

Unitholders' Meeting of Pavilion Real Estate Investment Trust ("Pavilion REIT") held on 22 March 2023 at 11.30 a.m.

Questions and Answers at the Unitholders' Meeting of Pavilion REIT

No.	Comments/Questions raised by Unitholders / Proxy Holders	Responses/Answers from the Chairman/Chief Executive Officer
1.	<p>a) If the resolution on the Proposed Acquisition of Pavilion Bukit Jalil Mall is approved at the meeting, when is the SPA will be completed and the figure of Pavilion Bukit Jalil taken into the balance sheet of Pavilion REIT?</p> <p>Have all the condition precedents that are set under the SPA are met at the moment?</p> <p>Are we expecting the Q2 or Q3 Pavilion REIT figures will come in with Pavilion Bukit Jalil?</p> <p>b) Any plan to bring in Pavilion Damansara Heights to Pavilion REIT in the future?</p>	<p>The completion of the SPA is subject to the fulfilment of the conditions precedent. Most of the conditions precedent have been met and the expected dates of the completion date of the conditions precedent are stated in the Circular.</p> <p>There are 9 conditions precedent in the SPA. Half of the conditions precedent would have been met after today. The conditions precedent includes the Vendor's shareholders approval and our Unitholders' approval. A total of 6 conditions precedent have been satisfied with remaining 3 conditions precedent have yet to be satisfied.</p> <p>The major condition precedent that has yet to be achieved is at least 80% of the total net lettable area (excluding own use areas) have commenced rental billing with average total rental of the tenanted NLA must not be less than RM9.50 per sq ft per month. It is anticipated that this condition precedent will be met in Q2 of this year.</p> <p>Obviously the market is expecting that we will be approached for it.</p> <p>At this time, we have not been approached to buy the mall.</p>

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2.	<p>a) There are compelling reasons for the Proposed Acquisition and the Vendor also have their own compelling reasons for selling Pavilion Bukit Jalil. We do not have the opportunity to digest the Vendor's side. We only can rely on one side at this moment.</p> <p>The vendor will guarantee return of at least RM146 million and dividend yield of 6.6%. Based on previous returns, the dividend yield is only 3.54%. It is a big jump. How long will it take to achieve and how realistic it is?</p>	<p>It is our view that the deal is beneficial to the unitholders. We think it is a fair deal.</p> <p>It is not a guarantee but it is a target NPI to ensure a reasonable valuation of RM2.2 billion for the Proposed Acquisition. This translates to a NPI yield of 6.6%.</p>
	<p>b) If Pavilion REIT is to build a mall similar to Pavilion Bukit Jalil in Bukit Jalil, can Pavilion REIT build a mall below the price of RM2.2 billion at the current labour and material costs? Can you provide us a realistic estimation?</p>	<p>The cost of construction, land and materials have gone up. We cannot build a mall at a historical cost. If you take into account that the acquisition is RM2.2 billion compared to the Net Book Value, the increment is marginal. We are buying close to the vendor's original cost of RM1.9 billion.</p>
	<p>c) If the target NPI has exceeded the guarantee. Do you need to pay more?</p>	<p>No, we will not have to pay more. It is at capped at RM2.2 billion.</p>
	<p>d) There is a Pavilion in Damansara Heights. How will it relate to Pavilion REIT in the future?</p>	<p>Pavilion Damansara Heights is also partly owned by Tan Sri Lim Siew Choon. The project has yet to be completed and opened. If the owners of the mall asks us to look at it, then at that point we will evaluate it. We are unable to control the timing. The owner will decide when they will ask us to look at it. It will be called Pavilion Damansara Heights.</p>

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2.	e) Please explain the tax exemption on dividend payment.	The current situation is that Pavilion REIT does not pay tax. Distributions in the hands of the unitholders are taxed. If you are an individual unitholder there is a withholding tax of 10%.
3.	a) Can you please explain on the stamp duty for the acquisition?	Stamp duty exemption is given for acquisitions made by a REIT.
4.	<p>a) Noted that in the Circular that if the targeted NPI of RM146 million is not achieved an independent valuer will be appointed. If the valuation is less than the purchase consideration will be the lesser value.</p> <p>With the yield of 3.3% the valuation is above the purchase consideration. Does it suggest that even if you do not achieve the NPI of RM146 million the likelihood of not paying the last RM400 million is not high. This means that after 24 months the valuation will still be high even if the NPI is not achieved.?</p>	<p>The yield of about 3% is a historical figure from the Vendor's side which has already been achieved based on the mall that was opened on 3 December 2021 under Regal Path Sdn Bhd when the occupancy rate was over 50% and increasing to where it is today.</p> <p>Today, we are looking at 80% occupancy at RM9.50 per sq ft with gross revenue and other income less operating cost. There should be a return of about 6.5% return for a year's performance. We are targeting a 6.6% yield for NPI of RM146 million.</p>
	b) If the targeted NPI of RM146 million is not achieved, Pavilion REIT will conduct a new valuation. Is there a likelihood that the new valuation price after 24 months be lower than the valuation presented?	We will not pay more than RM2.2 billion. As far as valuation is concerned, we will have to wait until the time when the independent valuer conducts the valuation.

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5.	<p>a) I am a regular patron of Pavilion Kuala Lumpur Mall. It has a lot of vibrancy and located in city centre. Recently, I have been going to Pavilion Bukit Jalil. It is a big mall with a lot of tenants coming in. However the mall is a little quiet in the week days compared to the weekends.</p> <p>What is the approach/turnaround on Pavilion Bukit Jalil that will be taken by the management after the acquisition to increase the footfall traffic in the week days?</p>	<p>Pavilion Kuala Lumpur Mall has more vibrancy because it entertains 32 million to 33 million people a year. Whereas, Pavilion Bukit Jalil is reaching 1.4 million to 1.5 million people per year.</p> <p>Pavilion Bukit Jalil is far bigger than Pavilion Kuala Lumpur Mall with 1,000,000 sq ft bigger in terms of gross area.</p> <p>We are not changing the approach to Pavilion Bukit Jalil. It is going in the right path. From June last year, the footfall was 1.2 million per month and it is increasing every month up to today which is reaching 1.3 million to 1.4 million per month.</p> <p>Our target is to achieve the occupancy of 80% and 85% - 90% by end of the year.</p> <p>Pavilion Bukit Jalil is holding events and have scheduled events for a whole year. There are "Van Gogh Alive", launching of "The World of Tim Burton", "Demon Slayer" and other happening events that will bring in more people.</p> <p>The footfall is seasonal eg post Chinese New Year, it is a low season for the year not only in Pavilion Bukit Jalil but other malls also and market will drop slightly. The footfall traffic will increase again during mid year sales and market will improve again towards Christmas and Chinese New Year.</p> <p>Ramadhan will commence tomorrow; we will see during the day time it will be quiet but we anticipate that the footfall traffic will improve in the evening.</p> <p>By holding events, introducing the right tenants and right tenants mix into Pavilion Bukit Jalil we will increase the foot traffic and people visitations to the mall.</p>

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6.	<p>a) Based on the 2022 Annual Report, the dividend yield is 3.64% which is among the lowest compared to other REITS. The Proposed Acquisition is expected to generate 6.6% yield. How is the projection for the figure? Is this your KPI?</p> <p>Currently, the yield is 3.64%. What is your projection of yield after the acquisition of Pavilion Bukit Jalil?</p> <p>Will dividend yield per unit be increase after the acquisition of Pavilion Bukit Jalil? eg if 5 sen per unit be paid (without acquisition of Pavilion Bukit Jalil). Will the dividend per unit be increased to 10 sen after the acquisition of Pavilion Bukit Jalil?</p>	<p>The dividend yield figure of 3.64% is from Bursa Malaysia & Malaysian Stock Biz NB where is stated that as most REITS have yet to complete its financial year for 2022, the dividend yield figure is in respect of financial year 2021.</p> <p>The financial year ended 2021, 4.41 sen dividend declared over RM1.25 per unit and it is equivalent to 3.53% which is stated in the 2022 Annual Report.</p> <p>The financial year ended 2022, 8.37 sen dividend was declared which is equivalent to 6.92% yield at the market price of RM1.21 as at to date.</p> <p>We are mindful, and will work towards, maintaining or improving the DPU.</p>
	<p>b) On liquidity, the Proposed Authority to allot and issue units of 20% of Pavilion REIT was passed at the 11th Annual General Meeting today. There will be an increase of units of Pavilion REIT. Why do Pavilion REIT not give bonus issue to become more liquid even though the share price will drop?</p>	<p>For REITs, in order to enjoy the tax benefit, Pavilion REIT is required to distribute at least 90% to 100% of the earnings back to the unitholders. Over the years we have made 100% distribution. There is no reserve except for capital reserve which is the increase in the valuation of the properties. For REITs there is no bonus issue.</p> <p>In terms of liquidity and trading, the bonus issue does not necessarily add liquidity as units are given to the same unitholders and it does not increase liquidity technically. If there are more unitholders, who can freely trade the units as opposed to the existing controlling unitholders who are more likely to hold the units liquidity should increase. We hope the placements will achieve this.</p>

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6.	<p>c) The vendor will try to maintain the target income according to the SPA.They may convince the tenants to help them out. After the acquisition is completed will the target be maintained? Are the tenants genuine?</p>	<p>This is a due diligence process which the management has undertaken. We have done the technical due diligence, legal due diligence, valuer due diligence and audit due diligence. All the due diligence indicate satisfactory results.</p>
	<p>d) Interest rates have gone up and a recession may be coming. Pavilion REIT is dealing with high end market. With this situation can the patrons maintain their lifestyles or will the situation affect the purchasing power in the market and tenants?</p> <p>The presentation only looks at the bright side. What is the plan in case the Pavilion REIT is affected by the risks?</p>	<p>There are upsides and downsides for any business/acquisition.</p> <p>If there are any opportunities we will evaluate carefully the upsides and downsides. For the Proposed Acquisition, we have gone through the evaluation vigorously and we believe this is the right time to proceed and it is structured in a way to protect the unitholders. We are optimistic in what we can do with the asset.</p> <p>During the Due Diligence, we have considered the various risk factors. There is no perfect plan where we can plan for every contingency or downside. We have to carefully evaluate it and only after careful assessment will we consider whether to go forward with an acquisition or not.</p>
	<p>e) We hope to have door gift or e-voucher</p>	<p>We will take your comments on board.</p>