance Statement
	Activities and workers				
	2-6 Activities, value chain and other business relationships				Section 4: Our Value Creation Story
	2-7 Employees				Section 5 – T: Diversity and Equal Opportunity
	2-8 Workers who are not employees				Section 5 – T: Health and Safety
	Governance				
	2-9 Governance structure and composition				Section 6: Corporate Governance Overview Statement
	2-10 Nomination and selection of the highest governance body				Section 6: Nominating Committee Report
	2-11 Chair of the highest governance body				Section 6: Corporate Governance Overview Statement
	2-12 Role of the highest governance body in overseeing the management of impacts				Section 6: Corporate Governance Overview Statement
	2-13 Delegation of responsibility for managing impacts				Section 6: Corporate Governance Overview Statement

GRI CONTENT INDEX

cont'd

GRI STANDARD 3	DISCLOSURE	F4GBM ESG Themes	Bursa's Common Sustainability Matter	UN SDG	LOCATION
GRI 2: General Disclosures 2021	2-14 Role of the highest governance body in sustainability reporting				Section 5: Sustainability Governance Section 6: Corporate Governance Overview Statement
	2-15 Conflicts of interest				Section 6: Board of Directors Profile, Key Management' Profile
	2-16 Communication of critical concerns				Section 5: Human Rights Management
	2-17 Collective knowledge of the highest governance body				Section 6: Corporate Governance Overview Statement
	2-18 Evaluation of the performance of the highest governance body				Section 6: Nominating Committee Report
	Strategy, policies and practices				
	2-22 Statement on sustainable development strategy				Section 5: Creating Sustainable Impact
	2-23 Policy commitments				Section 5 – I: Procurement and Supply Chain, T: Human Rights Management
	2-24 Embedding policy commitments				Section 5 – T: Human Rights Management
	2-25 Processes to remediate negative impacts				Section 5 – T: Human Rights Management
	2-26 Mechanisms for seeking advice and raising concerns				Section 5 – T: Human Rights Management
	2-27 Compliance with laws and regulations				Section 5 – M: Maintaning Good Governance
	2-28 Membership associations				Section 4 - Membership in Associations
	Stakeholder engagement				
	2-29 Approach to stakeholder engagement				Section 4: Our Stakeholders
	2-30 Collective bargaining agreements				Section 5 – T: Human Rights Management
GRI 3: Material Topics 2021	3-1 Process to determine material topics				Section 4: Our Material Matters
	3-2 List of material topics				Section 4: Our Material Matters
	3-3 Management of material topics				Section 4: Our Material Matters

GRI CONTENT INDEX

cont'd

GRI STANDARD 3	DISCLOSURE	F4GBM ESG Themes	Bursa's Common Sustainability Matter	UN SDG	LOCATION
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed				Section 5: I – Economic Performance
	201-2 Financial implications and other risks and opportunities due to climate change				Section 5: P – Climate Change
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage				Section 5: T – Diversity and Equal Opportunity
	202-2 Proportion of senior management hired from the local community				Section 5 – T: Diversity and Equal Opportunity
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported				Section 5 – I: Asset Management and Acquisition
	203-2 Significant indirect economic impacts				Section 5 – C: Brand Value and Tenant Satisfaction
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers*	Supply Chain (Environmental), Supply Chain (Social)	Supply Chain Management	12	Section 5 – I: Procurement and Supply Chain
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption*	Anti-Corruption	Anti-Corruption	16	Section 5 – M: Business Ethics and Compliance
	205-2 Communication and training about anti-corruption policies and procedures				Section 5 – M: Business Ethics and Compliance
	205-3 Confirmed incidents of corruption and actions taken*				Section 5 – M: Business Ethics and Compliance
GRI 302: Energy 2016	302-1 Energy consumption within the organization*	Climate Change	Energy Management	7,13	Section 5 – P: Energy Management
	302-2 Energy consumption outside of the organization				Section 5 – P: Energy Management
	302-3 Energy intensity				Section 5 – P: Energy Management
	302-4 Reduction of energy consumption				Section 5 – P: Energy Management

GRI CONTENT INDEX

cont'd

GRI STANDARD 3	DISCLOSURE	F4GBM ESG Themes	Bursa's Common Sustainability Matter	UN SDG	LOCATION
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Security	Water	6	Section 5 – P: Water Management
	303-2 Management of water discharge-related impacts				Section 5 – P: Water Management
	303-3 Water withdrawal				Section 5 – P: Water Management
	303-4 Water discharge				Section 5 – P: Water Management
	303-5 Water consumption*				Section 5 – P: Water Management
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions*	Climate Change, Pollution & Resources	Emission Management	13	Section 5: P – Climate Change
	305-2 Energy indirect (Scope 2) GHG emissions*				Section 5: P – Climate Change
	305-3 Other indirect (Scope 3) GHG emissions*				Section 5: P – Climate Change
	305-4 GHG emissions intensity				Section 5: P – Climate Change
	305-5 Reduction of GHG emissions				Section 5: P – Climate Change
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Pollution & Resources	Waste Management	12	Section 5 – P: Waste Management
	306-2 Management of significant waste-related impacts				Section 5 – P: Waste Management
	306-3 Waste generated*				Section 5 – P: Waste Management
	306-4 Waste diverted from disposal*				Section 5 – P: Waste Management
	306-5 Waste directed to disposal*				Section 5 – P: Waste Management
GRI 401: Employment 2016	401-1 New employee hires and employee turnover*	Labour Standards, Human Rights & Community	Labour Practices and Standards	5,8,10	Section 5 – T: Talent Attraction and Retention
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees				Section 5 – T: Talent Attraction and Retention
	401-3 Parental leave				Section 5 – T: Talent Attraction and Retention

GRI CONTENT INDEX

cont'd

GRI STANDARD 3	DISCLOSURE	F4GBM ESG Themes	Bursa's Common Sustainability Matter	UN SDG	LOCATION
GRI 403: Occupational Health and Safety 2018	403-2 Hazard identification, risk assessment, and incident investigation	Health & Safety	Health and Safety	3,8	Section 5 – T: Health and Safety
	403-4 Worker participation, consultation, and communication on occupational health and safety				Section 5 – T: Health and Safety
	403-5 Worker training on occupational health and safety*				Section 5 – T: Health and Safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships				Section 5 – T: Health and Safety
	403-9 Work-related injuries*				Section 5 – T: Health and Safety
	403-10 Work-related ill health				Section 5 – T: Health and Safety
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee*	Labour Standards	Labour Practices and Standards	4,5,8	Section 5 – T: Training and Education
	404-2 Programs for upgrading employee skills and transition assistance programs				Section 5 – T: Training and Education
	404-3 Percentage of employees receiving regular performance and career development reviews				Section 5 – T: Training and Education

GRI CONTENT INDEX

cont'd

GRI STANDARD 3	DISCLOSURE	F4GBM ESG Themes	Bursa's Common Sustainability Matter	UN SDG	LOCATION
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees*	Labour Standards, Corporate Governance	Diversity	5,8,10	Section 5 – T: Diversity and Inclusion
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken				Section 8 – Sustainability Key Performance Data
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Human Rights & Community	Community/ Society	3 & 11	Section 5 – C: Community Engagement
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Risk Management	Data Privacy and Security	8, 9, 12, 16	Section 5 – M: Data Privacy and Cybersecurity

Note:

1. * refers to Bursa Malaysia Common Indicators.

GLOSSARY

ABC	:	Anti-Bribery and Corruption
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
EESG	:	Economic, Environmental, Social and Governance
ERM	:	Enterprise Risk Management
EPU	:	Earnings per Unit
Fund	:	Pavilion Real Estate Investment Trust
FBM KLCI	:	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FY	:	Financial year from 1 January to 31 December
GDP	:	Gross Domestic Product
GET	:	Green Electricity Tariff
GHG	:	Greenhouse Gas
KLP	:	Kuala Lumpur Pavilion Sdn Bhd
Manager	:	Pavilion REIT Management Sdn Bhd
MER	:	Management Expense Ratio - ratio of trust expenses incurred in operating Pavilion REIT to its NAV
M-REIT	:	Malaysian Real Estate Investment Trust
NGO	:	Non-Governmental Organisation
OPR	:	Overnight Policy Rate
Pavilion REIT	:	Pavilion Real Estate Investment Trust
Prospectus	:	Pavilion REIT's prospectus dated 14 November 2011
PPKM	:	Persatuan Pengurusan Kompleks Malaysia / Malaysia Shopping Malls Association
QIA	:	Qatar Investment Authority
REIT	:	Real Estate Investment Trust
Report	:	Integrated Annual Report
SOP	:	Standard Operating Procedures
Trustee	:	MTrustee Berhad
TAV	:	Total Asset Value
Unit	:	An undivided interest in Pavilion REIT as provided for in the Deed
WALE	:	Weighted Average Lease Expiry

NOTICE OF ANNUAL GENERAL MEETING

PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad [198701004362 (163032-V)] and Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)])

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting ("12th AGM") of Pavilion Real Estate Investment Trust ("Pavilion REIT") will be held at Pavilion Ballroom, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Tuesday, 23 April 2024 at 10.00 a.m. to transact the following businesses:-

ORDINARY BUSINESS

1. To lay the Audited Financial Statements of Pavilion REIT for the financial year ended 31 December 2023 together with the Trustee's Report to the Unitholders issued by MTrustee Berhad, as trustee of Pavilion REIT and the Report and Statement by the Manager issued by Pavilion REIT Management Sdn Bhd, as the manager of Pavilion REIT and the Auditors' Report thereon.

*(Please refer
Explanatory
Note I)*

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modification, the following Resolution:

2. **PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED UNITS ("PROPOSED AUTHORITY")**

"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 3,656,848,312 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:

- (a) 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
- (b) the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or
- (c) the Proposed Authority is revoked or varied by the Unitholders in a Unitholders' meeting;

whichever occurs first ("Validity Period");

AND THAT the New Units to be issued pursuant to the Proposed Authority shall, upon allotment and issuance, rank pari passu in all respects with the existing Units except that the New Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issuance of such New Units;

*Ordinary
Resolution
(Please refer
Explanatory
Note II)*

NOTICE OF ANNUAL GENERAL MEETING

cont'd

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Pavilion REIT, to give effect to the aforesaid Proposed Authority with full powers to assent to any condition, variation, modification and/or amendment in any manner as the Manager and the Trustee may deem fit and in the best interest of Pavilion REIT and/or as may be imposed by the relevant authorities, and to deal with all matters relating thereto;

AND FURTHER THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Pavilion REIT, to take all such steps and do all acts, deeds and things in any manner (including the execution of such documents as may be required) as they may deem necessary or expedient to implement, finalise, complete and give full effect to the Proposed Authority.”

By Order of the Board of
Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)]
(as the Manager of Pavilion Real Estate Investment Trust)

Lim Mei Yoong (LS0002201)
(SSM PC No. 201908003397)
Company Secretary

Kuala Lumpur
29 February 2024

Notes :

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
3. Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
4. The proxy form shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
5. The original proxy form or certificate of appointment of corporate representative or power of attorney must be deposited at the Registered Office of the Manager of Pavilion REIT i.e. Pavilion REIT Management Sdn Bhd either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia not later than **Sunday, 21 April 2024 at 10.00 a.m.** being 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6. Only unitholders registered in the Record of Depositors as at 16 April 2024 shall be entitled to attend and vote at the meeting or appoint proxies to attend and vote on his/her behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Ordinary Resolution set out in the Notice of 12th AGM will be put to vote by way of poll.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

Explanatory Note on Ordinary Business:

- (I) The Audited Financial Statements are laid before the unitholders for discussion only pursuant to the provision of the Guidelines on Listed Real Estate Investment Trusts ("Listed REITs Guidelines"). The Audited Financial Statements do not require formal approval of the unitholders. Hence, this matter will not be put forward for voting.

Explanatory Note on Special Business:

(II) **Proposed Authority to Allot and Issue New Units of up to 20% of the Total Number of Issued Units**

The Proposed Ordinary Resolution, if passed, would enable the Directors of the Manager to allot and issue New Units from time to time provided that the aggregate number of the New Units to be issued during the Validity Period, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the total number of units issued of Pavilion REIT for the time being comprising of 3,656,848,312 Units.

The Proposed Authority will allow the Manager the flexibility to allot and issue New Units to raise funds to finance future investments, acquisitions and/or capital expenditure to enhance the value of Pavilion REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed Authority, delays and further costs involved in convening separate general meetings to approve such issue of New Units to raise funds can be avoided.

The Manager may, subject to relevant laws and regulations, use the net proceeds from the issuance of New Units under the Proposed Authority as its absolute discretion for other purposes as permitted for under the Listed REITs Guidelines.

Any allotment and issuance of New Units pursuant to the Proposed Authority will be subject to the relevant approvals of Securities Commission Malaysia and Bursa Malaysia Securities Berhad.

ADMINISTRATIVE GUIDE

PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad [198701004362 (163032-V)] and Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)])

**ADMINISTRATIVE DETAILS FOR UNITHOLDERS ATTENDING THE 12TH ANNUAL GENERAL MEETING
("THE MEETING")**

Date : Tuesday, 23 April 2024
Time : 10.00 a.m.
Venue : Pavilion Ballroom, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree
170, Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia

REGISTRATION

1. Registration will start at **8.00 a.m.** The unitholders are requested to be punctual.
2. Please produce your **ORIGINAL Identity Card ("IC")** or **Passport (for foreigners)** during registration for verification. **No photocopy of IC or Passport will be accepted.**

After registration and signing on the Attendance List, please vacate the registration area and proceed to the meeting hall.

3. If you are attending the Meeting as a unitholder as well as proxy, you will be registered once and will only be given one wristband. No person will be allowed to enter the meeting hall without wearing the wristband.

There will be no replacement in the event that you lose or misplace the wristband.

4. Please note that you will not be allowed to register on behalf of another person, even with the original IC or Passport of that other person.
5. Food voucher will be distributed upon registration on the basis of one voucher for one unitholder/proxy.

HELP DESK

6. The registration counters will only handle verification of the identity of the unitholder/proxy and his/her unitholdings. If you have other queries or need clarification relating to registration, please proceed to the Help Desk.
7. The Help Desk will also handle revocation of proxy appointments.

PARKING

8. Parking is complimentary.

DOOR GIFT

9. There will be no door gift given to unitholders who attend the Meeting.

ADMINISTRATIVE GUIDE

cont'd

REFRESHMENT

10. Food can be redeemed after the Meeting at a designated counter. It will be given on “per head” basis.

Each unitholder and/or proxy attending the Meeting in person will be entitled for only one (1) food pack. Where a unitholder and/or proxy is also appointed as proxy for different unitholders to attend the AGM, he/she will only be entitled to one (1) food pack regardless of the number of unitholders he/she is representing.

ENTITLEMENT TO ATTEND

11. For the purpose of determining the unitholders who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors (“ROD”) as at 16 April 2024.

Only unitholders whose names appear on the ROD as at 16 April 2024, shall be entitled to attend and vote at the AGM or appoint proxy(ies) to attend and vote on their behalf.

12. A unitholder who is entitled to attend the Meeting is entitled to appoint not more than 2 proxies to attend on his behalf. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
13. The Proxy Form shall be deposited at the registered office of Pavilion REIT Management Sdn Bhd at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur not later than 21 April 2024 at 10.00 a.m., being 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
14. If you wish to attend the Meeting yourself, please do not submit any Proxy Form for the Meeting. You will not be allowed to attend the Meeting together with the proxy appointed by you i.e. you will attend as unitholder for all the CDS accounts registered under your name. You are not allowed to attend as unitholder for certain CDS accounts registered under your name and appoint proxies for balance CDS accounts.
15. If you have submitted your Proxy Form prior to the Meeting and subsequently decided to attend the Meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy before registration.

ENQUIRIES

16. If you have any enquiry(ies) relating to the Meeting, please contact the Registrar as follows during office hours (9.00 a.m. to 5.00 p.m.) from Monday to Friday:

Tricor Investor & Issuing House Services Sdn Bhd
[Registration No.: 197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone Number : 603 27839299

PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad [198701004362 (163032-V)] and Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)])

No. of Units Held	CDS Account No.

PROXY FORM

I/We _____ (name of unitholder as per NRIC, in capital letters)

NRIC No./Passport No./Company No. _____ Tel./Mobile No. _____

of _____

(full address) being a unitholder of PAVILION REAL ESTATE INVESTMENT TRUST ("Pavilion REIT") and entitled to vote hereby appoint:-

1st PROXY 'A'

Full name :		Proportion of unitholdings represented	
		No. of Units	Percentage (%)
Address :	NRIC No./Passport No.		

and/or failing *him/her

2nd PROXY 'B'

Full name :		Proportion of unitholdings represented	
		No. of Units	Percentage (%)
Address :	NRIC No./Passport No.		

or failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Twelfth Annual General Meeting ("12th AGM") of Pavilion REIT to be held at Pavilion Ballroom, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Tuesday, 23 April 2024 at 10.00 a.m. and any adjournment thereof.

** Strike out whichever not applicable*

Please indicate with an "X" in the space below how you wish your votes to be cast. If you do not do so, the proxy/proxies will vote or abstain from voting on the resolution at his/her/their discretion.

Ordinary Resolution – Special Business	For	Against
Ordinary Resolution - Proposed Authority to Allot and Issue New Units		

Dated this _____ day _____ 2024

Signature of Unitholder/Common Seal

Fold This Flap For Sealing

Notes :

1. A unitholder who is entitled to attend at the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.
3. Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
4. The proxy form shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
5. The original proxy form or certificate of appointment of corporate representative or power of attorney must be deposited at the Registered Office of the Manager of Pavilion REIT i.e. Pavilion REIT Management Sdn Bhd either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia not later than **Sunday, 21 April 2024 at 10.00 a.m.** being 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6. Only unitholders registered in the Record of Depositors as at 16 April 2024 shall be entitled to attend and vote at the meeting or appoint proxies to attend and vote on his/her behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Ordinary Resolution set out in the Notice of 12th AGM will be put to vote by way of poll.

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

Malaysia

1st Fold Here



Natural
Resource



Waste
Management



Solar
Panel



Society



Rainwater
Harvesting



Corporate
Governance



Sustainability

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
www.pavilion-reit.com