

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad (Registration No. 198701004362 (163032-V)) and Pavilion REIT Management Sdn Bhd (Registration No. 201101011359 (939490-H)), both companies incorporated in Malaysia)

CIRCULAR TO UNITHOLDERS IN RELATION TO THE

PART A

- **PROPOSED ACQUISITION BY MTRUSTEE BERHAD, ACTING AS THE TRUSTEE FOR AND ON BEHALF OF PAVILION REAL ESTATE INVESTMENT TRUST (“PAVILION REIT”), OF PAVILION BUKIT JALIL TOGETHER WITH THE RELATED ASSETS AND RIGHTS FROM REGAL PATH SDN BHD (“REGAL PATH”) FOR AN AGGREGATE PURCHASE CONSIDERATION OF RM2,200 MILLION (“PURCHASE CONSIDERATION”) (“PROPOSED ACQUISITION”);**
- **PROPOSED ISSUANCE OF UP TO 600,000,000 NEW UNITS IN PAVILION REIT (“UNITS”), REPRESENTING UP TO APPROXIMATELY 19.6% OF THE EXISTING TOTAL UNITS IN ISSUE, AT A PRICE TO BE DETERMINED LATER AS PART SETTLEMENT OF THE PURCHASE CONSIDERATION OF UP TO RM600 MILLION, TO REGAL PATH, BEING A PERSON CONNECTED TO CERTAIN MAJOR UNITHOLDERS OF PAVILION REIT, PURSUANT TO THE PROPOSED ACQUISITION;**
- **PROPOSED PLACEMENTS OF UP TO 1,270,000,000 NEW UNITS (“PLACEMENT UNITS”), REPRESENTING UP TO APPROXIMATELY 41.5% OF THE EXISTING TOTAL UNITS IN ISSUE, AT AN ISSUE PRICE TO BE DETERMINED LATER BY WAY OF BOOKBUILDING EXERCISE TO RAISE UP TO RM1,270 MILLION (“PROPOSED PLACEMENTS”); AND**
- **PROPOSED PLACEMENT OF UP TO 341,000,000 PLACEMENT UNITS, REPRESENTING UP TO APPROXIMATELY 11.1% OF THE EXISTING TOTAL UNITS IN ISSUE, TO EMPLOYEES PROVIDENT FUND BOARD, BEING A MAJOR UNITHOLDER OF PAVILION REIT, AND/OR PERSONS CONNECTED TO IT PURSUANT TO THE PROPOSED PLACEMENTS**

PART B

INDEPENDENT ADVICE LETTER FROM MALACCA SECURITIES SDN BHD TO THE NON-INTERESTED UNITHOLDERS OF PAVILION REIT IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF UNITHOLDERS’ MEETING

Joint Principal Advisers and Placement Agents



CIMB Investment Bank Berhad
(Registration No. 197401001266 (18417-M))



Investment Bank
Maybank Investment Bank Berhad
(Registration No. 197301002412)
(A Participating Organisation of Bursa Securities)

Independent Adviser



Malacca Securities Sdn Bhd
(Registration No: 197301002760 (16121-H))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of the meeting of the unitholders of Pavilion REIT (“**Unitholders’ Meeting**”) (“**Notice of Unitholders’ Meeting**”) together with the Proxy Form are enclosed in this Circular. If you are unable to attend and vote at the Unitholders’ Meeting, you may appoint a proxy or no more than two proxies to attend and vote on your behalf at the Unitholders’ Meeting. If you wish to do so, please complete and return the enclosed Proxy Form to the registered office of Pavilion REIT Management Sdn Bhd, either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur, not later than 48 hours before the time set for holding the Unitholders’ Meeting or any adjournment thereof. The Proxy Form should be completed strictly in accordance with the instructions contained therein. The completion and the lodging of the Proxy Form will not preclude you from attending and voting in person at the Unitholders’ Meeting should you subsequently wish to do so. The details of the Unitholders’ Meeting are as follows:

Date and time of the Unitholders’ Meeting	: Wednesday, 22 March 2023 at 11.30 a.m. or immediately following the conclusion of the 11 th Annual General Meeting of Pavilion REIT, whichever is later, or any adjournment thereof
Venue of the Unitholders’ Meeting	: Pavilion Ballroom, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Last date and time for lodging the Proxy Form	: Monday, 20 March 2023 at 11.30 a.m. or any adjournment thereof

This Circular is dated 7 March 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

- Act : Companies Act 2016
- Additional Assets : The assets to be acquired under the Ancillary Purchases
- Advance Distribution : The advance distribution of Pavilion REIT's distributable income which the Board intends to declare for the Advance Distribution Period
- Advance Distribution Period : The period commencing on the day immediately after the relevant distribution up to such date to be determined by the Board, which is before the date on which the Placement Units are allotted to identified investors and the Consideration Units (if any) are allotted to Regal Path
- Amberstraits : Amberstraits Sdn Bhd
- Ancillary Purchases : The acquisition by Pavilion REIT of additional movable assets required for the operations of PBJ Mall which include laptops, buggies and mobile elevating work platforms
- Announcement : The announcement dated 22 November 2022 in relation to the Proposed Acquisition and the Proposed Placements
- Assets : All fixtures, fittings, equipment, machinery, systems and all other appurtenant thereto affixed to or installed in or within PBJ Mall (excluding any fixtures and fittings belonging to the tenants of PBJ Mall) or any part thereof including those which Regal Path may acquire after the date of the SPA but prior to the Completion Date and all those equipment, assets, devices and items required for the operations of PBJ Mall as set out under the HP Agreements
- Authorised Nominee(s) : Such person(s) as may be nominated by Regal Path provided that such notification of nomination must be accompanied by a certified true copy (by Regal Path's company secretary) of the relevant board and shareholders resolutions of Regal Path approving the nomination of such person(s) to receive payments of cash and/or Consideration Units towards settlement of the Purchase Consideration, in accordance with the terms of the SPA
- Balance Consideration : The remaining balance of the Purchase Consideration (after payment of the Completion Date Payment) amounting to RM550 million comprising the Defects Rectification Payment, the Strata Title Payment and the Final Balance Payment
- Board : Board of Directors of the Manager
- Bumiputera : In the context of:
- (i) individuals - Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia;
 - (ii) companies - companies which fulfil, among others, the following criteria or such other criteria as may be imposed by the MITI:
 - (a) registered under the Act as a private company;
 - (b) its shareholders are 100.0% Bumiputera; and

DEFINITIONS *(Cont'd)*

	(c) its board of directors (including its staff) are at least 51.0% Bumiputera; and
	(iii) cooperatives - cooperatives whose shareholders or cooperative members are at least 95.0% Bumiputera or such other criteria as may be imposed by the MITI
Bumiputera Quota Requirement	: The condition of at least 30.0% of retail spaces comprised in PBJ Mall being reserved for Bumiputera purchasers and the Bumiputera purchasers are entitled to 5.0% discount from the normal sale price as stated in the development orders
Bursa Securities	: Bursa Malaysia Securities Berhad
CCC	: Certificate of completion and compliance issued in accordance with the Street, Drainage and Building Act 1974
Chargee	: The security agent of the financiers of Pavilion REIT for the Proposed Acquisition
CIMB	: CIMB Investment Bank Berhad
Circular	: This circular to the Unitholders in relation to the Proposals dated 7 March 2023
CMSA	: Capital Markets and Services Act 2007
Completion Date	: A date falling within the period of 60 days from the Unconditional Date unless extended for a further period of 30 days, with effect from which Pavilion REIT shall be the beneficial owner of the Property and becomes entitled to all rights, title, interest, benefits and claim in and to the Property (including all financial benefits)
Completion Date Payment	: The sum of RM1,650 million to be settled in cash or a combination of cash of not less than RM1,450 million and Consideration Units of up to RM200 million on the Completion Date
Conditions Precedent	: The conditions precedent which are to be fulfilled or waived in accordance with the terms of the SPA as set out in Section 2.1.3(i) of Part A of this Circular
Consideration Units	: New Units of up to RM600 million to be issued by Pavilion REIT to Regal Path as part settlement of the Purchase Consideration
DBKL	: Dewan Bandaraya Kuala Lumpur
DCF	: Discounted cash flow
Declaration of Trust	: A declaration of trust in the form whereby Regal Path shall hold the legal title to the Property as bare trustee for and on behalf of Pavilion REIT from the Completion Date until the date the Transfer is registered at the Land Office in favour of Pavilion REIT
Defects Rectification Payment	: The sum of RM50 million to be paid in cash within 45 days from completion of rectification of all defects during the Defects Rectification Period
Defects Rectification Period	: The period of 6 months from the Completion Date during which all defects as may be notified in writing by Pavilion REIT to Regal Path shall be rectified to the reasonable satisfaction of Pavilion REIT

DEFINITIONS (Cont'd)

Director	:	Director of the Manager
DPU	:	Distribution per Unit
EPF	:	Employees Provident Fund Board
EPU	:	Earnings per Unit
Estimated Expenses	:	The estimated fees and expenses relating to the Proposals of up to approximately RM70 million as detailed in Section 2.3.4 of Part A of this Circular
Existing Securities	:	The existing securities over PBJ Mall created by Regal Path to secure its financing facilities
Final Balance Payment	:	The sum of RM400 million to be settled either by cash, Consideration Units or a combination of both subject to PBJ Mall having achieved the Targeted NPI within the NPI Determination Period
FSA	:	Financial Services Act 2013
FYE	:	Financial year ended/ending, as the case may be
GDP	:	Gross domestic product
HP Agreements	:	The hire purchase agreements between Regal Path and CIMB Factorlease Berhad in respect of certain equipment, assets, devices and items required for the operations of PBJ Mall
HP Purchase Payments	:	An amount to settle the purchase price under the HP Agreements to CIMB Factorlease Berhad (as owner under the HP Agreements) on the Completion Date
IAL	:	Independent advice letter from the Independent Adviser to the non-interested Unitholders in relation to the Proposed Acquisition, as contained in Part B of this Circular
IFSA	:	Islamic Financial Services Act 2013
Independent Adviser or Malacca Securities	:	Malacca Securities Sdn Bhd
Interested Directors	:	TSLSC, PSTKY, Ahmed Ali H A Al-Hammadi, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia, being the Directors who are interested or deemed interested in the Proposals
Interested Major Unitholders	:	TSLSC, PSTKY (both being the ultimate shareholders of the Manager through their indirect shareholdings of 51.0% in the Manager) and QH (which indirectly holds the remaining 49.0% in the Manager), being Major Unitholders who are interested or deemed interested in the Proposals
IPO	:	Initial public offering
Jelang Tegas	:	Jelang Tegas Sdn Bhd
Joint Principal Advisers	:	Collectively, CIMB and Maybank IB
Khuan Choo	:	Khuan Choo Realty Sdn Bhd

DEFINITIONS (Cont'd)

km	:	Kilometre
KWAP	:	Kumpulan Wang Persaraan (Diperbadankan)
Land	:	All that piece of freehold land held under Geran No. 79550, Lot 101899, Mukim Petaling, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur measuring approximately 113,900 square metres (or 1,226,009 sq ft) in area
Land Office	:	Department of Lands and Mines of the Federal Territory of Kuala Lumpur
Land Title	:	The master issue document of title in respect of the Land
Listed REIT Guidelines	:	Guidelines on Listed Real Estate Investment Trusts issued by the SC
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	28 February 2023, being the latest practicable date prior to the date of this Circular
Major Unitholder	:	A person who has an interest or interests in one or more Units and the number or aggregate number of those Units is: (a) 10.0% or more of the total number of Units; or (b) 5.0% or more of the total number of Units where such person is the largest Unitholder
Malton	:	Malton Berhad
Malton Corporation	:	Malton Corporation Sdn Bhd
Manager	:	Pavilion REIT Management Sdn Bhd, the management company of Pavilion REIT
Maybank IB	:	Maybank Investment Bank Berhad
MITI	:	Ministry of International Trade and Industry of Malaysia
NAV	:	Net asset value
NBV	:	Net book value
NLA	:	Net lettable area
NPI	:	Net property income, computed as gross revenue less operating expenses
NPI Determination Period	:	A period of 24 months from the Completion Date within which it will be determined whether the Targeted NPI has been achieved
Pavilion REIT	:	Pavilion Real Estate Investment Trust, a real estate investment trust established in Malaysia and constituted by the Trust Deed
PBJ Mall	:	A 5-storey retail mall with 2 basement car park levels with a total of 4,800 parking bays, known as "Pavilion Bukit Jalil" bearing postal address at Pavilion Bukit Jalil, No. 2, Persiaran Jalil 8, Bandar Bukit Jalil, 57000 Kuala Lumpur

DEFINITIONS *(Cont'd)*

Piazza	:	The centralised green area measuring 8,223 square metres (or 88,512 sq ft)
Piazza Maintenance Agreement	:	The maintenance agreement to be entered into between Pavilion REIT and DBKL as per the mutually pre-agreed form with Pavilion REIT in respect of the Piazza
Placement Agents	:	Collectively, CIMB, Maybank IB and such other placement agents as may be appointed and announced by Pavilion REIT at a later date
Placement Issue Price	:	The price at which the Placement Units will be issued which can only be determined upon the completion of the bookbuilding exercise for the Proposed Placements
Placement Units	:	New Units to be issued pursuant to the Proposed Placements
PMD's EPU	:	Economic Planning Unit within the Prime Minister's Department
Power of Attorney	:	Power of attorney whereby Regal Path grants to Pavilion REIT the power to deal with the legal title to the Property as fully and effectually as Regal Path could do as the legal proprietor of the Land and the Property from the Completion Date until the date the Transfer is registered at the Land Office in favour of Pavilion REIT
Property	:	All prevailing rights, entitlements, benefits and interests of Regal Path in and to the following as at the Completion Date: <ul style="list-style-type: none">(i) PBJ Mall;(ii) the Assets and the Additional Assets;(iii) the fountain located at the main entrance of PBJ Mall;(iv) the Piazza;(v) free rights and liberties for Pavilion REIT, its personal representatives, successors in title, its assigns and its servants, agents, licensees and invitees to use and enjoy all common property (subject always to such house rules or bylaws as shall govern the same from time to time);(vi) the Strata Titles free from encumbrance on issue thereof;(vii) the benefits and rights attached to all approvals, permits and licences given in relation to PBJ Mall or any part thereof, including without limitation the CCC;(viii) the rights and benefits for the ingress and egress in respect of the underpass connecting to PBJ Mall;(ix) all benefits, rights, interests and entitlements arising from and under the electricity agreements, link bridges agreements, air space permits in respect of the link bridges, tenancy agreements, contracts, insurance contracts and intellectual property (including the right to collect rent and any other proceeds or monies) in respect of PBJ Mall as from the Completion Date;

DEFINITIONS (Cont'd)

- (x) all benefits, rights and entitlements to own (where applicable), use and enjoy all the intellectual property and licences and rights that is attached to PBJ Mall or any part thereof, including without limitation to all licences and/or any other applicable intellectual property that is necessary for the use and enjoyment of any Assets and the Additional Assets sold under the SPA;
 - (xi) all benefits, rights and entitlement to claim, through Regal Path (where applicable) any warranty issued in connection with PBJ Mall (including without limitation, any warranty issued in connection with the Assets and the Additional Assets); and
 - (xii) the right to enforce any of the claims or rights referred to under (i) to (xi) above
- Proposals : Collectively, the Proposed Acquisition, Proposed Issuance of Consideration Units to Regal Path, Proposed Placements and Proposed Placement to EPF
- Proposed Acquisition : Proposed acquisition of PBJ Mall together with the related assets and rights by the Trustee, for and on behalf of Pavilion REIT, from Regal Path for the Purchase Consideration
- Proposed Issuance of Consideration Units to Regal Path : Proposed issuance of up to 600,000,000 Consideration Units, representing up to approximately 19.6% of the existing total Units in issue, at a price to be determined later as part settlement of the Purchase Consideration of up to RM600 million, to Regal Path, being a person connected to certain Major Unitholders, pursuant to the Proposed Acquisition
- Proposed Placements : Proposed placements of up to 1,270,000,000 Placement Units, representing up to approximately 41.5% of the existing total Units in issue, at an issue price to be determined later by way of bookbuilding exercise to raise up to RM1,270 million
- Proposed Placement to EPF : As part of the Proposed Placements, the proposed placement of up to 341,000,000 Placement Units, representing up to approximately 11.1% of the existing total Units in issue, to EPF, being a Major Unitholder (as at the date of the signing of the SPA and the Announcement), and/or persons connected to it. As at the LPD, EPF holds 9.9% of the total Units in issue and is not a Major Unitholder
- PSTKY : Puan Sri Tan Kewi Yong
- Public : In relation to Pavilion REIT, means all persons or members of the public but excludes:
- (i) Directors and substantial shareholders of the Manager;
 - (ii) substantial Unitholders except where such a Unitholder fulfils all the following requirements in which case such Unitholder may be included as a "public" Unitholder:
 - (a) such Unitholder's interest, directly or indirectly is not more than 15.0% of the total number of Units;
 - (b) such Unitholder is not a specified Unitholder; and
 - (c) such Unitholder is either:

DEFINITIONS *(Cont'd)*

- (A) a statutory institution who is managing funds belonging to contributors or investors who are members of the public; or
 - (B) an entity established as a collective investment scheme, such as closed-end funds, unit trusts or investment funds (but excluding investment holding companies);
- (iii) the Trustee; and
- (iv) associates of the Directors or substantial Unitholders.
- Purchase Consideration : Aggregate purchase consideration of RM2,200 million for the Proposed Acquisition
- QFC : Qatar Financial Centre
- QH : Qatar Holding LLC, licensed by the QFC Authority under QFC Authority Licence No. 00004
- Q PBJ : Q PBJ Sdn Bhd
- Redemption Sum : An amount equivalent to the redemption sum for the release and discharge of the Existing Securities that will be paid to the security agent of the Existing Securities on the Completion Date
- Regal Path : Regal Path Sdn Bhd
- ROD : A record of depositors established by Bursa Malaysia Depository Sdn Bhd under the Rules of Bursa Malaysia Depository Sdn Bhd
- RPS : Redeemable preference shares
- SC : Securities Commission Malaysia
- Securities Act : Securities Act of 1933 of the US
- SPA : Conditional sale and purchase agreement dated 22 November 2022 between Regal Path and the Trustee in relation to the Proposed Acquisition
- sq ft : Square feet
- State Authority : Federal Territory Land Executive Committee of Kuala Lumpur
- Strata Title Documents : Collectively, the following documents:
- (a) the Strata Titles, the written consent from the State Authority for the transfer of the Strata Titles in favour of the Trustee, all such documents as may be required for the presentation and registration of the transfer of PBJ Mall, and a declaration of trust as well as a new power of attorney relating to the Strata Titles;
 - (b) the original stamped agreements in relation to the maintenance of the link bridges and underpass connecting to PBJ Mall to be entered into between DBKL and Regal Path or Pavilion REIT, as the case may be, after the execution of the SPA, in the event the said documents have not been delivered to Pavilion REIT on the Completion Date; and

DEFINITIONS (Cont'd)

	(c) a written confirmation from DBKL that the Bumiputera Quota Requirement has been waived and is not applicable or such other documentary evidence acceptable to Pavilion REIT that the Bumiputera Quota Requirement has been waived and is not applicable, in the event the said written confirmation and/or document have not been delivered to Pavilion REIT on the Completion Date
Strata Title Payment	: The sum of RM100 million to be paid in cash within 30 days from the receipt of the last of the Strata Title Documents
Strata Titles	: Original strata titles in respect of PBJ Mall
Targeted NPI	: NPI of PBJ Mall of at least RM146 million on an annualised basis based on the latest 6 months historical NPI records multiplied by 2. The Targeted NPI represents a capitalisation rate of about 6.6% of the Purchase Consideration
TNB	: Tenaga Nasional Berhad
Tranche 1 Placement	: The first tranche of the Proposed Placements
Tranche 1 Placement Sum	: The sum of RM720 million which the Tranche 1 Placement is targeted to raise
Tranche 1 Placement Surplus Funds	: Surplus proceeds from the Tranche 1 Placement in excess of the Tranche 1 Placement Sum
Tranche 2 Placement	: The second tranche of the Proposed Placements
Tranche 2 Placement Sum	: The sum of up to RM550 million which the Tranche 2 Placement is targeted to raise
Transfer	: A valid and registrable but unstamped memorandum of transfer (in Form 14A of the National Land Code 1965, Malaysia)
Trust Deed	: First amended and restated deed dated 18 February 2019 constituting Pavilion REIT between the Manager and the Trustee
Trustee	: MTrustee Berhad, acting in its capacity as trustee for and on behalf of Pavilion REIT
TSLSC	: Tan Sri Lim Siew Choon
Unconditional Date	: The date on which the last of the Conditions Precedent is satisfied, suspended or waived by Pavilion REIT
Unit	: Undivided interest in Pavilion REIT as constituted by the Trust Deed
Unitholder	: Holder of the Units
Unitholders' Meeting	: Meeting of the Unitholders
US	: United States of America
Valuation Certificate	: Valuation certificate prepared by the Valuer in respect of PBJ Mall dated 22 November 2022
Valuation Report	: Valuation report prepared by the Valuer in respect of PBJ Mall dated 22 November 2022

DEFINITIONS *(Cont'd)*

Valuer or Knight Frank : Knight Frank Malaysia Sdn Bhd, being the independent registered valuer appointed by the Trustee, on behalf of Pavilion REIT to value PBJ Mall

VWAP : Volume weighted average market price

CURRENCY

RM and sen : Ringgit Malaysia and sen

PRESENTATION OF INFORMATION

Any reference to “you” and “your” in this Circular are to the Unitholders.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference to any enactment in this Circular is a reference to that enactment as amended or re-enacted from time to time.

Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to “Pavilion REIT” in this Circular includes references to MTrustee Berhad, in its capacity as the trustee for and on behalf of Pavilion REIT, unless the context requires otherwise.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. Because of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Manager’s plans and objectives will be achieved.

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PART A

**LETTER TO THE UNITHOLDERS IN RELATION TO THE
PROPOSALS**

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. You are advised to read this Circular in its entirety for further details of the Proposals and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the forthcoming Unitholders' Meeting.

Key information	Description	Reference to Part A of this Circular													
<p>Details of the Proposed Acquisition</p>	<p>The Proposed Acquisition entails the acquisition of PBJ Mall together with strategic link bridges and underpass, tenancies, car park bays, utilities, and ancillary components, for RM2,200 million, i.e. the Purchase Consideration.</p> <p>The Purchase Consideration will be payable in tranches as follows:</p> <p>(i) RM1,650 million on the Completion Date as the Completion Date Payment (subject to the fulfilment of the Conditions Precedent including at least 80.0% of the total NLA of PBJ Mall (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 in order for PBJ Mall to achieve a level of occupancy that will be yield accretive to Pavilion REIT); and</p> <p>(ii) Up to RM550 million on a deferred basis as the Balance Consideration, which is subject to, among others, the completion of rectification of defects within the Defects Rectification Period, the receipt of the Strata Title Documents and whether the Targeted NPI is achieved. Where the Targeted NPI is not achieved within the NPI Determination Period, the Balance Consideration may be adjusted downward by up to RM400 million.</p> <p>A summary of the breakdown of the source of funding for the Purchase Consideration is set out below:</p> <table border="1" data-bbox="491 1323 1182 2089"> <thead> <tr> <th rowspan="2">Description of payment</th> <th rowspan="2">Amount (RM million)</th> <th colspan="2">Source of funding</th> </tr> <tr> <th>Scenario 1: With the Proposed Placements</th> <th>Scenario 2: Without the Proposed Placements</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Completion Date Payment</td> <td>1,000</td> <td colspan="2">• Borrowings</td> </tr> <tr> <td>650</td> <td>• Proceeds from the Tranche 1 Placement with any shortfall to be funded by borrowings and any balance thereafter via the issuance of the Consideration Units (of up to RM200 million) to Regal Path</td> <td>• Borrowings; and the balance, if any, via the issuance of the Consideration Units (of up to RM200 million) to Regal Path</td> </tr> </tbody> </table>	Description of payment	Amount (RM million)	Source of funding		Scenario 1: With the Proposed Placements	Scenario 2: Without the Proposed Placements	Completion Date Payment	1,000	• Borrowings		650	• Proceeds from the Tranche 1 Placement with any shortfall to be funded by borrowings and any balance thereafter via the issuance of the Consideration Units (of up to RM200 million) to Regal Path	• Borrowings; and the balance, if any, via the issuance of the Consideration Units (of up to RM200 million) to Regal Path	<p>Sections 2.1.1 and 2.1.2</p>
Description of payment	Amount (RM million)			Source of funding											
		Scenario 1: With the Proposed Placements	Scenario 2: Without the Proposed Placements												
Completion Date Payment	1,000	• Borrowings													
	650	• Proceeds from the Tranche 1 Placement with any shortfall to be funded by borrowings and any balance thereafter via the issuance of the Consideration Units (of up to RM200 million) to Regal Path	• Borrowings; and the balance, if any, via the issuance of the Consideration Units (of up to RM200 million) to Regal Path												

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of this Circular																				
	<table border="1" data-bbox="491 271 1182 1290"> <thead> <tr> <th colspan="4" data-bbox="491 271 1182 315">Balance Consideration</th> </tr> <tr> <th data-bbox="491 315 651 434">Description</th> <th data-bbox="651 315 767 434">Amount (RM million)</th> <th data-bbox="767 315 975 434">Scenario 1: With the Proposed Placements</th> <th data-bbox="975 315 1182 434">Scenario 2: Without the Proposed Placements</th> </tr> </thead> <tbody> <tr> <td data-bbox="491 434 651 533">Defects Rectification Payment</td> <td data-bbox="651 434 767 533">50</td> <td data-bbox="767 434 975 1290" rowspan="3"> <ul style="list-style-type: none"> Proceeds from the Tranche 2 Placement with any shortfall to be funded by borrowings, internal funds and/or the Tranche 1 Placement Surplus Funds, if any With regard to the Final Balance Payment, the balance, if any, after the above sources of payments will be settled via the issuance of the Consideration Units of up to RM400 million to Regal Path </td> <td data-bbox="975 434 1182 1290" rowspan="3"> <ul style="list-style-type: none"> Borrowings, internal funds and/or the Tranche 1 Placement Surplus Funds, if any With regard to the Final Balance Payment, the balance, if any, after the above sources of payments will be settled via the issuance of the Consideration Units of up to RM400 million to Regal Path </td> </tr> <tr> <td data-bbox="491 533 651 609">Strata Title Payment</td> <td data-bbox="651 533 767 609">100</td> </tr> <tr> <td data-bbox="491 609 651 1245">Final Balance Payment</td> <td data-bbox="651 609 767 1245">400</td> </tr> <tr> <td data-bbox="491 1245 651 1290">Total</td> <td data-bbox="651 1245 767 1290">2,200</td> <td data-bbox="767 1245 975 1290"></td> <td data-bbox="975 1245 1182 1290"></td> </tr> </tbody> </table> <p data-bbox="472 1323 1177 1384">Please refer to “Purchase Consideration” below for further details.</p> <p data-bbox="472 1413 1177 1839">In addition, Pavilion REIT will also acquire the Additional Assets required for the operations of PBJ Mall, for a cash consideration which will be based on the total NBV of the Additional Assets under the Ancillary Purchases as at the Completion Date. As at the LPD, the total NBV of the Additional Assets is approximately RM3.1 million. The purchase consideration for the Ancillary Purchases does not form part of the Purchase Consideration and will be settled in cash on the Completion Date using borrowings and/or internal funds. The Additional Assets are movable assets that were purchased by Regal Path for the operations of PBJ Mall and are being acquired separately from the Proposed Acquisition as the value of the Additional Assets was not considered in arriving at the valuation of PBJ Mall.</p>	Balance Consideration				Description	Amount (RM million)	Scenario 1: With the Proposed Placements	Scenario 2: Without the Proposed Placements	Defects Rectification Payment	50	<ul style="list-style-type: none"> Proceeds from the Tranche 2 Placement with any shortfall to be funded by borrowings, internal funds and/or the Tranche 1 Placement Surplus Funds, if any With regard to the Final Balance Payment, the balance, if any, after the above sources of payments will be settled via the issuance of the Consideration Units of up to RM400 million to Regal Path 	<ul style="list-style-type: none"> Borrowings, internal funds and/or the Tranche 1 Placement Surplus Funds, if any With regard to the Final Balance Payment, the balance, if any, after the above sources of payments will be settled via the issuance of the Consideration Units of up to RM400 million to Regal Path 	Strata Title Payment	100	Final Balance Payment	400	Total	2,200			
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EXECUTIVE SUMMARY (Cont'd)

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EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of this Circular
	<p>(b) if the new valuation is lower than the Purchase Consideration, Pavilion REIT shall be entitled to deduct from the Final Balance Payment the difference between the Purchase Consideration and the new lower valuation, and the remaining balance (if any) shall be paid by Pavilion REIT to Regal Path. For the avoidance of doubt, the maximum deduction shall be limited to the Final Balance Payment amount (of RM400 million). For illustrative purposes only, if the new valuation of PBJ Mall is RM2,100 million, the Final Balance Payment will be reduced by RM100 million.</p>	
<p>Proposed Issuance of Consideration Units to Regal Path</p>	<p>In the event that the proceeds from either tranche of the Proposed Placements are insufficient to settle the relevant components of the Purchase Consideration and if Pavilion REIT does not take up additional borrowings to fully settle the balance amounts, the Consideration Units may be issued to Regal Path to settle the remaining balance of the Purchase Consideration. This may be carried out in 2 tranches, comprising up to RM200 million to part settle the Completion Date Payment and up to RM400 million to settle the Final Balance Payment, which is in line with the timing for the settlement of the Purchase Consideration as set out in Section 2.1.2 of Part A of this Circular. The option to issue the Consideration Units to part settle the Purchase Consideration in 2 tranches will also enable Pavilion REIT to manage its gearing level.</p> <p>For the purposes of the settlement by way of issuance of the Consideration Units, the price of the Consideration Units shall be based on either:</p> <ul style="list-style-type: none"> (i) the Placement Issue Price of the relevant placement tranche of the Proposed Placements undertaken by Pavilion REIT to pay the relevant amounts that are due; or (ii) in the event either Tranche 1 Placement or Tranche 2 Placement is not undertaken, the Consideration Units will be issued to Regal Path based on the 5-day VWAP of the Units up to and including the day preceding the date on which the Board decides to issue the Consideration Units as part settlement of the relevant amounts of the Purchase Consideration. <p>In relation to the issuance of the Consideration Units to Regal Path, a specific resolution will be tabled to the Unitholders to seek their approval in compliance with Paragraph 6.06(1) of the Listing Requirements. Regal Path is connected to certain Major Unitholders, namely TSLSC, PSTKY and QH.</p>	<p>Section 2.2</p>

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of this Circular
	<p>To determine the maximum number of Consideration Units to be issued for the purposes of seeking the approval of the Unitholders for the Proposed Issuance of Consideration Units to Regal Path, the Manager has used RM1.00 per Unit as the illustrative issue price of the Consideration Units resulting in the issuance of up to 600,000,000 Consideration Units. Notwithstanding the above, subject to the maximum number of 600,000,000 Consideration Units, the actual price of each Consideration Unit will be determined later and may be higher or lower than the illustrative price of RM1.00 per Unit.</p>	
<p>Key information on PBJ Mall</p>	<p>PBJ Mall comprises a 5-storey retail mall with 2 basement car park levels with a total of 4,800 parking bays, known as "Pavilion Bukit Jalil" bearing postal address at Pavilion Bukit Jalil, No. 2, Persiaran Jalil 8, Bandar Bukit Jalil, 57000 Kuala Lumpur.</p>	<p>Section 2.1.4</p>
<p>Basis and justification for the Purchase Consideration</p>	<p>The Purchase Consideration was arrived at on a willing buyer-willing seller basis after having taken into consideration the market value of PBJ Mall of RM2,210 million as appraised by the Valuer and set out in the Valuation Report with the material date of valuation being 31 October 2022.</p> <p>The Valuer has adopted the income approach by DCF method as the primary approach, supported by the comparison approach in arriving at its assessment of the market value of PBJ Mall.</p> <p>The Purchase Consideration represents a discount of approximately 0.5% to the market value of PBJ Mall as appraised by the Valuer.</p>	<p>Section 2.1.7</p>
<p>Source of funding</p>	<p>The Purchase Consideration will be funded via a combination of borrowings, internal funds, proceeds from the Proposed Placements and/or issuance of the Consideration Units.</p>	<p>Section 2.1.8</p>
<p>Details of the Proposed Placements</p>	<p>The Proposed Placements entail the issuance of Placement Units to raise proceeds of up to RM1,270 million, by way of bookbuilding.</p> <p>The actual number of Placement Units to be issued will depend on the actual placement size and the Placement Issue Price, which can only be determined upon the completion of the bookbuilding exercise.</p> <p>To determine the maximum number of Placement Units to be issued for the purposes of seeking the approval of the Unitholders for the Proposed Placements, the Manager has used RM1.00 per Unit as the illustrative issue price of the Placement Units resulting in the issuance of up to a maximum number of 1,270,000,000 Placement Units. Notwithstanding the above, subject to the maximum number of 1,270,000,000 Placement Units, the actual price of each Placement Unit will be determined later and may be higher or lower than the illustrative price of RM1.00 per Unit.</p>	<p>Sections 2.3.1 and 2.3.4</p>

Key information	Description	Reference to Part A of this Circular																		
	<p>Subject to, among others, prevailing market conditions and investors' interests, the Proposed Placements may be implemented in 2 tranches. The gross proceeds from the Proposed Placements are expected to be utilised in the following manner:</p> <p>(i) Tranche 1 Placement</p> <p>Targeted to raise RM720 million, to be utilised as follows:</p> <table border="1" data-bbox="528 600 1169 815"> <thead> <tr> <th>Details of the use of proceeds</th> <th>Amount (RM million)</th> </tr> </thead> <tbody> <tr> <td>Part of the Completion Date Payment</td> <td>650</td> </tr> <tr> <td>Estimated Expenses</td> <td>70</td> </tr> <tr> <td>Total</td> <td>720</td> </tr> </tbody> </table> <p>Any proceeds in excess of RM720 million raised in the Tranche 1 Placement will either be used to repay borrowings or retained as internal funds to settle the Balance Consideration components as and when they fall due.</p> <p>(ii) Tranche 2 Placement</p> <p>Targeted to raise up to RM550 million, to be utilised as follows:</p> <table border="1" data-bbox="523 1182 1174 1375"> <thead> <tr> <th>Details of the use of proceeds</th> <th>Amount (RM million)</th> </tr> </thead> <tbody> <tr> <td>Defects Rectification Payment</td> <td>50</td> </tr> <tr> <td>Strata Title Payment</td> <td>100</td> </tr> <tr> <td>Final Balance Payment</td> <td>400</td> </tr> <tr> <td>Total</td> <td>550</td> </tr> </tbody> </table> <p>Please refer to Section 2.1.8 of Part A of this Circular for further details in which the above proceeds will be utilised as well as Section 16 of Part A of this Circular on the expected timing of implementation of the Tranche 1 Placement and Tranche 2 Placement. Nevertheless, any proceeds raised that are not utilised in the manner set out in Section 2.1.8 of Part A of this Circular may be used to repay borrowings or retained as internal funds of Pavilion REIT.</p>	Details of the use of proceeds	Amount (RM million)	Part of the Completion Date Payment	650	Estimated Expenses	70	Total	720	Details of the use of proceeds	Amount (RM million)	Defects Rectification Payment	50	Strata Title Payment	100	Final Balance Payment	400	Total	550	
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<p>Allocation to places</p>	<p>The Placement Units are intended to be placed out to local and foreign investors falling within the categories of persons listed under Schedules 6 and 7 of the CMSA, who will be identified at a later date that may include EPF and/or persons connected to it. Please refer to Section 2.4 of Part A of this Circular for further details on the Proposed Placement to EPF. Each tranche of the Proposed Placements will not be an offer of securities for sale into the US.</p>	<p>Section 2.3.2</p>																		

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of this Circular
<p>Basis and justification for the Placement Issue Price</p>	<p>The Placement Issue Price will be based on the price from the bookbuilding exercise, where the bookbuilding price range will be determined based on, among others:</p> <ul style="list-style-type: none"> (i) indicative demand and feedback from potential investors; (ii) precedent transactions; and (iii) market price of the Units. <p>In any event, the Placement Units will be issued at not more than 10.0% discount to the 5-day VWAP of the Units immediately prior to the price-fixing date, to be announced at a later date.</p>	<p>Section 2.3.3</p>
<p>Proposed Placement to EPF</p>	<p>The bookbuilding exercise for the Proposed Placements may involve the participation of EPF (who was a Major Unitholder as at the date of the signing of the SPA and the Announcement) and/or persons connected to it to subscribe for up to 341,000,000 Placement Units. Although EPF only holds 9.9% of the total Units in issue and is not a Major Unitholder as at the LPD, the Manager proposes to seek the approval of the respective non-interested Unitholders (in relation to the Proposed Placement to EPF) at the forthcoming Unitholders' Meeting for the placement of the Placement Units to EPF in accordance with Paragraph 6.06(1) of the Listing Requirements.</p> <p>To determine the maximum number of Placement Units to be issued to EPF for the purposes of seeking the approval of the Unitholders for the Proposed Placement to EPF, the maximum number of 341,000,000 Placement Units has been determined on the basis that should the maximum number of 341,000,000 Placement Units be allotted and issued to EPF and/or persons connected to it and a total of 1,270,000,000 Placement Units are issued under the Proposed Placements, EPF's unitholding in Pavilion REIT upon the full subscription of the said Placement Units will not be more than 15.0% of the enlarged Units in issue based on EPF's unitholding as at the LPD so that EPF remains a Public Unitholder in accordance with the definition of "public" under the Listing Requirements.</p> <p>The actual Placement Issue Price and the actual number of Placement Units to be allotted and issued to EPF and/or persons connected to it will only be determined at a later stage by the Manager in consultation with the Placement Agents through the bookbuilding exercise, subject to EPF's decision whether to participate in the Proposed Placements or not. Additionally, the actual percentage holding of the Units by EPF will also depend on its unitholding in Pavilion REIT at the time of the bookbuilding exercise. Notwithstanding the above, the Manager will not be able to ensure that EPF's actual unitholding in Pavilion REIT at the completion of each tranche of the Proposed Placements will not exceed 15.0%. Should EPF's unitholding in Pavilion REIT exceed 15.0%, EPF will not be deemed as a Public Unitholder.</p>	<p>Section 2.4</p>

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of this Circular
Rationale for the Proposed Acquisition	<p>The Proposed Acquisition is expected to:</p> <ul style="list-style-type: none"> (i) be accretive to Pavilion REIT's distributable income moving forward; (ii) enhance diversification of Pavilion REIT's portfolio of investment properties; and (iii) contribute positively to the overall portfolio and future growth of Pavilion REIT. 	Section 3.1
Rationale for the Proposed Placements	<p>The combination of equity and borrowings will allow Pavilion REIT to:</p> <ul style="list-style-type: none"> (i) maintain its gearing at a healthy level; and (ii) maintain sufficient headroom to make future cash acquisitions. <p>The Proposed Placements will allow Pavilion REIT to:</p> <ul style="list-style-type: none"> (i) potentially attract more local and/or international investors to invest in Pavilion REIT, thereby potentially widening its Unitholders' base; and (ii) enhance liquidity and trading of the Units. 	Section 3.2
Rationale for the Proposed Issuance of Consideration Units to Regal Path	<p>The Proposed Issuance of Consideration Units to Regal Path provides transaction certainty to Pavilion REIT as it mitigates risks associated with market volatility and changes in investor sentiment, which may result in the proceeds raised under the Proposed Placements to be lower than the full Tranche 1 Placement Sum and Tranche 2 Placement Sum.</p>	Section 3.3
Rationale for the Proposed Placement to EPF	<p>EPF was one of the cornerstone investors of Pavilion REIT's IPO in 2011, with unitholding of approximately 1.7% in Pavilion REIT at the point of the IPO. EPF is also a significant investor in the Malaysian equity market generally. As such, the Board wishes to provide EPF with the opportunity to participate in the Proposed Placements.</p>	Section 3.4
Risks relating to the Proposed Acquisition	<p>The following are some non-exhaustive risk factors that may be inherent to Pavilion REIT in relation to the Proposed Acquisition:</p> <ul style="list-style-type: none"> (i) Delay or non-completion of the Proposed Acquisition as completion is subject to fulfilment of the Conditions Precedents; (ii) Financing risk – Pavilion REIT may not be able to raise the required funds to finance the Proposed Acquisition and/or on terms acceptable to Pavilion REIT; (iii) Delays in the issuance and transfer of the Strata Titles which will result in a delay in registering the Trustee as the registered and legal owner of PBJ Mall with the relevant land registry/office; 	Section 5.1

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of this Circular
	<p>(iv) Pavilion REIT's pro forma distributable income and DPU as set out in Section 6.3 of Part A of this Circular are not a guarantee of the actual financial results – there can be no assurance that the assumptions used by the Manager will be realised and the actual financial results may differ from the pro forma results set out in this Circular; and</p> <p>(v) Timing gap between the Tranche 2 Placement and the issuance of the Consideration Units to settle the Final Balance Payment, if any, may contribute to the difference between the issue price of the Consideration Units and the prevailing market price of the Units at the time of issuance.</p>	
<p>Risks relating to PBJ Mall</p>	<p>The following are some non-exhaustive risk factors that may be inherent to Pavilion REIT in relation to PBJ Mall:</p> <p>(i) PBJ Mall operates in a highly competitive environment which could have an adverse impact on Pavilion REIT's financial condition and operations;</p> <p>(ii) the due diligence on PBJ Mall may not have identified all material defects, breaches of laws and regulations and other deficiencies which could result in unpredictable business interruption and additional expenses on repairs and rectifications being incurred;</p> <p>(iii) PBJ Mall may suffer material losses in excess of insurance proceeds which may result in potential losses (including loss of rental income) which may not be fully compensated by insurance; and</p> <p>(iv) the operations of PBJ Mall may be affected by potential disease outbreaks, epidemics and pandemics.</p>	<p>Section 5.2</p>
<p>Interests of the Directors and major shareholders of the Manager, Major Unitholders and/or persons connected to them</p>	<p>The Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and/or major shareholders of the Manager, Major Unitholders and/or persons connected to them as set out in Section 9 of Part A of this Circular.</p> <p>As the Proposed Issuance of Consideration Units to Regal Path and the proceeds to be raised from the Proposed Placements will be used to settle part of the Purchase Consideration, the Interested Major Unitholders indirectly have an interest through their indirect shareholdings in Regal Path and from the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements. As such, the Interested Major Unitholders are deemed interested in the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements.</p> <p>The Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition at the relevant meetings of the Board and will not make any recommendation on the same. Additionally, the</p>	<p>Section 9</p>

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of this Circular
	<p>Interested Directors have also abstained and will continue to abstain from deliberating and voting on the funding of the Proposed Acquisition via the Proposed Issuance of Consideration Units to Regal Path and Proposed Placements at the relevant meetings of the Board and will not make any recommendation on the same.</p> <p>The Interested Directors and the Interested Major Unitholders will abstain from voting in respect of their direct and/or indirect unitholdings in Pavilion REIT on the resolutions pertaining to the Proposed Acquisition, the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements to be tabled at the forthcoming Unitholders' Meeting. They have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect unitholdings (if any) in Pavilion REIT on the resolutions pertaining to the Proposed Acquisition, the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements to be tabled at the forthcoming Unitholders' Meeting.</p> <p>The Manager is prohibited under the Listed REIT Guidelines from exercising the voting rights attached to the Units it holds or the Units held by its nominees in any Unitholders' meeting. Hence, the Manager will abstain from voting on all resolutions in connection with the Proposals to be tabled at the forthcoming Unitholders' Meeting.</p> <p>As at the date of the signing of the SPA and the Announcement, EPF was a Major Unitholder with 10.1% direct unitholding in Pavilion REIT. However, EPF is not a Major Unitholder as at the LPD. In contrast with the Interested Major Unitholders, EPF is not interested in the Proposed Acquisition, the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements. Accordingly, EPF is not required to abstain from voting in respect of its direct and/or indirect unitholding in Pavilion REIT on the resolutions pertaining to the Proposed Acquisition, the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements to be tabled at the forthcoming Unitholders' Meeting.</p> <p>While the Placement Units may be offered to EPF and/or persons connected to it, the Proposed Placement to EPF which EPF is deemed interested is subject to the passing of the resolution pertaining to the Proposed Placement to EPF to be tabled at the forthcoming Unitholders' Meeting. EPF will abstain from voting in respect of its direct and/or indirect unitholding in Pavilion REIT on the resolution pertaining to the Proposed Placement to EPF to be tabled at the forthcoming Unitholders' Meeting in accordance with Paragraph 6.06(2) of the Listing Requirements. EPF will also ensure that persons connected to it will abstain from voting in respect of their direct and/or indirect unitholdings (if any) in Pavilion REIT on the resolution pertaining to the Proposed Placement to EPF to be tabled at the forthcoming Unitholders' Meeting. In the event a majority of the non-interested Unitholders were to vote against the resolution</p>	

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of this Circular
	<p>pertaining to the Proposed Placement to EPF at the forthcoming Unitholders' Meeting, such resolution will not be carried and EPF will not be able to participate in the Proposed Placements.</p>	
<p>Directors' statement and recommendation</p>	<p>The Board, save for the Interested Directors, having considered all aspects of the Proposals (including but not limited to the rationale, effects and risk factors of the Proposals, prospects of PBJ Mall, salient terms of the SPA, the Valuation Certificate, basis and justification for the Purchase Consideration (including the basis of determining the issue price of the Consideration Units, if any), the manner of funding the Proposed Acquisition as well as the evaluation of the Independent Adviser), is of the opinion that the Proposals are in the best interest of Pavilion REIT, are fair, reasonable and on normal commercial terms, and are not detrimental to the interest of the non-interested Unitholders.</p> <p>The Board, save for the Interested Directors, recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming Unitholders' Meeting.</p>	<p>Section 11</p>
<p>Audit Committee's statement</p>	<p>The Audit Committee of the Manager (comprising members who are not interested in the Proposals, namely Dato' Mohzani bin Abdul Wahab, Dato' Maznah binti Abdul Jalil, Dato' Choo Chuo Siong, Dato' Mearia @ Massahariah binti Hamzah and Baljeet Kaur Grewal A/P Jaswant Singh), after taking into consideration the Manager's investment objectives and having considered all aspects of the Proposals (including but not limited to the rationale, effects and risk factors of the Proposals, prospects of PBJ Mall, salient terms of the SPA, the Valuation Certificate, basis and justification for the Purchase Consideration (including the basis of determining the issue price of the Consideration Units, if any), the manner of funding the Proposed Acquisition as well as the evaluation of the Independent Adviser), is of the opinion that the Proposed Acquisition is:</p> <ul style="list-style-type: none"> (i) in the best interest of Pavilion REIT; (ii) fair, reasonable and on normal commercial terms; and (iii) not detrimental to the interest of the non-interested Unitholders. 	<p>Section 12</p>

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to Part A of this Circular												
<p>Tentative timetable</p>	<p>Barring any unforeseen circumstances and subject to all approvals being obtained, the tentative timetable for the key milestones in relation to the Proposals is as follows:</p> <table border="1" data-bbox="472 389 1169 707"> <thead> <tr> <th data-bbox="472 389 916 416">Event</th> <th data-bbox="916 389 1169 416">Tentative timing</th> </tr> </thead> <tbody> <tr> <td data-bbox="472 416 916 472">Unitholders' Meeting to consider the Proposals</td> <td data-bbox="916 416 1169 472">22 March 2023</td> </tr> <tr> <td data-bbox="472 472 916 539">Fulfilment of the Conditions Precedent</td> <td data-bbox="916 472 1169 539">Second quarter ("Q2") of 2023</td> </tr> <tr> <td data-bbox="472 539 916 595">Completion of the Tranche 1 Placement</td> <td data-bbox="916 539 1169 595">Q2 of 2023</td> </tr> <tr> <td data-bbox="472 595 916 651">Completion of the Proposed Acquisition</td> <td data-bbox="916 595 1169 651">Q2 of 2023</td> </tr> <tr> <td data-bbox="472 651 916 707">Completion of the Tranche 2 Placement</td> <td data-bbox="916 651 1169 707">Latest by Q2 of 2025</td> </tr> </tbody> </table>	Event	Tentative timing	Unitholders' Meeting to consider the Proposals	22 March 2023	Fulfilment of the Conditions Precedent	Second quarter ("Q2") of 2023	Completion of the Tranche 1 Placement	Q2 of 2023	Completion of the Proposed Acquisition	Q2 of 2023	Completion of the Tranche 2 Placement	Latest by Q2 of 2025	<p>Section 16</p>
Event	Tentative timing													
Unitholders' Meeting to consider the Proposals	22 March 2023													
Fulfilment of the Conditions Precedent	Second quarter ("Q2") of 2023													
Completion of the Tranche 1 Placement	Q2 of 2023													
Completion of the Proposed Acquisition	Q2 of 2023													
Completion of the Tranche 2 Placement	Latest by Q2 of 2025													

PAVILION

REAL ESTATE INVESTMENT TRUST

PAVILION REIT MANAGEMENT SDN BHD

(Registration No. 201101011359 (939430-H))

(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Act)

Registered office

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

7 March 2023

Board of Directors

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

To: Unitholders

Dear Sir/Madam,

- (I) PROPOSED ACQUISITION;**
 - (II) PROPOSED ISSUANCE OF CONSIDERATION UNITS TO REGAL PATH;**
 - (III) PROPOSED PLACEMENTS; AND**
 - (IV) PROPOSED PLACEMENT TO EPF**
-

1. INTRODUCTION

On 22 November 2022, the Joint Principal Advisers announced, on behalf of the Board, that the Trustee had, on the same date, entered into the SPA with Regal Path. In conjunction with the Proposed Acquisition, it was also announced that the Board proposes to undertake the Proposed Placements to partly fund the Proposed Acquisition.

On 25 November 2022, the Joint Principal Advisers announced, on behalf of the Board, that the Valuation Report had, on the same date, been submitted to Bursa Securities.

On 2 March 2023, the Joint Principal Advisers announced, on behalf of the Board, that Bursa Securities had, vide its letter dated 2 March 2023, approved the listing of and quotation for up to 1,270,000,000 Placement Units and up to 600,000,000 Consideration Units, subject to the conditions set out in Section 7 of Part A of this Circular.

The Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors, major shareholders of the Manager, Major Unitholders and/or persons connected to them as set out in Section 9 of Part A of this Circular. Accordingly, Malacca Securities has been appointed on 3 November 2022 as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders on the Proposed Acquisition. Further, since (i) the Proposed Issuance of Consideration Units to Regal Path is part of the Proposed Acquisition pursuant to the terms of the SPA; (ii) the Proposed Placements (which include the Proposed Placement to EPF) are conditional upon the SPA becoming unconditional; and (iii) the Proposed Acquisition is in turn subject to the Proposed Placements having received all necessary approvals pursuant to the terms of the SPA, the Independent Adviser has considered the Proposals as a whole in its evaluation of the Proposed Acquisition in the IAL.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION IN RELATION TO THE PROPOSALS TOGETHER WITH THE RECOMMENDATION OF THE BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING. THE NOTICE OF UNITHOLDERS' MEETING AND PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Acquisition

2.1.1 Details of the Proposed Acquisition

The Proposed Acquisition entails the acquisition of PBJ Mall together with strategic link bridges and underpass, tenancies, car park bays, utilities, and ancillary components which forms part of the Property, for RM2,200 million, i.e. the Purchase Consideration, subject to the terms of the SPA.

The Purchase Consideration will be payable in tranches as follows:

- (i) RM1,650 million on the Completion Date as the Completion Date Payment (subject to the fulfilment of the Conditions Precedent including at least 80.0% of the total NLA of PBJ Mall (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 in order for PBJ Mall to achieve a level of occupancy that will be yield accretive to Pavilion REIT); and
- (ii) Up to RM550 million on a deferred basis as the Balance Consideration, which is subject to, among others, the completion of the rectification of defects within the Defects Rectification Period, the receipt of the Strata Title Documents and whether the Targeted NPI is achieved. Where the Targeted NPI is not achieved within the NPI Determination Period, the Balance Consideration may be adjusted downward by up to RM400 million.

Please refer to Section 2.1.2 of Part A of this Circular for further details.

In addition, under the terms of the SPA, Pavilion REIT will also acquire Additional Assets required for the operations of PBJ Mall which include laptops, buggies and mobile elevating work platforms under the Ancillary Purchases. The purchase consideration for the Ancillary Purchases will be based on the total NBV of the Additional Assets under the Ancillary Purchases as at the Completion Date and does not form part of the Purchase Consideration. The Additional Assets are movable assets that were purchased by Regal Path for the operations of PBJ Mall and are being acquired separately from the Proposed Acquisition as the value of the Additional Assets was not considered in arriving at the valuation of PBJ Mall. As at the LPD, the total NBV of the Additional Assets is approximately RM3.1 million. The purchase consideration for the Ancillary Purchases will be settled in cash on the Completion Date using borrowings and/or internal funds.

2.1.2 Settlement of the Purchase Consideration and the purchase consideration of the Ancillary Purchases

(A) Purchase Consideration

The Purchase Consideration shall be satisfied in tranches by Pavilion REIT in the manner set out below (please refer to the paragraphs below the table for details of the settlement):

<u>Description of payment</u>	<u>Amount (RM million)</u>	<u>Timing</u>
Completion Date Payment	1,650	Completion Date
Balance Consideration		
Defects Rectification Payment	50	Within 45 days from completion of rectification of defects during the Defects Rectification Period
Strata Title Payment	100	Within 30 days from receipt of the Strata Title Documents
Final Balance Payment	400	(i) Within 60 days of Pavilion REIT's receipt of the auditor's certification (if the Targeted NPI is achieved during the NPI Determination Period); or (ii) Within 60 days of Pavilion REIT's receipt of the valuer's report on the new valuation of PBJ Mall (if the Targeted NPI is not achieved during the NPI Determination Period)
Sub-total	<u>550</u>	
Purchase Consideration	<u>2,200</u>	

Completion Date Payment

A sum of RM1,650 million representing the Completion Date Payment will be settled on the Completion Date (subject to the fulfilment of the Conditions Precedent including at least 80.0% of the total NLA of PBJ Mall (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). As at the LPD, the occupancy rate of PBJ Mall by third party tenants (for committed and/or commenced tenancies, excluding own-use areas) is 81.4% and the average rental rate per sq ft per month is RM9.34.

The Completion Date Payment comprises the following:

- (i) an amount equivalent to the Redemption Sum (which is approximately RM1,102.5 million as at the LPD);
- (ii) an amount to settle the HP Purchase Payments (which is approximately RM26.3 million as at the LPD); and
- (iii) the remaining amount to Regal Path and/or its Authorised Nominee(s).

Regal Path had, vide its letter dated 18 January 2023 to Pavilion REIT, confirmed that if any part of the Purchase Consideration is to be settled in the form of the Consideration Units, such Consideration Units are to be issued directly to Regal Path and it will not nominate any person to receive, on its behalf, any Consideration Units.

The Completion Date Payment will be settled in cash or a combination of cash of not less than RM1,450 million and Consideration Units of up to RM200 million to Regal Path. The Consideration Units, if any, will only be issued to settle item (iii) above. If there are balance amounts of the Redemption Sum and/or HP Purchase Payments that remained unpaid from the cash portion of the Completion Date Payment, these balance amounts will be paid in cash to the abovementioned security agent and/or the owner under the HP Agreements by Regal Path. As at the LPD, Pavilion REIT's cash and cash equivalents amount to RM272.4 million.

Balance Consideration

A written payment confirmation will be issued to Regal Path on the Completion Date confirming that the Balance Consideration of RM550 million will be settled in the following manner:

- (i) a sum of RM50 million representing the Defects Rectification Payment will be paid to Regal Path in cash within 45 days from the completion of the rectification of all defects, as may be notified in writing by Pavilion REIT to Regal Path, to the reasonable satisfaction of Pavilion REIT. Such rectification of defects is to be completed within the Defects Rectification Period;
- (ii) a sum of RM100 million representing the Strata Title Payment will be paid to Regal Path in cash within 30 days from the receipt of the last of the Strata Title Documents; and
- (iii) a sum of RM400 million representing the Final Balance Payment to be settled either by cash, Consideration Units or a combination of both subject to PBJ Mall having achieved the Targeted NPI within the NPI Determination Period. For the avoidance of doubt, for the purposes of this clause, "NPI" shall refer to the net property income as adopted by Pavilion REIT in accordance with its accounting policies and practices. The settlement of the Final Balance Payment is as set out below:
 - (a) if PBJ Mall achieves the Targeted NPI during the NPI Determination Period, Pavilion REIT shall, at its own cost and expenses, and no later than 7 days from the date of the quarterly financial results announcement made by Pavilion REIT after the Targeted NPI is achieved, appoint an auditor to certify that the Targeted NPI has been achieved. The auditor's certification shall be completed within 30 days from appointment and Pavilion REIT shall pay Regal Path the Final Balance Payment within 60 days from the date of receipt by Pavilion REIT of the auditor's certification; or

- (b) if the Targeted NPI is not achieved by the expiry of the NPI Determination Period, Pavilion REIT shall be entitled to, at its own cost and expenses, appoint a registered valuer (being mutually agreed with Regal Path) to conduct a new valuation of PBJ Mall and such valuation shall be completed within 30 days from the date of appointment of the valuer. If the valuation of PBJ Mall derived from such valuation is equal to or more than the Purchase Consideration, Pavilion REIT shall pay Regal Path the Final Balance Payment within 60 days from the date of Pavilion REIT's receipt of the valuation report. However, if the valuation is lower than the Purchase Consideration ("**Lower Value**"), Pavilion REIT shall be entitled to deduct from the Final Balance Payment a sum equivalent to the difference between (i) the Purchase Consideration and (ii) the Lower Value, and the remaining balance (if any) thereof shall be paid within 60 days from the date of Pavilion REIT's receipt of the valuation report.

For the avoidance of doubt, if the new valuation of PBJ Mall is equal to or exceeds the Purchase Consideration, there will be no increase to the Final Balance Payment amount. If the new valuation of PBJ Mall is less than the Purchase Consideration, the maximum reduction to the Purchase Consideration shall be limited to the Final Balance Payment amount (of RM400 million). For illustrative purposes only, if the new valuation of PBJ Mall is RM2,100 million, the Final Balance Payment will be reduced by RM100 million.

The payment of the Balance Consideration is subject to the deduction of the indemnity sum by Pavilion REIT pursuant to the relevant terms contained in the SPA.

Please refer to Section 2.1.8 of Part A of this Circular for details on the sources of funds to settle the Purchase Consideration.

(B) Purchase consideration for the Ancillary Purchases

The purchase consideration for the Ancillary Purchases will be settled in cash on the Completion Date via borrowings and/or internal funds.

2.1.3 Salient terms of the SPA

(i) Conditions Precedent

The sale, purchase and transfer of the Property is conditional upon:

Details of condition imposed	Tentative timing for fulfilment
(a) at least 80.0% of the total NLA of PBJ Mall (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;	By end of Q2 of 2023
(b) the approval of Regal Path's shareholders on the sale of the Property upon the terms and conditions contained in the SPA, having been obtained by Regal Path;	By end of Q2 of 2023

<u>Details of condition imposed</u>	<u>Tentative timing for fulfilment</u>
(c) the approval of Malton's shareholders on the sale of the Property upon the terms and conditions contained in the SPA, having been obtained by Regal Path;	22 March 2023
(d) the consent of the State Authority to the transfer of the Property by Regal Path to Pavilion REIT pursuant to the restrictions in interest endorsed on the Land Title, having been obtained by Regal Path;	Fulfilled
(e) the written confirmation from DBKL that upon completion of the SPA, DBKL will enter into the Piazza Maintenance Agreement;	By end of Q2 of 2023
(f) the approval of the Unitholders for the Proposed Acquisition and the Proposed Placements, having been obtained by Pavilion REIT;	22 March 2023
(g) the approval of the SC and/or Bursa Securities, if required, having been obtained by Pavilion REIT;	Fulfilled
(h) the written confirmation of the PMD's EPU or any other equivalent ministry, department or unit in charge of granting the approval pursuant to the Guideline on the Acquisition of Properties (Effective 1 March 2014) issued by the PMD's EPU confirming that the approval of the PMD's EPU is not required for the purchase of the Property by Pavilion REIT from Regal Path, having been obtained by Pavilion REIT if required; and	By end of first quarter of 2023
(i) the receipt by Pavilion REIT's solicitors of the written confirmation from the Manager confirming that the Manager has satisfied the relevant conditions, variations or revisions imposed by the SC and Bursa Securities in respect of the Proposed Acquisition which are capable of being satisfied up to the date of such written confirmation.	By Q2 of 2023

In respect of the Condition Precedent set out in Section 2.1.3(i)(e) of Part A of this Circular, the Piazza Maintenance Agreement is necessary to ensure that Pavilion REIT is in compliance with the conditions set out in the development order in respect of PBJ Mall, being (i) that the Piazza must be fully maintained by and at the sole costs and expense of the owner of the Piazza; and (ii) that the Piazza must be open for public use. Please refer to Section 9 of **Appendix I** of this Circular for details of the proposed salient terms of the Piazza Maintenance Agreement as at the LPD. The terms of the Piazza Maintenance Agreement are subject to the comments and agreement of DBKL.

(ii) **Non-fulfilment of Conditions Precedent**

If any of the Conditions Precedent are not fulfilled, suspended or waived in accordance with the provisions of the SPA by the date falling on the expiry of 9 months from the date of the SPA (i.e. 22 August 2023) or such extended date as Regal Path and Pavilion REIT may agree in writing, either party, provided non-fulfilment of the Conditions Precedent is not attributable to any fault or omission of the party, may terminate the SPA forthwith by written notice to the other party and thereafter, the SPA ceases to have any effect and becomes null and void and neither party has any claims against the other party save and except for any antecedent breach.

The other salient terms of the SPA are set out in **Appendix I** of this Circular.

2.1.4 Key information on PBJ Mall

PBJ Mall comprises a 5-storey retail mall with 2 basement car park levels with a total of 4,800 parking bays, known as “Pavilion Bukit Jalil” bearing postal address at Pavilion Bukit Jalil, No. 2, Persiaran Jalil 8, Bandar Bukit Jalil, 57000 Kuala Lumpur.

A summary of the information on PBJ Mall is set out below:

	Description
Registered proprietor	Regal Path
Title No.⁽¹⁾	Geran 79550, Lot 101899, Mukim Petaling, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Land tenure	Interest in perpetuity
Land area	113,900 square metres (or 1,226,009 sq ft)
Category of land use	Building
Existing and proposed use	Shopping mall
Age of building	Approximately 1 year
Restriction-in-interest	The Land shall not be transferred, leased, charged or dealt with in any other manner unless the written consent from the State Authority has been obtained except for the first and second transfer
Existing encumbrances	<ul style="list-style-type: none">• Charge securing principal sum by Regal Path in favour of CIMB Investment Bank Berhad on 21 October 2019• Grant of easement whereby Mukim Petaling Geran 79551 Lot 101900 being the servient land and Mukim Petaling Geran 79550 Lot 101899 being the dominant land, registered on 17 September 2020• Grant of easement whereby Mukim Petaling Geran 79554 Lot 101903 being the servient land and Mukim Petaling Geran 79550 Lot 101899 being the dominant land, registered on 2 October 2020• Approval for surrender of part of the Land measuring 294 square metres (or 3,165 sq ft) registered vide presentation no. PDN550/2021 on 20 April 2021• Lease over part of land measuring 195.95 square metres (or 2,109 sq ft) for a period of 30 years which commenced on 30 January 2021 and will expire on 29 January 2051 by TNB registered on 15 October 2021• Lease over part of land measuring 218.32 square metres (or 2,350 sq ft) for a period of 30 years which commenced on 30 January 2021 and will expire on 29 January 2051 by TNB registered on 15 October 2021
Audited NBV (as at 30 June 2022)	RM2,176,718,963

	Description
NPI (from 3 December 2021 until 31 December 2022)⁽²⁾	RM75.4 million
NLA	1,822,041 sq ft (including own-use areas which comprise the exhibition hall, the function room and the management office)
Occupancy rate⁽³⁾	81.4%
Independent registered valuer	Knight Frank
Date of valuation	31 October 2022
Valuation approach⁽⁴⁾	Income approach by DCF method, supported by comparison approach
Market value ascribed	RM2,210 million

Notes:

- (1) *The title and land particulars were extracted from the Land Title. As at the LPD, Regal Path has filed the schedule of parcels with the Commissioner of Building in accordance with the Strata Management Act 2013 and the Strata Titles have yet to be issued by the Land Office.*
- (2) *Refers to the unaudited NPI attributable to PBJ Mall since the opening date on 3 December 2021 until 31 December 2022 (excluding the opening incentive and rebate to the tenants), which represents an increase of approximately RM45.3 million from the NPI of RM30.1 million (for the period of 3 December 2021 until 30 June 2022) as disclosed in the Announcement.*
- (3) *As at the LPD. Refers to committed and/or commenced tenancies, excluding own-use areas.*
- (4) *Please refer to Section 2.1.7 of Part A of this Circular for further details on the valuation approach adopted by the Valuer in arriving at its assessment of the market value of PBJ Mall.*

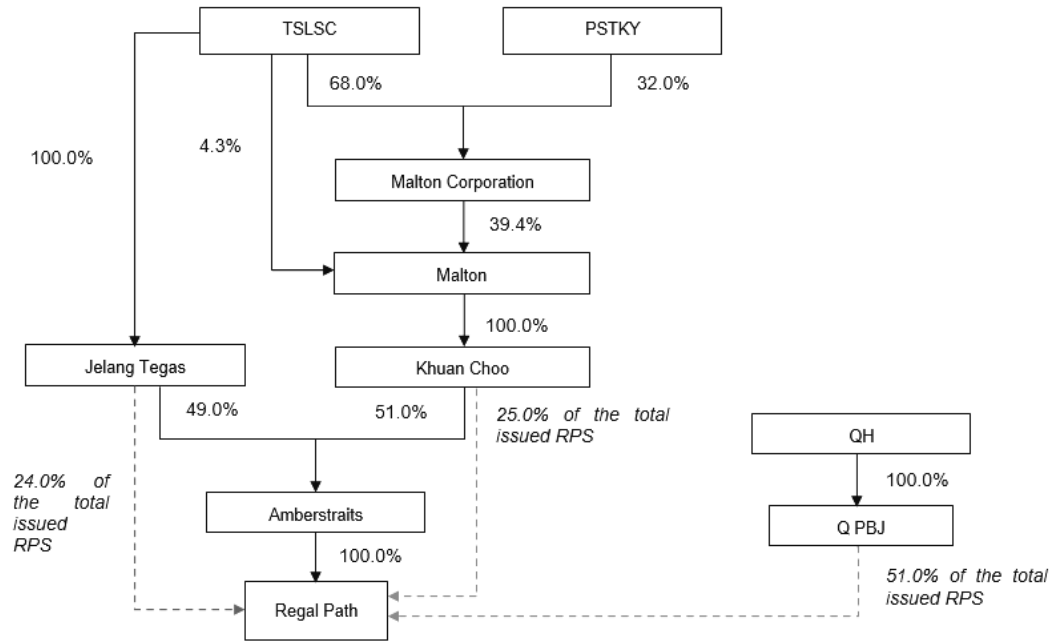
2.1.5 Background information on Regal Path

Regal Path was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 21 January 2016 under its present name and is deemed registered under the Act and having its registered address at 19-0, Level 19, Pavilion Tower, 75, Jalan Raja Chulan, 50200 Wilayah Persekutuan Kuala Lumpur, Malaysia. Regal Path is principally involved in the activities of property investment.

As at the LPD, Regal Path has an issued share capital of RM875,666,472 comprising 100,000 ordinary shares and 956,898,338 RPS.

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As at the LPD, the shareholding structure of Regal Path is as follows:



The shareholders of Regal Path and their respective shareholdings in Regal Path at the LPD are as follows:

	Nationality/ Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
Amberstraits	Malaysia	100,000 ordinary shares	100.0	-	-
Jelang Tegas	Malaysia	229,823,586 RPS	-	100,000 ordinary shares ⁽¹⁾	100.0
Khuan Choo	Malaysia	239,034,752 RPS	-	100,000 ordinary shares ⁽¹⁾	100.0
Q PBJ	Malaysia	488,040,000 RPS	-	-	-
Malton	Malaysia	-	-	100,000 ordinary shares ⁽¹⁾ 239,034,752 RPS ⁽²⁾	100.0
Malton Corporation	Malaysia	-	-	100,000 ordinary shares ⁽¹⁾ 239,034,752 RPS ⁽²⁾	100.0
TSLSC	Malaysian	-	-	100,000 ordinary shares ⁽¹⁾ 468,858,338 RPS ⁽³⁾	100.0

	Nationality/ Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
PSTKY	Malaysian	-	-	100,000 ordinary shares ⁽¹⁾ 239,034,752 RPS ⁽⁴⁾	100.0
QH	Qatar	-	-	488,040,000 RPS ⁽⁵⁾	-

Notes:

- (1) Deemed interested by virtue of his/her/its shareholdings in Amberstraits pursuant to Section 8(4) of the Act.
- (2) Deemed interested by virtue of its shareholding in Khuan Choo pursuant to Section 8(4) of the Act.
- (3) Deemed interested by virtue of his shareholdings in Jelang Tegas and Khuan Choo respectively pursuant to Section 8(4) of the Act.
- (4) Deemed interested by virtue of her shareholding in Khuan Choo pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of its shareholding in Q PBJ pursuant to Section 8(4) of the Act.

The directors of Regal Path and their respective shareholdings in Regal Path as at the LPD are as follows:

Director	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
TSLSC	Malaysian	-	-	100,000 ordinary shares ⁽¹⁾ 468,858,338 RPS ⁽²⁾	100.0
Datuk Lee Whay Hoong (alternate to TSLSC)	Malaysian	-	-	-	-
Chua Thian Teck	Malaysian	-	-	-	-
Hong Lay Chuan	Malaysian	-	-	-	-
Abdul Rahim bin Mohamed Ali	Malaysian	-	-	-	-
Mohammed Fahad M A Al-Khulaifi	Qatari	-	-	-	-

Notes:

- (1) Deemed interested by virtue of his shareholding in Amberstraits pursuant to Section 8(4) of the Act.
- (2) Deemed interested by virtue of his shareholdings in Jelang Tegas and Khuan Choo respectively pursuant to Section 8(4) of the Act.

2.1.6 Original cost and date of investment

The original cost and date of investment by Regal Path in PBJ Mall are as follows:

Date of investment	Description	Cost of investment (RM)
10 October 2019	PBJ Mall	1,930,029,656

2.1.7 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a willing buyer-willing seller basis after having taken into consideration the market value of PBJ Mall as appraised by Knight Frank in its Valuation Report.

The material date of the valuation of PBJ Mall is 31 October 2022.

The Valuer has adopted the income approach by DCF method as the primary approach, supported by the comparison approach in arriving at its assessment of the market value of PBJ Mall. Details of the methodologies are set out below:

<u>Valuation approach</u>	<u>Methodology approach</u>
Income approach by DCF	The estimation of future annual cash flows over a 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 flows is then determined by the application of an appropriate discount rate to derive a net present value of the property.
Comparison approach	This approach considers the sales of similar or substitute properties and related market data and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

The Purchase Consideration represents a discount of approximately 0.5% to the market value of PBJ Mall as appraised by the Valuer.

2.1.8 Source of funding

The Purchase Consideration will be funded via a combination of borrowings, internal funds, proceeds from the Proposed Placements and/or issuance of the Consideration Units to Regal Path.

Completion Date Payment

The Completion Date Payment of RM1,650 million will be settled as follows:

- (i) RM1,000 million by way of borrowings; and
- (ii) RM650 million by way of proceeds raised from the Tranche 1 Placement, and in the event the proceeds raised from the Tranche 1 Placement are less than the Tranche 1 Placement Sum and are insufficient to settle the balance of RM650 million or if the Tranche 1 Placement does not take place, the RM650 million may be settled by way of borrowings and the balance, if any, will be settled via the issuance of the Consideration Units (of up to RM200 million) to Regal Path.

Balance Consideration

The Defects Rectification Payment and the Strata Title Payment which amount to a total sum of RM150 million will be settled by way of proceeds raised from the Tranche 2 Placement and in the event the proceeds raised from the Tranche 2 Placement are insufficient to settle the Defects Rectification Payment and the Strata Title Payment, or if the Tranche 2 Placement does not take place or has not taken place when these amounts fall due, Pavilion REIT will take up additional borrowings and use internal funds and/or the Tranche 1 Placement Surplus Funds, if any. In the event the Strata Title Payment falls due only after the Tranche 2 Placement has been implemented, any funds raised from the Tranche 2 Placement for the payment of the Strata Title Payment will be used to repay borrowings of Pavilion REIT, and when the Strata Title Payment falls due it will be paid via the drawdown of borrowings.

The Final Balance Payment of RM400 million will be settled by way of proceeds raised from the Tranche 2 Placement, and in the event the proceeds raised from the Tranche 2 Placement are insufficient to settle the Final Balance Payment or if the Tranche 2 Placement does not take place, by way of additional borrowings, internal funds and/or, if any, the Tranche 1 Placement Surplus Funds. The balance, if any, will be settled via the issuance of the Consideration Units of up to the value of RM400 million to Regal Path.

2.1.9 Liabilities to be assumed

Pavilion REIT will not be assuming any liabilities, including contingent liabilities and/or guarantees, arising from the Proposed Acquisition.

2.1.10 Additional financial commitment

Save for the financing to be secured to fund the Purchase Consideration and the Estimated Expenses, the Ancillary Purchases and the capital expenditure to be incurred for PBJ Mall in its ordinary course of operations, Pavilion REIT does not expect to incur any other financial commitment to put PBJ Mall on-stream.

2.2 Proposed Issuance of Consideration Units to Regal Path

In the event that the proceeds from either tranche of the Proposed Placements are insufficient to settle the relevant components of the Purchase Consideration and if Pavilion REIT does not take up additional borrowings to fully settle the balance amounts, the Consideration Units may be issued to Regal Path to settle the remaining balance of the Purchase Consideration. This may be carried out in 2 tranches, comprising up to RM200 million to part settle the Completion Date Payment and up to RM400 million to settle the Final Balance Payment, which is in line with the timing for the settlement of the Purchase Consideration as set out in Section 2.1.2 of Part A of this Circular. The option to issue the Consideration Units to part settle the Purchase Consideration in 2 tranches will also enable Pavilion REIT to manage its gearing level.

For the purposes of the settlement by way of issuance of the Consideration Units, the issue price of the Consideration Units will be determined later based on either:

- (i) the Placement Issue Price of the relevant placement tranche of the Proposed Placements undertaken by Pavilion REIT to pay the relevant amounts that are due; or
- (ii) in the event either the Tranche 1 Placement or Tranche 2 Placement is not undertaken, the Consideration Units will be issued to Regal Path based on the 5-day VWAP of the Units up to and including the day preceding the date on which the Board decides to issue the Consideration Units as part settlement of the relevant amounts of the Purchase Consideration.

Accordingly, if the Tranche 1 Placement is undertaken, the Consideration Units (if any, and up to the value of RM200 million) to part settle the Completion Date Payment will be issued at the Placement Issue Price of the Tranche 1 Placement. If the Tranche 1 Placement is not undertaken, the Consideration Units (if any, and up to the value of RM200 million) will be issued to Regal Path based on the 5-day VWAP of the Units up to and including the day preceding the date on which the Board decides to part settle the Completion Date Payment via the issuance of the Consideration Units.

Similarly, if the Tranche 2 Placement is undertaken, the Consideration Units (if any, and up to the value of RM400 million) to settle the Final Balance Payment will be issued at the Placement Issue Price of the Tranche 2 Placement. If the Tranche 2 Placement is not undertaken, the Consideration Units (if any, and up to the value of RM400 million) will be issued to Regal Path based on the 5-day VWAP of the Units up to and including the day preceding the date on which the Board decides to settle the Final Balance Payment via the issuance of the Consideration Units.

Regal Path has informed that in the event the Consideration Units are issued and allotted to Regal Path pursuant to the terms of the SPA, it intends to place out the issued Consideration Units, if any, to part settle the Completion Date Payment immediately upon receipt of such Consideration Units which is estimated to take place in Q2 of 2023. In the event the Consideration Units are issued and allotted to settle the Final Balance Payment, Regal Path intends to place out such Consideration Units immediately upon receipt of such Consideration Units which is within 27 months from the Completion Date. Regal Path further informed that in the event that the market price of the Units is lower than the issue price of the Consideration Units, it intends to hold on to the Consideration Units while waiting for the market price of the Units to recover to a price which is the same or above the issue price of the Consideration Units before embarking on the placing out of the Consideration Units.

In relation to the Proposed Issuance of Consideration Units to Regal Path, a specific resolution will be tabled to the Unitholders at the forthcoming Unitholders' Meeting to seek their approval in compliance with Paragraph 6.06(1) of the Listing Requirements. Regal Path is connected to certain Major Unitholders, namely TSLSC, PSTKY and QH.

To determine the maximum number of Consideration Units to be issued for the purposes of seeking the approval of the Unitholders for the Proposed Issuance of Consideration Units to Regal Path, the Manager has used RM1.00 per Unit as the illustrative issue price of the Consideration Units resulting in the issuance of up to a maximum of 600,000,000 Consideration Units. Notwithstanding the above, subject to the maximum number of 600,000,000 Consideration Units, the actual price of each Consideration Unit will be determined later and may be higher or lower than the illustrative price of RM1.00 per Unit.

Prior to the Proposed Issuance of Consideration Units to Regal Path, TSLSC, PSTKY, QH and persons acting in concert with them including Regal Path collectively hold 69.8% of the total Units in issue. After the Proposed Issuance of Consideration Units to Regal Path and assuming 600,000,000 Consideration Units are issued to Regal Path, TSLSC, PSTKY, QH and persons acting in concert with them including Regal Path collectively hold 74.8% of the total Units in issue. Accordingly, based on the unitholdings of TSLSC, PSTKY, QH and persons acting in concert with them including Regal Path and other non-Public Unitholders (as at the LPD), Pavilion REIT will still be in compliance with the public unitholding spread requirement under Paragraph 8.02(1) of the Listing Requirements before and after the Proposed Issuance of Consideration Units to Regal Path.

Pursuant to internal arrangements between TSLSC, PSTKY (both being the ultimate shareholders of the Manager through their indirect shareholdings of 51.0% in the Manager) and QH (which indirectly holds the remaining 49.0% in the Manager) (each of whom is also a Major Unitholder of Pavilion REIT), TSLSC, PSTKY and QH are persons acting in concert with respect to their unitholdings in Pavilion REIT. As there is no change in control based on their unitholdings either on an individual basis, collective basis or single entity concept (i.e. via their interest in Regal Path), the Proposed Issuance of Consideration Units to Regal Path is not expected to trigger any mandatory offer obligation under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC with regard to the Units held by TSLSC, PSTKY, QH and persons acting in concert with them including Regal Path.

The Consideration Units will, upon allotment and issue, rank equally in all respects with the then existing Units in issue, save and except that the Consideration Units will not be entitled to the Advance Distribution, and also will not be entitled to any distributable income, rights, benefits, entitlements and/or any other distributions, unless the allotment of the Consideration Units were made on or prior to the entitlement date of such distributable income, rights, benefits, entitlements and/or any other distributions.

The Consideration Units will be listed and quoted on the Main Market of Bursa Securities. Bursa Securities had, vide its letter dated 2 March 2023, approved the listing of and quotation for up to 600,000,000 Consideration Units on the Main Market of Bursa Securities. In the event the Proposed Issuance of Consideration Units to Regal Path is not fully implemented within 6 months from the date of Bursa Securities' approval for the listing of and quotation for the Consideration Units, where necessary, an application for the extension of time for the listing of and quotation for the Consideration Units may be sought from Bursa Securities for the implementation of the Proposed Issuance of Consideration Units to Regal Path. If the application for the extension of time is not approved by Bursa Securities, a new application for the listing of and quotation for the Consideration Units will be submitted to seek the approval Bursa Securities.

2.3 Proposed Placements

2.3.1 Details of the Proposed Placements

The Proposed Placements entail the issuance of Placement Units to raise proceeds of up to RM1,270 million, by way of bookbuilding.

The actual number of Placement Units to be issued cannot be determined at this juncture and will depend on the actual placement size and the Placement Issue Price which can only be determined upon the completion of the bookbuilding exercise for the Proposed Placements. The basis to determine the actual placement size will be decided based on, among others, the optimal debt to equity ratio and the expected effects on the EPU and DPU.

To determine the maximum number of Placement Units to be issued for the purposes of seeking the approval of the Unitholders for the Proposed Placements, the Manager has used RM1.00 per Unit as the illustrative issue price of the Placement Units resulting in the issuance of a maximum of 1,270,000,000 Placement Units. Notwithstanding the above, subject to the maximum number of 1,270,000,000 Placement Units, the actual price of each Placement Unit will be determined later and may be higher or lower than the illustrative price of RM1.00 per Unit.

Subject to, among others, the prevailing market conditions and investors' interests at the point of implementation, the Proposed Placements may be implemented in 2 tranches for the settlement of the Purchase Consideration in accordance with the terms and timing set out in the SPA.

CIMB and Maybank IB have been appointed as the Placement Agents to procure prospective placees for the Placement Units. Pavilion REIT may appoint additional placement agents in due course, and such appointments will be announced at the relevant time.

As at the LPD, there are no underwriting arrangements for the Proposed Placements.

Tranche 1 Placement

The Tranche 1 Placement is targeted to raise the Tranche 1 Placement Sum of RM720 million to part settle the Completion Date Payment of RM650 million and to fund the Estimated Expenses of up to approximately RM70 million.

Please refer to Sections 2.1.8 and 2.3.4 of Part A of this Circular for details on how the Tranche 1 Placement Sum will be used, and in the event that the Tranche 1 Placement does not raise the full amount of the Tranche 1 Placement Sum or is not implemented.

If the proceeds raised from the Tranche 1 Placement are in excess of RM720 million, the Tranche 1 Placement Surplus Funds will either be used to repay borrowings or retained as internal funds to settle the Balance Consideration components as and when they fall due. Where the Tranche 1 Placement Surplus Funds are used to repay existing borrowings, the Balance Consideration will subsequently be paid via drawdown of new borrowings and/or internal funds.

Tranche 2 Placement

The Tranche 2 Placement is targeted to raise the Tranche 2 Placement Sum of up to RM550 million to settle the Balance Consideration.

Please refer to Sections 2.1.8 and 2.3.4 of Part A of this Circular for details on how the Tranche 2 Placement Sum will be used to pay the Balance Consideration, and in the event that the Tranche 2 Placement does not raise the full amount of the Tranche 2 Placement Sum or is not implemented, as well as when there is timing difference between the funds raised under the Tranche 2 Placement and the amounts due in relation to the Defects Rectification Payment and the Strata Title Payment.

2.3.2 Allocation to placees

The Placement Units are intended to be placed out to local and foreign investors falling within the categories of persons listed under Schedules 6 and 7 of the CMSA, who will be identified at a later date, that may include EPF and/or persons connected to it. Please refer to Section 2.4 of Part A of this Circular for further details on the Proposed Placement to EPF. Please also refer to www.kwsp.gov.my for further information on EPF, being a statutory institution managing funds belonging to the public.

Each tranche of the Proposed Placements will not be an offer of securities for sale into the US. The Placement Units have not been and will not be registered under the Securities Act. The Placement Units are being offered and sold pursuant to an exemption from the registration requirements of the Securities Act, outside the US in offshore transactions, in reliance on, and in compliance with Regulation S under the Securities Act. This Circular does not constitute an offer to any person in the US. Distribution of this Circular to any person within the US is unauthorised.

2.3.3 Basis and justification for the Placement Issue Price

The Placement Issue Price will be based on the price from the bookbuilding exercise, where the bookbuilding price range will be determined based on, among others:

- (i) indicative demand and feedback from potential investors;
- (ii) precedent transactions; and
- (iii) market price of the Units.

In any event, the Placement Units will be issued at not more than 10.0% discount to the 5-day VWAP of the Units immediately prior to the price-fixing date, to be announced at a later date.

2.3.4 Use of proceeds

The gross proceeds from the Proposed Placements are expected to be utilised in the following manner:

Tranche 1 Placement

The Tranche 1 Placement is targeted to raise proceeds of RM720 million, to be utilised as follows:

<u>Details of the use of proceeds</u>	<u>Amount (RM million)</u>	<u>Expected timeframe</u>
Part of the Completion Date Payment	650	Please refer to Section 2.1.2 of Part A of this Circular for details
Estimated Expenses ⁽¹⁾	70	Progressive over the course of the Proposals
Total	720	

Note:

(1) The breakdown of the Estimated Expenses is as follows:

<u>Description</u>	<u>Amount (RM million)</u>	<u>%</u>
Placement fees*	38.1	54.4
Manager's fee in relation to the Proposed Acquisition**	22.0	31.4
Professional fees	6.0	8.6
Miscellaneous expenses (such as fees payable to the relevant authorities, expenses in relation to convening the Unitholders' Meeting, printing and despatch of this Circular, advertisement and other ancillary expenses)	3.9	5.6
Total	70.0	100.0

* The actual placement fees and expenses to be incurred will be dependent on the actual placement size, and if the Proposed Placements are not implemented, such expenses will not be incurred.

** The Manager's fee in relation to the Proposed Acquisition is computed at 1.0% of the Purchase Consideration as provided for under the Trust Deed.

Tranche 2 Placement

The Tranche 2 Placement is targeted to raise proceeds of up to RM550 million, to be utilised as follows:

<u>Details of the use of proceeds</u>	<u>Amount (RM million)</u>	<u>Expected timeframe</u>
Defects Rectification Payment	50	Please refer to Section 2.1.2 of Part A of this Circular for details
Strata Title Payment	100	
Final Balance Payment	400	
Total	550	

Please refer to Section 2.1.8 of Part A of this Circular for further details in which the above proceeds will be utilised as well as Section 16 of Part A of this Circular on the expected timing of implementation of the Tranche 1 Placement and Tranche 2 Placement.

Nevertheless, any proceeds raised that are not utilised in the manner set out in Section 2.1.8 of Part A of this Circular may be used to repay borrowings or retained as internal funds of Pavilion REIT.

2.3.5 Ranking of the Placement Units

The Placement Units will, upon allotment and issue, rank equally in all respects with the then existing Units in issue, save and except that the Placement Units will not be entitled to the Advance Distribution, and also will not be entitled to any distributable income, rights, benefits, entitlements and/or any other distributions, unless the allotment of the Placement Units were made on or prior to the entitlement date of such distributable income, rights, benefits, entitlements and/or any other distributions.

2.3.6 Listing of and quotation for the Placement Units

The Placement Units will be listed and quoted on the Main Market of Bursa Securities. Bursa Securities had, vide its letter dated 2 March 2023, approved the listing of and quotation for up to 1,270,000,000 Placement Units on the Main Market of Bursa Securities. In the event the Proposed Placements are not fully implemented within 6 months from the date of Bursa Securities' approval for the listing of and quotation for the Placement Units, where necessary, an application for the extension of time for the listing of and quotation for the Placement Units may be sought from Bursa Securities for the implementation of the Proposed Placements. If the application for the extension of time is not approved by Bursa Securities, a new application for the listing of and quotation for the Placement Units will be submitted to seek the approval of Bursa Securities.

2.3.7 Advance Distribution

Pursuant to the terms of the Trust Deed, the Manager shall, with the approval of the Trustee, distribute the distributable income of Pavilion REIT at the quantum and intervals to be determined in its absolute discretion. The Board intends to declare the Advance Distribution for the Advance Distribution Period. The Placement Units and the Consideration Units (if any) will not be entitled to the Advance Distribution and hence, the entitlement date for the Advance Distribution will be prior to the date of allotment of the Placement Units and the Consideration Units (if any). The Advance Distribution is meant to ensure fairness to the existing Unitholders and is intended to be implemented to ensure that the distributable income accrued during the Advance Distribution Period is only distributed to the existing Unitholders.

2.4 Proposed Placement to EPF

The bookbuilding exercise for the Proposed Placements may involve the participation of EPF (who was a Major Unitholder as at the date of the signing of the SPA and the Announcement) and/or persons connected to it to subscribe for up to 341,000,000 Placement Units. Although EPF only holds 9.9% of the total Units in issue and is not a Major Unitholder as at the LPD, the Manager proposes to seek the approval of the non-interested Unitholders (in relation to the Proposed Placement to EPF) at the forthcoming Unitholders' Meeting for the placement of the Placement Units to EPF, in accordance with Paragraph 6.06(1) of the Listing Requirements.

To determine the maximum number of Placement Units to be issued to EPF for the purposes of seeking the approval of the Unitholders for the Proposed Placement to EPF, the maximum number of 341,000,000 Placement Units has been determined on the basis that should the entire 341,000,000 Placement Units be allotted and issued to EPF and/or persons connected to it and a total of 1,270,000,000 Placement Units are issued under the Proposed Placements, EPF's unitholding in Pavilion REIT upon the full subscription of the said Placement Units will not be more than 15.0% of the enlarged Units in issue based on EPF's unitholding as at the LPD so that EPF remains a Public Unitholder in accordance with the definition of "public" under the Listing Requirements.

On the assumption that the entire 341,000,000 Placement Units are allotted and issued to EPF and/or persons connected to it pursuant to the Proposed Placement to EPF and a total of 1,270,000,000 Placement Units are issued under the Proposed Placements, based on the unitholdings of the Unitholders as at the LPD (including that of EPF), Pavilion REIT will still be in compliance with the public unitholding spread requirement pursuant to Paragraph 8.02(1) of the Listing Requirements before and after the Proposed Placement to EPF.

The actual Placement Issue Price and the actual number of Placement Units to be allotted and issued to EPF and/or persons connected to it will only be determined at a later stage by the Manager in consultation with the Placement Agents through the bookbuilding exercise, subject to EPF's decision whether to participate in the Proposed Placements or not. Additionally, the actual percentage holding of the Units by EPF will also depend on its unitholding in Pavilion REIT at the time of the bookbuilding exercise. Notwithstanding the above, the Manager will not be able to ensure that EPF's actual unitholding in Pavilion REIT at the completion of each tranche of the Proposed Placements will not exceed 15.0%. Should EPF's unitholding in Pavilion REIT exceed 15.0%, EPF will not be deemed as a Public Unitholder.

As at the LPD, EPF's direct and indirect unitholdings in Pavilion REIT are as follows:

	Direct		Indirect	
	No. of Units	%	No. of Units	%
EPF	303,715,003	9.9	-	-

3. RATIONALE FOR THE PROPOSALS

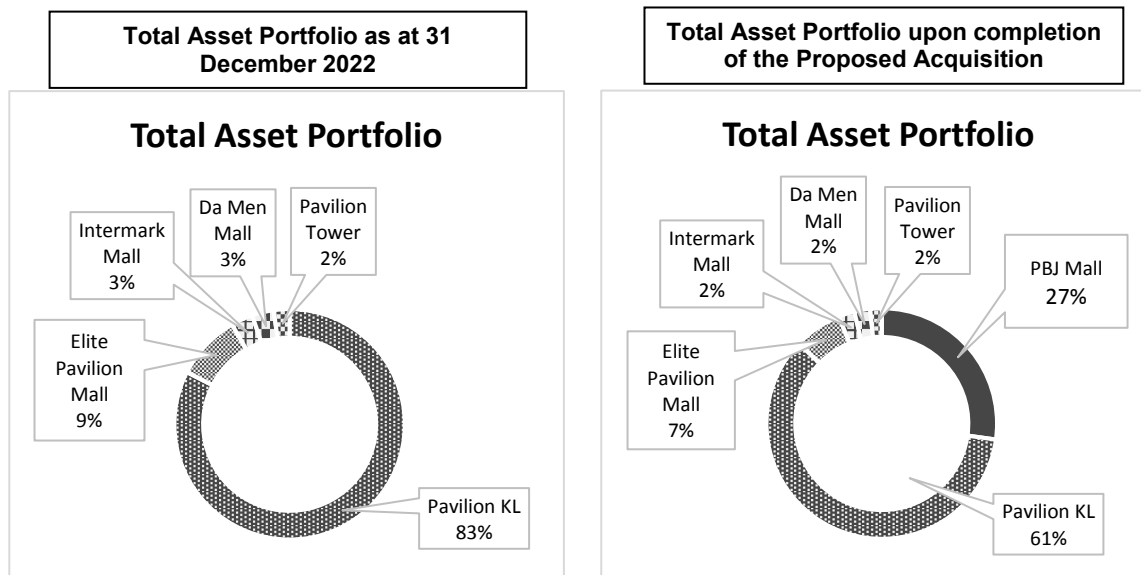
3.1 Proposed Acquisition

The Proposed Acquisition is in accordance with Pavilion REIT's authorised investments and policies to invest in assets that are income-producing, used solely or predominantly for retail purposes.

Taking into account the Purchase Consideration, the payment terms and the source of funding, the Proposed Acquisition is expected to:

- (i) be accretive to Pavilion REIT's distributable income moving forward;

- (ii) enhance diversification of Pavilion REIT's portfolio of investment properties, whereby upon the completion of the Proposed Acquisition, PBJ Mall will represent 26.7% of Pavilion REIT's enlarged total assets under management, and a 36.4% increase over the total assets under management as at 31 December 2022. This will reduce the dependence of Pavilion REIT on Pavilion Kuala Lumpur ("Pavilion KL"), where the contribution of Pavilion KL to Pavilion REIT's total asset value will reduce from 82.7% to 60.6% based on the latest market appraised value as illustrated in the charts below; and



- (iii) contribute positively to the overall portfolio and future growth of Pavilion REIT.

PBJ Mall Highlights

PBJ Mall is 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. Just 13 km due south of the Kuala Lumpur City Centre, the location of PBJ Mall is surrounded by mature and well-established neighbourhoods such as Taman Overseas Union, Bandar Baru Seri Petaling, Taman Gembira (Kuchai Lama), Sungai Besi, Serdang and Kinrara.

Bukit Jalil City is a commercial integrated development comprising developments such as serviced apartments (The Park 2 and The Park Sky Residences) and shop offices (The Signature Shop Office). Direct access from PBJ Mall to Bukit Jalil Recreational Park is readily available via an exclusive pedestrian link bridge enhancing the accessibility and making it convenient for the shoppers to visit the 80-acre park. Located to PBJ Mall's immediate north is Aurora @ Bukit Jalil, comprising commercial shop office (Aurora Place), smart-office-versatile-office (Aurora Sovo) together with serviced apartments (Aurora Suites). The Earth Bukit Jalil, a commercial integrated development accommodating 4-storey commercial shop offices together with high-rise condominium developments (Paraiso and Impiana Sky Residensi) is located to the immediate west of Bukit Jalil City.

In terms of accessibility and connectivity, PBJ Mall can be accessed via Shah Alam Expressway, Maju Expressway, KL-Seremban Highway and Bukit Jalil Highway.

A new flyover has also been opened directly linking Bukit Jalil City (Jalan 13/155C) to Puchong via the Bukit Jalil Highway. PBJ Mall has various built-in accessibility and infrastructure upgrades including new U-turns, new pedestrian link bridges, an underpass and tunnel access to the mall's basement carpark, totalling up to five vehicle entry and exit points, and 12 pedestrian entrances.

PBJ Mall also features immersive experiential spaces such as the 28,000 sq ft outdoor covered piazza for live entertainment, car launches and athleisure events, the 6,000 sq ft centre court for product launches, fashion shows and iconic festival celebrations, and the 47,000 sq ft exhibition centre for consumer fairs and exhibitions.

With a retail space which spreads across 5 levels, the size of PBJ Mall enables the management to curate a good tenant mix of shopping, dining and entertainment experiences that offers choice and variety to consumers and shoppers, which will help attract visitors and increase footfall. Currently, PBJ Mall houses anchors such as Parkson, The Food Merchant, TGV Cinemas, Harvey Norman, Blue Ice Snow Park, Grand Harbour Restaurant & Banquet, Food Republic and other specialty anchors such as HOHM, Nitori, Tokyo Town and Tsutaya Bookstore.

PBJ Mall is also the chosen venue of 'Van Gogh Alive', an immersive multi-sensory exhibition displaying floor-to-ceiling projections of Van Gogh's beloved art, including The Starry Night and Sunflowers starting from 17 December 2022 to 16 March 2023. Another on-going exhibition is the 'Demon Slayer: Kimetsu no Yaiba Total Concentration' which is running from 18 February 2023 to 18 May 2023 while an upcoming exhibition, 'The World of Tim Burton' is expected to open from 21 March 2023 to 20 July 2023.

Over the past 6 months, PBJ Mall recorded an average monthly footfall of 1.4 million. As at the LPD, the occupancy rate for PBJ Mall is approximately 81.4%.

3.2 Proposed Placements

After due consideration of the various methods of fund-raising available to Pavilion REIT to raise funds for the Proposed Acquisition, as well as, among others, the prevailing market conditions, interest rate environment and the capital structure of Pavilion REIT, the Board is of the opinion that the Proposed Acquisition should be funded by a mixture of new equity capital and borrowings. The use of a combination of equity and borrowings will allow Pavilion REIT to maintain its gearing at a healthy level as well as maintain sufficient headroom to make future cash acquisitions. This approach is in line with the capital management and growth strategy of Pavilion REIT.

The Board is also of the view that the Proposed Placements are the most appropriate means to raise the equity portion of the required funds.

Additionally, the Proposed Placements will allow Pavilion REIT to potentially attract more local and/or international investors to invest in Pavilion REIT, thereby potentially widening its Unitholders' base and to enhance liquidity and trading of the Units.

Pavilion REIT has not undertaken any equity fund-raising exercises in the past 12 months prior to the Announcement.

3.3 Proposed Issuance of Consideration Units to Regal Path

The Proposed Issuance of Consideration Units to Regal Path provides transaction certainty to Pavilion REIT as it mitigates risks associated with market volatility and changes in investor sentiment, which may result in the proceeds raised under the Proposed Placements to be lower than the full Tranche 1 Placement Sum and Tranche 2 Placement Sum.

3.4 Proposed Placement to EPF

EPF was one of the cornerstone investors of Pavilion REIT's IPO in 2011, with unitholding of approximately 1.7% in Pavilion REIT at the point of the IPO. EPF is also a significant investor in the Malaysian equity market generally. As such, the Board wishes to provide EPF with the opportunity to participate in the Proposed Placements.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter (“Q3”), as support from the stimulus measures and low base effect waned. At 7.0%, the fourth quarter growth was still above the long-term average of 5.1%. On a quarter-to-quarter seasonally adjusted basis, the economy registered a decline of 2.6% (Q3 2022: 1.9%). For 2022 as a whole, the economy expanded by 8.7% (2021: 3.1%).

All economic sectors registered growth in the fourth quarter of 2022. The services sector expanded by 8.9% (Q3 2022: 16.7%), supported by consumer-related subsectors amid better labour market conditions and the continued recovery in tourism activities. The sector also benefitted from improvements in real estate and business services activities.

Domestic demand grew by 6.8% (Q3 2022: 13.1%), mainly supported by private sector expenditure. Private consumption expanded by 7.4% (Q3 2022: 15.1%), supported by improving labour market conditions and policy measures. Spending was driven by consumption of necessities, particularly for transport as well as housing and utilities, and selected discretionary components such as recreational services and culture. Public consumption grew by 2.4% (Q3 2022: 4.5%), reflecting continued support from Government spending on emolument and supplies and services.

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity.

Over the course of 2023, headline and core inflation are expected to moderate but remain at elevated levels amid lingering demand and cost pressures. Notably, recent core inflation rates are expected to persist in the near-term, especially given the low base in the first half (“H1”) of 2022. There are several factors which would continue to mitigate the extent of upward pressure to inflation going forward. These include existing fuel subsidies, price control measures, and the remaining spare capacity in the economy. The balance of risk to the inflation outlook is tilted to the upside, particularly reflecting any potential changes to domestic policy, global commodity price developments and prolonged supply-related disruptions.

(Source: Bank Negara Malaysia’s Quarterly Bulletin - Fourth Quarter 2022)

Despite a softening world economic growth and trade activities, the economy is projected to grow between 4.0% and 5.0% in 2023, supported by steady domestic demand, a vibrant services sector, implementation of new and ongoing high multiplier infrastructure projects and sustained exports.

The services sector is anticipated to expand by 5.0% in 2023, benefitting from the sustained domestic demand in spite of a moderate global economic growth. The growth will continue to be mainly driven by wholesale and retail trade; real estate and business services; information and communication; transportation and storage; and food & beverages and accommodation subsectors. The wholesale and retail trade subsector is expected to remain the key contributor to the services sector with a growth rate of 3.4%, following the expansion in retail segment, particularly due to wider usage of e-commerce and rapid transition to digitalisation.

The economy is expected to remain resilient with domestic demand continues to drive growth amid softening global environment. Private sector expenditure is forecast to grow at 5.8% in 2023 with the share to GDP at 76.2%, while public sector expenditure is projected to expand by 2.0% with the share to GDP at 17.0%. Hence, domestic demand is envisaged to further expand by 5.1%.

Private consumption, which has been robust despite global uncertainties, is anticipated to grow by 6.3%. The growth forecast will be supported by continuous improvement in the labour market as well as robust economic and social activities particularly the tourism-related activities. The special financial assistance in January 2023 to civil servants and pensioners will support household disposable income and stimulate private spending. Public consumption is also projected to expand by 2.0% on account of higher spending on emoluments mainly due to special additional annual salary increment for civil servants.

(Source: Economic Outlook 2023, Ministry of Finance)

4.2 Overview and prospects of the retail industry

The performance of shopping complex continued to be moderate in H1 2022, with the national occupancy rate witnessing a slight decline at 75.7% as compared to the second half of 2021 (at 76.3%). There were 17.36 million square metres of existing retail space recorded, an increase from 16.93 million square metres as recorded in H1 2021. Wilayah Persekutuan Kuala Lumpur and Selangor recorded 81.6% and 77.7% occupancy rate respectively, whereas Johor and Pulau Pinang managed to secure an average occupancy of 72.2% and 71.5% respectively. Meanwhile, Negeri Sembilan and Melaka recorded the lowest occupancy rate of 67.1% and 62.5% respectively.

Rentals of retail space were generally stable in the Klang Valley with mixed movements in selected complexes. In Selangor, rents of retail space were generally stable for most shopping centres except for D’Pulze Cyberjaya and Ikano Power Centre.

(Source: Property Market Report H1 2022, National Property Information Centre, Valuation and Property Services Department, Ministry of Finance)

There is newfound optimism for Kuala Lumpur’s retail market with the country’s transition to the endemic phase on 1 April 2022. The reopening of the country’s international borders coupled with the gradual revival of the economy bring relief to the heavily impacted retail sector.

With the resumption of economic activities, there is an expectation for better employment opportunities, and subsequently improvement in consumers’ disposable income. Moreover, as 2022 is set to become the first full year of festive celebrations without any movement restrictions since the onset of the pandemic, pent-up demand is anticipated to drive consumer spending.

In the short to mid-term, rental and occupancy levels are expected to remain subdued due to the incoming supply of retail space as well as the lingering effect of the Covid-19 pandemic. Nonetheless, shopping malls have seen encouraging recovery in footfall and retail sales since the relaxation of movement restrictions.

In Budget 2022, the government allocated RM33 million to the “buy local” campaign and RM250 million to the “Shop Malaysia Online” and “Go eCommerce Onboarding” campaigns to further support the recovery of the local retail industry. In addition, the RM8,200 million Bantuan Keluarga Malaysia cash assistance and fourth withdrawal of the EPF will undoubtedly provide an additional boost to consumers’ purchasing power.

The pandemic, global geopolitical tensions, climate-change related disasters, supply chain disruptions and rising inflationary pressure pose unrelenting challenges to the retail sector. Nonetheless, the retail sector is poised for a better year ahead following the reopening of the economy and international borders.

(Source: Knight Frank research)

4.3 Prospects of PBJ Mall

PBJ Mall is located within the integrated development of Bukit Jalil City, which in turn is within the larger township of Bukit Jalil. Set out below are some key existing and future landmarks and developments in the surrounding area, as well as their proximity to PBJ Mall:

Existing Landmarks

- Kuala Lumpur Sports City (within 5 km), a sporting, entertainment and community hub comprising, among others, Bukit Jalil National Stadium, Axiata Arena, National Sports Council Headquarters and Bukit Jalil Sports School;
- Numerous primary and secondary schools as well as higher education institutions (within 1 to 10 km) such as SK and SMK Bukit Jalil, SJK (C) Lai Meng, International Medical University, Technology Park Malaysia College, Asia Pacific University and Tzu Chi International School; and
- Technology Park Malaysia (within 5 km), a science park driving national innovation and the research and development of knowledge-based industries comprising, among others, MIMOS Malaysia, Novozymes, All Asia Broadcast Centre (ASTRO) and Technology Park Malaysia's Incubator Centre.

Future / Upcoming Developments

- AI Park @ TPM 3 (within 5 km), a purpose-built centre to house Artificial Intelligence ("AI") research-related public service infrastructure to promote AI technology in Malaysia;
- KL Wellness City (within 2 km), 26 acres of an integrated healthcare-oriented development featuring comprehensive commercial and retail infrastructure and amenities with nature and green landscaping;
- W City @ OUG (within 5 km), 63 acres of connected community development located in Taman OUG, Kuala Lumpur comprising residential, mixed commercial, retail and public space components; and
- Hyatt Place Hotel (within 1 km), the first Hyatt Place hotel in the country and the first international brand hotel in Bukit Jalil.

In addition, PBJ Mall is only within a radius of 10 to 12 km from major cities within the Klang Valley such as Kuala Lumpur, Petaling Jaya and Subang Jaya. With the above, the locality of Bukit Jalil is poised to experience rapid growth with numerous on-going and upcoming mega developments, supporting an enlarged catchment area.

PBJ Mall is a lifestyle shopping mall built upon best-in-class standards in retail, dining and leisure. After successfully bringing in new brands and initial one-of-a kind concept stores, including Tsutaya Bookstore, Absolute Siam, HOHM, SenQ Elite and Habib Jewellery, PBJ Mall is also in progress to sign-on more internationally renowned tenants.

Based on PBJ Mall's functionality, various event space offerings and retail planning that focus on entertainment and food and beverages; coupled with the reputable Pavilion brand of retail properties, PBJ Mall is well placed to draw visitors as a destination shopping mall in the Klang Valley.

(Source: The Manager)

5. RISK FACTORS

The Proposed Acquisition may be subject to certain risk factors inherent in the property market, which Pavilion REIT is currently subjected to as a retail real estate investment trust. The following are some non-exhaustive risk factors that may be inherent to Pavilion REIT in relation to the Proposed Acquisition.

5.1 Risks relating to the Proposed Acquisition

5.1.1 Delay or non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is conditional upon the Conditions Precedent being fulfilled. The non-fulfilment of the Conditions Precedent may result in the SPA being terminated. In addition, there can be no assurance that the Proposed Acquisition can be completed within the time period permitted under the SPA. Nevertheless, the Manager and the Trustee will take the necessary steps to facilitate the fulfilment of the Conditions Precedent within the timeframe stipulated under the SPA.

5.1.2 Financing risk

There can be no assurance that Pavilion REIT may be able to raise sufficient funds to finance the Proposed Acquisition and/or on terms acceptable to Pavilion REIT. Where Pavilion REIT is unable to raise the required funds to finance the Proposed Acquisition, the Proposed Acquisition will not be completed. In addition, the Proposed Acquisition will be funded by borrowings, internal funds, proceeds from the Proposed Placements and/or issuance of the Consideration Units to Regal Path. Therefore, Pavilion REIT may be exposed to fluctuations in interest rates and repayment commitments. Any adverse movement in interest rates may lead to higher borrowing costs which consequently may adversely affect the cash flows of Pavilion REIT. Notwithstanding, Pavilion REIT will actively monitor its debt portfolio, which includes gearing level, interest costs as well as cash flows to ensure that its debt portfolio remains at a sustainable and optimal level.

5.1.3 Delays in the issuance and transfer of the Strata Titles

As at the LPD, the Strata Titles have not been issued and the expected timeframe for the application process and the issuance of the Strata Titles remains uncertain. Pursuant to the SPA, Regal Path has undertaken, at its own cost and expenses, to apply for subdivision of the Land and obtain the Strata Titles by 31 December 2023 or such other extended period as may be agreed between Pavilion REIT and Regal Path. A delay in the process will result in a delay in registering the Trustee as the registered and legal owner of PBJ Mall with the relevant land registry/office. Pursuant to the terms of the SPA, Regal Path is required to execute and deliver a Power of Attorney where Regal Path grants Pavilion REIT the power to deal with the legal title to the Property as fully and effectually as Regal Path could do as the legal proprietor of the Land and the Property and a Declaration of Trust where Regal Path shall hold the legal title to the Property as bare trustee for and on behalf of Pavilion REIT from the Completion Date until the date the Transfer is registered at the Land Office in favour of Pavilion REIT. In addition, pursuant to the terms of the SPA, Pavilion REIT has also retained RM100 million from the Purchase Consideration, the release of which is subject to Pavilion REIT's receipt of the Strata Title Documents.

5.1.4 Pavilion REIT's pro forma distributable income and DPU are not a guarantee of the actual financial results

Pavilion REIT's pro forma distributable income and DPU as set out in Section 6.3 of Part A of this Circular demonstrate the effects of the Proposals based on certain assumptions of the Manager including the assumption that the Proposals were completed on 1 January 2022 (being the beginning of the FYE 31 December 2022). There can be no assurance that the assumptions used by the Manager will be realised and the actual financial results may differ from the pro forma results set out in this Circular.

5.1.5 Timing gap between the Tranche 2 Placement and the issuance of the Consideration Units to settle the Final Balance Payment, if any, may contribute to the difference between the issue price of the Consideration Units and the prevailing market price of the Units at the time of issuance

The Tranche 2 Placement may be implemented prior to the issuance of the Consideration Units of up to RM400 million to settle the Final Balance Payment. Under such a scenario, the issue price of the Consideration Units will be the same as the Placement Issue Price for the Tranche 2 Placement and may be higher or lower than the prevailing market price of the Units at the time of issuance of the Consideration Units. The difference, if any, may be due to, among others, the level of discount or premium that may be applied to the Placement Issue Price for the Tranche 2 Placement, if any, the movement of the market price of the Units and the timing gap between the implementation of the Tranche 2 Placement and the issuance of the said Consideration Units. Although the above will also be applicable to the issuance of the Consideration Units of up to RM200 million, if any, to part settle the Completion Date Payment, the effects are likely to be less significant in view of the shorter timing gap expected between the Tranche 1 Placement and the timing for settlement of the Completion Date Payment.

Nevertheless, the Manager believes that the above is partly mitigated as the Manager's intention is to implement the Tranche 2 Placement closer to the time when the Final Balance Payment is anticipated to be due, hence reducing the timing gap between the Tranche 2 Placement and the Final Balance Payment.

5.2 Risks relating to PBJ Mall

5.2.1 PBJ Mall operates in a highly competitive environment

PBJ Mall may be affected by increased competition from other retail properties, loss of key tenants or a significant number of tenants, non-renewal of tenancies following expiry or renewal of tenancies at less favourable rates, and the Manager's ability to collect rental on a timely basis. This could in turn have an adverse impact on Pavilion REIT's financial condition and operations. Nevertheless, the Manager will endeavour to manage PBJ Mall to maximise traffic and maintain healthy occupancy rates. The Manager will also work closely with the tenants to build sustainable tenant relationships.

5.2.2 The due diligence on PBJ Mall may not have identified all material defects, breaches of laws and regulations and other deficiencies

The due diligence on PBJ Mall may not identify all material defects, deficiencies, breaches and/or non-compliance with the relevant laws and regulations, which could result in unpredictable business interruption and additional expenses on repairs and rectifications being incurred. In addition, the representations, warranties and indemnities made in favour of Pavilion REIT by Regal Path may not offer sufficient protection for the costs and liabilities arising from any defects or deficiencies. Pursuant to the SPA, Regal Path has given an undertaking to complete all required work in relation to the defects as may be notified by Pavilion REIT to Regal Path within the Defects Rectification Period at its own cost and expenses. Pavilion REIT has also retained RM50 million from the Purchase Consideration, the release of which is subject to the satisfactory rectification of such defects by Regal Path.

5.2.3 PBJ Mall may suffer material losses in excess of insurance proceeds

PBJ Mall may suffer physical damage caused by fire, flood, earthquakes or public liability claim which may result in potential losses (including loss of rental income) which may not be fully compensated by insurance. In addition, certain types of risks (such as war risk and losses caused by the outbreak of contagious diseases, contamination or other damages caused by breaches of environmental law) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk involved. The Manager will continue to review the insurance policies of PBJ Mall to ensure that PBJ Mall is adequately insured.

5.2.4 The operations of PBJ Mall may be affected by potential disease outbreaks, epidemics and pandemics

The operations of PBJ Mall may be affected by potential disease outbreaks, epidemics and pandemics. This could thereby materially impact the business, financial conditions and operations of the tenants of PBJ Mall which may in turn have an adverse impact on Pavilion REIT's financial condition and operations. Nevertheless, Pavilion REIT will undertake to focus on enhancing cost and operational efficiency for its portfolio of investment properties and continue its active engagement with its tenants to mitigate any issues arising from the above factors.

5.3 Risks relating to the property market

5.3.1 Changes in laws and regulations

PBJ Mall is subject to potential changes to, or new interpretations of the laws, building by-laws, codes and regulations issued by the relevant regulatory authorities, which may result in it undergoing extensive renovation and incurring renovation costs, which will result in higher future capital expenditure. The Manager will monitor any changes and developments in the regulatory environment and will endeavour to ensure compliance with such changes.

6. EFFECTS OF THE PROPOSALS

For illustrative purposes, the pro forma effects of the Proposals will be based on two scenarios as set out below (“**Scenarios**”):

(i) Scenario 1: With the Proposed Placements

The Proposed Placements will be undertaken to raise the full amounts of the targeted Tranche 1 Placement Sum and Tranche 2 Placement Sum and no Consideration Units will be issued to Regal Path.

(ii) Scenario 2: Without the Proposed Placements

The Proposed Placements will not be undertaken and the full amount of the Consideration Units will be issued to Regal Path to partly settle the Purchase Consideration.

Based on the Scenarios, the assumed parameters are set out below:

	Scenario 1: With the Proposed Placements⁽¹⁾	Scenario 2: Without the Proposed Placements⁽¹⁾
Size of issuance	RM1,270 million ⁽²⁾	RM600 million ⁽³⁾
Number of new Units to be issued (maximum)	1,270,000,000 Placement Units ⁽²⁾	600,000,000 Consideration Units ⁽³⁾
Illustrative issue price of the new Units	RM1.00 ⁽⁴⁾	RM1.00 ⁽⁴⁾
New borrowings to be raised	RM1,000 million ⁽²⁾	RM1,634 million ⁽³⁾

Notes:

- (1) The payment for the Ancillary Purchases has not been included in the illustration of the Scenarios as the purchase consideration for the Ancillary Purchases does not form part of the Purchase Consideration.
- (2) For illustrative purposes only, save for the cash payment of RM1,000 million, being part of the Redemption Sum which is funded by borrowings, the remainder of the Purchase Consideration and the Estimated Expenses of approximately RM70 million are to be settled in cash from proceeds to be raised from the Proposed Placements. The Proposed Placements include both the Tranche 1 Placement and Tranche 2 Placement.
- (3) For illustrative purposes only, the Consideration Units are issued to settle part of the Completion Date Payment of RM200 million and to fully settle the Final Balance Payment of RM400 million, and the remaining portion of the Purchase Consideration and the Estimated Expenses of approximately RM33.7 million (which is lower than the amount of the Estimated Expenses in Scenario 1 as the Proposed Placements will not be undertaken) are to be paid in cash via borrowings.

The breakdown of the Estimated Expenses above is as follows:

Description	Amount (RM'000)	%
Manager's fee in relation to the Proposed Acquisition	22,000	65.3
Expenses in relation to the issuance of the Consideration Units	1,800	5.3
Professional fees	6,040	17.9
Miscellaneous expenses (such as fees payable to the relevant authorities, expenses in relation to convening the Unitholders' Meeting, printing and despatch of this Circular, advertisement and other ancillary expenses)	3,860	11.5
Total	33,700	100.0

- (4) The issue price of RM1.00 per Unit is strictly for illustrative purposes only. The 5-day VWAP of the Units up to and including the LPD is RM1.34 as extracted from Thomson Reuters.

6.1 Unitholders' capital

The pro forma effects of the Proposals on the Unitholders' capital will depend on the manner in which the Purchase Consideration will be settled. For illustrative purposes based on the Scenarios and assumptions, the pro forma effects of the Proposals on the Unitholders' capital are as follows:

Scenario 1: With the Proposed Placements	No. of Units	RM
As at the LPD	3,058,756,453	2,742,530,318
Placement Units to be issued under the Tranche 1 Placement ⁽³⁾	720,000,000	720,000,000
Estimated Expenses ⁽¹⁾	-	(21,600,000)
After the Proposed Acquisition and Tranche 1 Placement	3,778,756,453	3,440,930,318
Placement Units to be issued under the Tranche 2 Placement ⁽³⁾	550,000,000	550,000,000
Estimated Expenses ⁽¹⁾	-	(16,500,000)
Enlarged Unitholders' capital	4,328,756,453	3,974,430,318
Scenario 2: Without the Proposed Placements	No. of Units	RM
As at the LPD	3,058,756,453	2,742,530,318
Consideration Units to be issued to Regal Path as part settlement of the Completion Date Payment ⁽³⁾	200,000,000	200,000,000
Estimated Expenses ⁽²⁾	-	(600,000)
After the Proposed Acquisition	3,258,756,453	2,941,930,318
Consideration Units to be issued to Regal Path as settlement of the Final Balance Payment ⁽³⁾	400,000,000	400,000,000
Estimated Expenses ⁽²⁾	-	(1,200,000)
Enlarged Unitholders' capital	3,658,756,453	3,340,730,318

Notes:

- (1) The Estimated Expenses in relation to the placement of new Units of approximately RM21.6 million (Tranche 1 Placement) and approximately RM16.5 million (Tranche 2 Placement) under the Proposed Placements will be set-off against the Unitholders' capital.
- (2) The Estimated Expenses of approximately RM0.6 million in relation to the issuance of the Consideration Units for the Completion Date Payment and approximately RM1.2 million in relation to the issuance of the Consideration Units for the Final Balance Payment will be set-off against the Unitholders' capital.
- (3) The issue price of RM1.00 per Unit is strictly for illustrative purposes only. The 5-day VWAP of the Units up to and including the LPD is RM1.34 as extracted from Thomson Reuters.

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6.2 Substantial Unitholders' unitholdings

The pro forma effects of the Proposals on the unitholdings of the substantial Unitholders will depend on the manner in which the Purchase Consideration will be settled. For illustrative purposes based on the Scenarios and the ROD of Pavilion REIT as at the LPD, the pro forma effects of the Proposals on the unitholdings of the substantial Unitholders and the public unitholding spread are as follows:

Scenario 1: With the Proposed Placements

Name	As at the LPD			After the Proposed Acquisition and the Tranche 1 Placement ⁽³⁾			After the Tranche 2 Placement ⁽³⁾			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of Units	(%)	No. of Units	(%)	No. of Units	(%)	No. of Units	(%)	No. of Units	(%)
QH	1,008,900,000	33.0	-	-	1,008,900,000	26.7	-	-	1,008,900,000	23.3
TSLSC	845,425,000	27.6	-	-	845,425,000	22.4	-	-	845,425,000	19.5
PSTKY	281,875,000	9.2	-	-	281,875,000	7.5	-	-	281,875,000	6.5
EPF ⁽¹⁾	303,715,003	9.9	-	-	566,435,592	15.0	-	-	644,715,003	14.9
KWAP	184,482,300	6.0	-	-	184,482,300	4.9	-	-	184,482,300	4.3
Public	922,256,453	30.2	-	-	1,642,256,453	43.5	-	-	2,192,256,453	50.6

Scenario 2: Without the Proposed Placements

Name	As at the LPD			After the Proposed Acquisition and the issuance of the Consideration Units as part settlement of the Completion Date Payment ⁽³⁾			After the issuance of the Consideration Units as settlement of the Final Balance Payment ⁽³⁾			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of Units	(%)	No. of Units	(%)	No. of Units	(%)	No. of Units	(%)	No. of Units	(%)
QH	1,008,900,000	33.0	-	-	1,008,900,000	31.0	-	-	1,008,900,000	27.6
TSLSC	845,425,000	27.6	-	-	845,425,000	25.9	200,000,000 ⁽²⁾	6.1	845,425,000	23.1
PSTKY	281,875,000	9.2	-	-	281,875,000	8.6	200,000,000 ⁽²⁾	6.1	281,875,000	7.7
EPF	303,715,003	9.9	-	-	303,715,003	9.3	-	-	303,715,003	8.3
KWAP	184,482,300	6.0	-	-	184,482,300	5.7	-	-	184,482,300	5.0
Regal Path	-	-	-	-	200,000,000	6.1	-	-	600,000,000	16.4
Public	922,256,453	30.2	-	-	922,256,453	28.3	-	-	922,256,453	25.2

Notes:

- (1) *For illustrative purposes only, EPF is assumed to subscribe for 262,720,589 Placement Units under the Tranche 1 Placement and 78,279,411 Placement Units under the Tranche 2 Placement at an illustrative Placement Issue Price of RM1.00 per Unit which would increase its unitholding in Pavilion REIT to a total of 644,715,003 Units, representing 14.9% of the enlarged Units in issue after completion of each tranche of the Proposed Placements. For the avoidance of doubt, the illustrative number of Placement Units to be placed to EPF as stated above may not represent (i) the actual number of Placement Units that may be subscribed by EPF and (ii) the actual unitholding of EPF in Pavilion REIT after the completion of the Proposed Placements. There can be no assurance that the assumptions used by the Manager to illustrate the effects of the Proposed Placements on the substantial Unitholders' unitholdings will materialise and they do not represent a commitment by EPF to subscribe for the Placement Units.*
- (2) *Deemed interested by virtue of his/her indirect shareholdings in Regal Path pursuant to Section 4 of the CMSA.*
- (3) *The issue price of RM1.00 per Unit is strictly for illustrative purposes only. The 5-day VWAP of the Units up to and including the LPD is RM1.34 as extracted from Thomson Reuters.*

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6.3 Earnings, EPU and DPU

The Proposals are expected to contribute positively to the earnings of the Pavilion REIT taking into account the NPI contribution from PBJ Mall. The Purchase Consideration is payable in tranches (as set out in Section 2.1.2 of Part A of this Circular) and the Manager expects only the first tranche of the payment (i.e. the Completion Date Payment) being made in the FYE 31 December 2023. Notwithstanding that Pavilion REIT will only settle part of the Purchase Consideration on the Completion Date (i.e. Completion Date Payment), Pavilion REIT will recognise 100.0% of the NPI contribution from PBJ Mall from the Completion Date. The actual EPU and DPU of Pavilion REIT for the FYE 31 December 2023 will depend on, among others, the final number of new Units issued pursuant to the Proposals as well as the NPI contribution of PBJ Mall from the Completion Date.

Thereafter, the performance of the EPU and DPU of Pavilion REIT will depend on, among others, the timing and manner of settlement of the Balance Consideration and the actual NPI contribution of PBJ Mall to Pavilion REIT for that relevant period. Notwithstanding the above, the Manager believes that the Proposals will result in an increase to the EPU and DPU of Pavilion REIT moving forward and be yield accretive.

For illustrative purposes only, assuming that the Proposals were completed on 1 January 2022, and based on the following assumptions, the pro forma effects of the Proposals on the distributable income and DPU of Pavilion REIT for the FYE 31 December 2022 are set out below:

	Audited FYE 31 December 2022	Scenario 1 With the Proposed Placements⁽²⁾	Scenario 2 Without the Proposed Placements⁽²⁾
	RM '000	RM '000	RM '000
Distributable income	255,811	255,811	255,811
Add: Annual incremental net distributable income ⁽¹⁾	-	84,920	53,235
Pro forma distributable income	255,811	340,731	309,046
Number of Units in issue ('000)	3,055,722	4,325,722	3,655,722
DPU (sen)	8.37	7.88	8.45

Notes:

(1) Assuming the Targeted NPI of at least RM146 million has been achieved by PBJ Mall as provided in Section 2.1.2 of Part A of this Circular less estimated expenses, as set out below:

Item	Assumption / Basis	Scenario 1 (RM '000)	Scenario 2 (RM '000)
NPI of PBJ Mall	Based on the Targeted NPI of RM146 million per annum as further set out in Section 2.1.2 of Part A of this Circular, which represents a capitalisation rate of about 6.6% of the Purchase Consideration.	146,000	146,000
Less:			
- Manager's fee & Trustee's fee	Computed at: a) base fee of 0.3% per annum of the incremental total asset value contributed by PBJ Mall; b) performance fee of 3.0% of the incremental NPI contributed by PBJ Mall; and	(11,080)	(11,080)

<u>Item</u>	<u>Assumption / Basis</u>	<u>Scenario 1 RM '000</u>	<u>Scenario 2 RM '000</u>
	c) annual trusteeship fee of 0.05% per annum of the incremental NAV (being capped at RM100,000).		
- Cost of financing	The assumed finance cost of 5.0% according to the total borrowings under the respective Scenarios. Although this is higher than the average cost of financing currently borne by Pavilion REIT, the Manager has also taken into account the possibility of an increase in interest rates offered by financial institutions in view of the current rising interest rate environment.	(50,000)	(81,685)
Total		84,920	53,235

For the avoidance of doubt, the cost breakdown above does not take into account the Estimated Expenses which are set out in Section 2.3.4 of Part A of this Circular.

- (2) The issue price of RM1.00 per Unit is strictly for illustrative purposes only. The 5-day VWAP of the Units up to and including the LPD is RM1.34 as extracted from Thomson Reuters.

The Manager would like to reiterate that the computation in the table above is strictly for illustrative purposes only and has been prepared based on certain broad assumptions reflective of the terms of the Proposals. There can be no assurance from the Manager that the assumptions used will be realised and the actual distributable income and DPU will be as projected, neither is it an indication of the financial results of the operations of PBJ Mall.

6.4 NAV per Unit and gearing

The pro forma effects of the Proposals on the NAV per Unit and gearing of Pavilion REIT based on the audited statements of financial position of Pavilion REIT as at 31 December 2022 are as follows:

Scenario 1: With the Proposed Placements

	<u>Audited as at 31 December 2022</u>	<u>After the Proposed Acquisition and the Tranche 1 Placement⁽⁶⁾</u>	<u>After the Tranche 2 Placement⁽⁶⁾</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Unitholders' capital	2,952,256	3,650,656 ⁽¹⁾	4,184,156 ⁽¹⁾
Accumulated income	1,107,751	1,107,751	1,070,563 ⁽²⁾
NAV	4,060,007	4,758,407	5,254,719
Number of Units in issue ('000)	3,055,722	3,775,722	4,325,722
NAV per Unit (RM)			
- Before income distribution	1.3287	1.2603	1.2148
- After income distribution ⁽⁵⁾	1.2858	1.2255	1.1845
Total borrowings	2,194,039	3,704,851 ⁽³⁾	3,192,039 ⁽³⁾
Total asset value	6,483,176	8,692,388 ⁽⁴⁾	8,675,888 ⁽⁴⁾
Gearing (%)	33.8	42.6	36.8

Notes:

- (1) The Estimated Expenses in relation to the placement of new Units of approximately RM21.6 million (Tranche 1 Placement) and approximately RM16.5 million (Tranche 2 Placement) under the Proposed Placements will be set-off against the Unitholders' capital.
- (2) The adjustment is in relation to the accretion of interest expense of approximately RM37.2 million, computed as the difference between the Final Balance Payment and the present value of the Final Balance Payment assuming a discount rate of 5.0% (being the estimated finance cost) over a period of 2 years.
- (3) After deducting the estimated upfront cost associated with the borrowings of RM2.0 million (assumed at 0.2% of the borrowings) to be paid from internally generated funds. Includes the amounts in relation to the Balance Consideration pursuant to Paragraph 8.32 of the Listed REIT Guidelines, where deferred payment arrangements in relation to the acquisition of real estate must be included as borrowings.
- (4) Approximately RM31.9 million of the Estimated Expenses in relation to the Proposed Acquisition will be capitalised as part of investment properties as a result of the Proposed Acquisition. Includes excess cash raised from proceeds of the Tranche 1 Placement.

The breakdown of the Estimated Expenses above is as follows:

Description	Amount (RM'000)	%
Manager's fee in relation to the Proposed Acquisition	22,000	69.0
Professional fees	6,040	18.9
Miscellaneous expenses (such as fees payable to the relevant authorities, expenses in relation to convening the Unitholders' Meeting, printing and despatch of this Circular, advertisement and other ancillary expenses)	3,860	12.1
Total	31,900	100.0

- (5) After the final income distribution of 4.29 sen per Unit that was paid on 28 February 2023.
- (6) The issue price of RM1.00 per Unit is strictly for illustrative purposes only. The 5-day VWAP of the Units up to and including the LPD is RM1.34 as extracted from Thomson Reuters.

Scenario 2: Without the Proposed Placements

	Audited as at 31 December 2022	After the Proposed Acquisition and the issuance of the Consideration Units as part settlement of the Completion Date Payment⁽⁶⁾	After the issuance of the Consideration Units as settlement of the Final Balance Payment⁽⁶⁾
	RM '000	RM '000	RM '000
Unitholders' capital	2,952,256	3,151,656 ⁽¹⁾	3,550,456 ⁽¹⁾
Accumulated income	1,107,751	1,107,751	1,070,563 ⁽²⁾
NAV	4,060,007	4,259,407	4,621,019
Number of Units in issue ('000)	3,055,722	3,255,722	3,655,722
NAV per Unit (RM)			
- Before income distribution	1.3287	1.3083	1.2641
- After income distribution ⁽⁵⁾	1.2858	1.2680	1.2282
Total borrowings	2,194,039	4,187,583 ⁽³⁾	3,824,472 ⁽³⁾
Total asset value	6,483,176	8,676,120 ⁽⁴⁾	8,674,620 ⁽⁴⁾
Gearing (%)	33.8	48.3	44.1

Notes:

- (1) *The Estimated Expenses of approximately RM0.6 million (issuance of Consideration Units for the Completion Date Payment) and approximately RM1.2 million (issuance of Consideration Units for the Final Balance Payment) will be set-off against the Unitholders' capital.*
- (2) *The adjustment is in relation to the accretion of interest expense of approximately RM37.2 million, computed as the difference between the Final Balance Payment and the present value of the Final Balance Payment assuming a discount rate of 5.0% (being the estimated finance cost) over a period of 2 years.*
- (3) *After deducting the estimated upfront cost associated with the borrowings of RM2.0 million (assumed at 0.2% of the borrowings) to be paid from internally generated funds. Includes the amounts in relation to the Balance Consideration pursuant to Paragraph 8.32 of the Listed REIT Guidelines, where deferred payment arrangements in relation to the acquisition of real estate must be included as borrowings.*
- (4) *Approximately RM31.9 million of the Estimated Expenses in relation to the Proposed Acquisition will be capitalised as part of investment properties as a result of the Proposed Acquisition. Please refer to note (4) under Scenario 1 of Section 6.4 of Part A of this Circular for details of the breakdown of the Estimated Expenses.*
- (5) *After the final income distribution of 4.29 sen per Unit that was paid on 28 February 2023.*
- (6) *The issue price of RM1.00 per Unit is strictly for illustrative purposes only. The 5-day VWAP of the Units up to and including the LPD is RM1.34 as extracted from Thomson Reuters.*

6.5 Convertible securities

As at the LPD, Pavilion REIT does not have any convertible securities in issue.

7. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) consent of the State Authority for the transfer of PBJ Mall pursuant to the Proposed Acquisition;
- (ii) approval of Bursa Securities for the listing of and quotation for the Placement Units and the Consideration Units on the Main Market of Bursa Securities, which was obtained vide its letter dated 2 March 2023, subject to the following conditions:

<u>Details of condition imposed</u>	<u>Status of compliance</u>
(a) Pavilion REIT and the Joint Principal Advisers must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements;	To be complied
(b) The Joint Principal Advisers to inform Bursa Securities upon the completion of the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements;	To be complied
(c) Pavilion REIT or the Joint Principal Advisers to confirm and furnish the following to Bursa Securities prior to the listing of and quotation for the Consideration Units and Placement Units:	

<u>Details of condition imposed</u>	<u>Status of compliance</u>
(A) Confirmation from the Joint Principal Advisers that Pavilion REIT complies fully with the 25% public unitholding spread requirement pursuant to Paragraph 8.02(1) of the Listing Requirements; and	To be complied
(B) A certified true copy of the resolutions passed by the Unitholders at the forthcoming Unitholders' Meeting approving the Proposals;	To be complied
(d) The Joint Principal Advisers to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements are completed; and	To be complied
(e) Payment of outstanding additional listing fees based on the market value of the Consideration Units and Placement Units to be listed, if applicable. In this respect, Pavilion REIT is required to furnish Bursa Securities a cheque drawn to the order of Bursa Securities for the outstanding listing fee together with a copy of the details of the computation of the amount of fees payable.	To be complied
(iii) approval of the non-interested Unitholders for the Proposals at the forthcoming Unitholders' Meeting;	
(iv) approval of Regal Path's shareholders on the sale of PBJ Mall upon the terms and conditions contained in the SPA;	
(v) approval of Malton's shareholders on the sale of PBJ Mall upon the terms and conditions contained in the SPA; and	
(vi) any other approvals and/or consents that may be required from any relevant regulatory authority or third party.	

The Proposed Issuance of Consideration Units to Regal Path is part of the Proposed Acquisition pursuant to the terms of the SPA, the Proposed Placements (which include the Proposed Placement to EPF) are conditional upon the SPA becoming unconditional and the Proposed Acquisition pursuant to the terms of the SPA is subject to the Proposed Placements having received all necessary approvals.

The Proposed Acquisition and the Proposed Placements are not conditional upon any other proposals undertaken or to be undertaken by Pavilion REIT.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 59.7%, calculated based on the Purchase Consideration compared with the market value of the Units in issue.

9. INTERESTS OF THE DIRECTORS AND MAJOR SHAREHOLDERS OF THE MANAGER, MAJOR UNITHOLDERS AND/OR PERSONS CONNECTED TO THEM

The Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the following Directors and/or major shareholders of the Manager, Major Unitholders and/or persons connected to them:

- (i) TSLSC is a Major Unitholder, one of the ultimate shareholders of the Manager and the Chairman and Non-Independent Executive Director of the Manager. TSLSC is also a major shareholder and the Non-Independent Non-Executive Chairman of Malton, a director of Amberstraits and Jelang Tegas (all of which are shareholders of Regal Path), a director of Regal Path and an indirect shareholder of Regal Path. TSLSC also indirectly holds 468,858,338 RPS in Regal Path through his shareholdings in Jelang Tegas and Khuan Choo. TSLSC is therefore interested in the Proposed Acquisition and the Proposed Issuance of Consideration Units to Regal Path;
- (ii) PSTKY is the spouse of TSLSC. She is a Major Unitholder, one of the ultimate shareholders of the Manager and Non-Independent Executive Director of the Manager. She is also a major shareholder and an Executive Director of Malton and an indirect shareholder of Regal Path. PSTKY also indirectly holds 239,034,752 RPS in Regal Path through her shareholding in Khuan Choo. PSTKY is therefore interested in the Proposed Acquisition and the Proposed Issuance of Consideration Units to Regal Path; and
- (iii) QH is a Major Unitholder and one of the indirect shareholders of the Manager. QH through its wholly-owned subsidiary Q PBJ, also holds 488,040,000 RPS in Regal Path and has nominated Mohammed Fahad M A Al-Khulaifi and Abdul Rahim Bin Mohamed Ali as directors of Regal Path. QH has also nominated Ahmed Ali H A Al-Hammadi, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia (who are currently Non-Independent Non-Executive Directors of the Manager) as its nominees to the Board. QH is therefore interested in the Proposed Acquisition, while Ahmed Ali H A Al-Hammadi, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are deemed interested in the Proposed Acquisition and the Proposed Issuance of Consideration Units to Regal Path.

As the Proposed Issuance of Consideration Units and the proceeds to be raised from the Proposed Placements will be used to settle part of the Purchase Consideration, the Interested Major Unitholders indirectly have an interest through their indirect shareholdings in Regal Path and from the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements. As such, the Interested Major Unitholders are deemed interested in the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements.

The Manager directly holds 19,262,053 Units or about 0.6% of the total Units in issue based on the ROD of Pavilion REIT as at the LPD.

TSLSC and PSTKY collectively hold 36.8% of the total Units in issue, while QH holds 33.0% of the total Units in issue based on the ROD of Pavilion REIT as at the LPD.

As at the LPD, the respective interests of the Interested Directors and Interested Major Unitholders in Pavilion REIT are as follows:

	Direct		Indirect	
	No. of Units	%	No. of Units	%
TSLSC	845,425,000	27.6	-	-
PSTKY	281,875,000	9.2	-	-
QH	1,008,900,000	33.0	-	-
Ahmad Mohammed F Q Al-Khanji	-	-	-	-
Mohd Abdulrazzaq A A Al-Hashmi	-	-	-	-
Navid Chamdia	100,000	*	-	-
Ahmed Ali H A Al-Hammadi	-	-	-	-

Note:

* *Negligible.*

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition at the relevant meetings of the Board and will not make any recommendation on the same. Additionally, the Interested Directors have also abstained and will continue to abstain from deliberating and voting on the funding of the Proposed Acquisition via the Proposed Issuance of Consideration Units to Regal Path and Proposed Placements at the relevant meetings of the Board and will not make any recommendation on the same.

The Interested Directors and the Interested Major Unitholders will abstain from voting in respect of their direct and/or indirect unitholdings in Pavilion REIT on the resolutions pertaining to the Proposed Acquisition, the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements to be tabled at the forthcoming Unitholders' Meeting. They have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect unitholdings (if any) in Pavilion REIT on the resolutions pertaining to the Proposed Acquisition, the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements to be tabled at the forthcoming Unitholders' Meeting.

The Manager is prohibited under the Listed REIT Guidelines from exercising the voting rights attached to the Units it holds or the Units held by its nominees in any Unitholders' meeting. Hence, the Manager will abstain from voting on all resolutions in connection with the Proposals to be tabled at the forthcoming Unitholders' Meeting.

As at the date of the signing of the SPA and the Announcement, EPF was a Major Unitholder with 10.1% direct unitholding in Pavilion REIT. However, EPF is not a Major Unitholder as at the LPD. In contrast with the Interested Major Unitholders, EPF is not interested in the Proposed Acquisition, the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements. Accordingly, EPF is not required to abstain from voting in respect of its direct and/or indirect unitholding in Pavilion REIT on the resolutions pertaining to the Proposed Acquisition, the Proposed Issuance of Consideration Units to Regal Path and the Proposed Placements to be tabled at the forthcoming Unitholders' Meeting.

While the Placement Units may be offered to EPF and/or persons connected to it, the Proposed Placement to EPF which EPF is deemed interested is subject to the passing of the resolution pertaining to the Proposed Placement to EPF to be tabled at the forthcoming Unitholders' Meeting. EPF will abstain from voting in respect of its direct and/or indirect unitholding in Pavilion REIT on the resolution pertaining to the Proposed Placement to EPF to be tabled at the forthcoming Unitholders' Meeting in accordance with Paragraph 6.06(2) of the Listing Requirements. EPF will also ensure that persons connected to it will abstain from voting in respect of their direct and/or indirect unitholdings (if any) in Pavilion REIT on the resolution pertaining to the Proposed Placement to EPF to be tabled at the forthcoming Unitholders' Meeting. In the event a majority of the non-interested Unitholders were to vote against the resolution pertaining the Proposed Placement to EPF at the forthcoming Unitholders' Meeting,

such resolution will not be carried and EPF will not be able to participate in the Proposed Placements.

Save as disclosed above, none of the Directors and major shareholders of the Manager or Major Unitholders and/or persons connected to them have any interest, direct or indirect, in the Proposals.

10. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS

Save for rental income, reimbursement of shared common cost and electricity supply to Pavilion Suites and Pavilion Hotel amounting to approximately RM10.0 million, the procurement of hotel related services, reimbursement of Mass Rapid Transit station naming right fee and shared common property maintenance charge and sinking fund amounting to approximately RM1.8 million and the payment of the Manager's management fees of approximately RM30.5 million, Pavilion REIT has not entered into any transactions involving the interests of the Interested Directors, interested major shareholders of the Manager and Interested Major Unitholders in the 12 months preceding the date of this Circular.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, save for the Interested Directors, having considered all aspects of the Proposals (including but not limited to the rationale, effects and risk factors of the Proposals, prospects of PBJ Mall, salient terms of the SPA, the Valuation Certificate, basis and justification for the Purchase Consideration (including the basis of determining the issue price of the Consideration Units, if any), the manner of funding the Proposed Acquisition as well as the evaluation of the Independent Adviser), is of the opinion that the Proposals are in the best interest of Pavilion REIT, are fair, reasonable and on normal commercial terms, and are not detrimental to the interest of the non-interested Unitholders.

The Board, save for the Interested Directors, recommends that you vote **in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming Unitholders' Meeting.

12. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Manager (comprising members who are not interested in the Proposals, namely Dato' Mohzani bin Abdul Wahab, Dato' Maznah binti Abdul Jalil, Dato' Choo Choo Siong, Dato' Mearia @ Massahariah binti Hamzah and Baljeet Kaur Grewal A/P Jaswant Singh), after taking into consideration the Manager's investment objectives, and having considered all aspects of the Proposals (including but not limited to the rationale, effects and risk factors of the Proposals, prospects of PBJ Mall, salient terms of the SPA, the Valuation Certificate, basis and justification for the Purchase Consideration (including the basis of determining the issue price of the Consideration Units, if any), the manner of funding the Proposed Acquisition as well as the evaluation of the Independent Adviser), is of the opinion that the Proposed Acquisition is:

- (i) in the best interest of Pavilion REIT;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested Unitholders.

13. ADVISERS

13.1 Joint Principal Advisers

CIMB and Maybank IB have been appointed as Joint Principal Advisers to the Manager for the Proposals.

13.2 Independent Adviser

In view that the Proposed Acquisition is a related party transaction as set out in Section 9 of Part A of this Circular, Malacca Securities has been appointed to act as Independent Adviser to undertake the following:

- (i) comment as to whether the Proposed Acquisition is:
 - (a) fair and reasonable so far as the Unitholders are concerned; and
 - (b) to the detriment of the non-interested Unitholders,and set out the reasons for such opinion, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the non-interested Unitholders whether they should vote in favour of the Proposed Acquisition; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

Please refer to the IAL as set out in Part B of this Circular.

14. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other corporate exercise/scheme which has been announced by Pavilion REIT but pending completion as at the LPD.

15. HISTORICAL UNIT PRICES

The monthly highest and lowest prices of the Units as traded on the Main Market of Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	Highest (RM)	Lowest (RM)
2023		
February	1.45	1.33
January	1.37	1.20
2022		
December	1.27	1.19
November	1.25	1.18
October	1.27	1.23
September	1.29	1.24
August	1.38	1.27

	Highest (RM)	Lowest (RM)
July	1.37	1.29
June	1.37	1.27
May	1.41	1.31
April	1.34	1.25
March	1.32	1.20
Last transacted market price of the Units on 21 November 2022, being the last full trading day prior to the Announcement		1.20
Last transacted market price of the Units as at the LPD		1.35

(Source: Bloomberg)

16. TENTATIVE TIMETABLE

Barring any unforeseen circumstances and subject to all approvals being obtained, the tentative timetable for the Proposals is as follows:

Event	Tentative timing
Unitholders' Meeting to consider the Proposals	22 March 2023
Fulfilment of the Conditions Precedent	Q2 of 2023
Announcement of the price-fixing date for the Placement Units for the Tranche 1 Placement	Q2 of 2023
Allotment and issuance of the Placement Units for the Tranche 1 Placement	Q2 of 2023
Listing of and quotation for the Placement Units for the Tranche 1 Placement and/or the Consideration Units for the Completion Date Payment on the Main Market of Bursa Securities	Q2 of 2023
Completion of the Tranche 1 Placement	Q2 of 2023
Completion of the Proposed Acquisition	Q2 of 2023
Announcement of the price-fixing date for the Placement Units for the Tranche 2 Placement	Latest by Q2 of 2025
Allotment and issuance of the Placement Units for the Tranche 2 Placement	Latest by Q2 of 2025
Listing of and quotation for the Placement Units for the Tranche 2 Placement and/or the Consideration Units for the Final Balance Payment on the Main Market of Bursa Securities	Latest by Q2 of 2025
Completion of the Tranche 2 Placement	Latest by Q2 of 2025

17. UNITHOLDERS' MEETING

The Unitholders' Meeting, the notice of which is enclosed in this Circular, will be held at Pavilion Ballroom, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Wednesday, 22 March 2023 at 11.30 a.m. or immediately following the conclusion of the 11th Annual General Meeting of Pavilion REIT, whichever is later, or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolutions set out in the Notice of Unitholders' Meeting.

If you are unable to attend and vote at the Unitholders' Meeting, you may appoint a proxy or no more than two proxies to attend and vote on your behalf at the Unitholders' Meeting. If you wish to do so, please complete and return the enclosed Proxy Form to the registered office of the Manager, 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 48 hours before the time set for holding the Unitholders' Meeting or any adjournment thereof. The Proxy Form should be completed strictly in accordance with the instructions contained therein. The completion and the lodging of the Proxy Form will not preclude you from attending and voting in person at the Unitholders' Meeting should you subsequently wish to do so.

18. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of
PAVILION REIT MANAGEMENT SDN BHD
(as the Manager of Pavilion REIT)

DATO' LEE TUCK FOOK
Non-Independent Executive Director

PART B
INDEPENDENT ADVICE LETTER FROM MALACCA
SECURITIES TO THE NON-INTERESTED
UNITHOLDERS IN RELATION TO THE PROPOSED
ACQUISITION

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to Malacca Securities, being the Independent Adviser for the Proposed Acquisition.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter to the Unitholders in relation to the Proposals as set out in Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposed Acquisition.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming Unitholders’ Meeting.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

1. INTRODUCTION

On 22 November 2022, the Joint Principal Advisers announced, on behalf of the Board, that the Trustee had, on the same date, entered into the SPA with Regal Path in relation to the Proposed Acquisition. In conjunction with the Proposed Acquisition, the Board proposes to undertake the Proposed Placements to partly fund the Proposed Acquisition.

The details of the Proposals are set out in Section 2, Part A of the Circular.

In view of the interests of certain Directors, major shareholders of the Manager, Major Unitholders and/or persons connected to them (*please refer to Section 9, Part A of the Circular for their interests and course of actions in relation to the Proposed Acquisition*), the Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, Malacca Securities has been appointed on 3 November 2022 as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders on the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested Unitholders, together with our recommendation on whether the non-interested Unitholders should vote in favour of the Proposed Acquisition. In view of the conditionality of the Proposals as set out in Section 7, Part A of the Circular, we have considered the Proposals as a whole in our evaluation of the Proposed Acquisition.

Nonetheless, the non-interested Unitholders should rely on their own evaluation of the merits and demerits of the Proposed Acquisition before making a decision on the course of action to be taken at the forthcoming Unitholders’ Meeting.

This IAL is prepared solely for the use of the non-interested Unitholders to consider the Proposed Acquisition and should not be used or relied upon by any other party for any other purposes whatsoever.

2. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition based on the following pertinent factors: -

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.1 Rationale for the Proposals</p>	<p>The rationale for the Proposed Acquisition is fair and reasonable.</p> <p>The Proposed Acquisition entails the acquisition of PBJ Mall, which is a five (5)-storey retail mall with two (2) basement car park levels with a total of 4,800 parking bays, known as “Pavilion Bukit Jalil” together with the related assets and rights. It is noted that the principal investment policy of Pavilion REIT is to invest directly and indirectly, in a diversified portfolio of income producing real estate assets used solely or predominantly for retail purposes (<i>including mixed-use developments with a retail component</i>) in Malaysia and other countries within the Asia-Pacific region. The investment objective of Pavilion REIT is to provide Unitholders with regular and stable distributions as well as to achieve long-term growth in NAV per Unit and maintaining an appropriate capital structure, whilst balancing stakeholder needs.</p> <p>PBJ Mall is expected to be an attractive addition to Pavilion REIT’s portfolio of investment properties in view of the following: -</p> <p>(i) Enhancement to current portfolio. The proposed addition of PBJ Mall is expected to enhance the current portfolio of Pavilion REIT’s investment properties and thereby, attracting further investors’ interest taking into consideration the following factors: -</p> <p>(a) <u>High expected yield</u> – PBJ Mall, a newly-established mall within the on-going development of Bukit Jalil City, has the largest NLA as compared to other investment properties of Pavilion REIT. Coupled with the strategic location of the Property together with its vibrant tenant mix of retail brands and new international brands as further elaborated in (ii) and (iii) below, PBJ Mall is expected to yield a rate of return of at least 6.6% per annum (<i>based on the Targeted NPI of at least RM146 million on an annualised basis over the Purchase Consideration of RM2,200 million</i>), which is higher than the average yield of other existing investment properties of Pavilion REIT for the FYE 31 December 2022 of 3.7%;</p> <p>(b) <u>Diversification of Pavilion REIT’s portfolio of investment properties</u> - Upon completion of the Proposed Acquisition, Pavilion REIT’s portfolio of investment properties will expand whereby in comparison with 31 December 2021: - (aa) total NLA will increase by 76.2%; (bb) total market value will increase by 36.6%; and (cc) the Targeted NPI will increase the total NPI by at least RM146 million.</p> <p>In view that PBJ Mall is a significant addition to Pavilion REIT’s portfolio of investment properties (<i>representing 43.3% to the total NLA, 26.8% to the total market value and 28.6% to the total NPI of the enlarged portfolio</i>), this is expected to diversify and reduce the dependence of Pavilion REIT on Pavilion Kuala Lumpur Mall’s contribution. The details of the enlarged portfolio are set out in Section 3.1 of this IAL; and</p> <p>(c) <u>Licence to use the trademark “Pavilion Bukit Jalil”</u> – Pursuant to the SPA, the Property shall be sold and transferred to Pavilion REIT together with the licence to use the trademark “Pavilion Bukit Jalil”.</p>

Reference in IAL / Consideration factors	Our evaluation
	<p>Such licence will enable PBJ Mall to continue leveraging on the distinguished "Pavilion" brand attributable to the success and strong reputation of Pavilion Kuala Lumpur Mall, allowing Pavilion REIT to benefit from potential synergies such as concerted efforts in its marketing and promotional plans for the Pavilion malls as well as cross-selling of PBJ Mall's vacant retail units / spaces to existing tenants of Pavilion Kuala Lumpur Mall.</p> <p>(ii) Strategic location of the Property. PBJ Mall is strategically located in the locality of Bukit Jalil, with easy accessibility and great connectivity whereby PBJ Mall: -</p> <p>(a) forms part of the fifty (50)-acre commercial integrated development of Bukit Jalil City and only thirteen (13) km away from Kuala Lumpur city centre;</p> <p>(b) is surrounded by mature and well-established neighbourhoods; and</p> <p>(c) is easily accessible and well connected with various major highways, with up to five (5) vehicle entry and exit points and twelve (12) pedestrian entrances.</p> <p>We note that the ease of accessibility and connectivity of PBJ Mall shall bode well for the mall patronage, supported by the surrounding population from mature and well-established neighbourhoods and high-rise developments.</p> <p>(iii) Tenant mix and occupancy. The size of PBJ Mall (<i>over 1.8 million sq ft of retail space</i>) enables the management to curate a good tenant mix of shopping, dining and entertainment experiences that offers choice and variety to consumers / shoppers, which will help attract visitors and increase footfall. Currently, PBJ Mall houses anchor tenants such as Parkson, The Food Merchant, TGV Cinemas, Harvey Norman, Blue Ice Snow Park, Grand Harbour Restaurant & Banquet, Food Republic and other specialty anchor tenants such as HOHM, Nitori, Tokyo Town and Tsutaya Bookstore.</p> <p>Notwithstanding that PBJ Mall has only commenced its business on 3 December 2021, we note that PBJ Mall has achieved an occupancy rate of 81.4% (<i>excluding own-use areas</i>) as at the LPD with a weighted average lease expiry ("WALE") of PBJ Mall of about 2.40 years as at 31 October 2022. Further, as an assurance in respect of the minimum occupancy and rental rate for PBJ Mall, the parties to the SPA have agreed that at least 80.0% of the total NLA of PBJ Mall (<i>excluding own-use areas</i>) must have commenced rental billing with average total rental of the tenanted NLA must not be less than RM9.50 per sq ft per month, on or before the Unconditional Date. We view that the minimum occupancy and rental rate agreed by the parties to the SPA are reasonable in view that PBJ Mall is a relatively new mall and that these thresholds are close to projected occupancy rate and rental rate respectively in the initial year of operations, both of which are key bases and assumptions adopted in the valuation of PBJ Mall by the Valuer, which form the basis of the Purchase Consideration.</p> <p>The use of a combination of equity and borrowings to fund the Proposed Acquisition is expected to allow Pavilion REIT to maintain its gearing at a manageable level and at the same time enable Pavilion REIT to manage its cash flows to maintain sufficient headroom for any future cash acquisitions.</p>

Reference in IAL / Consideration factors	Our evaluation
	<p>The Proposed Placements (<i>if undertaken</i>) is expected to widen its Unitholders' base taking into consideration that the Proposed Placements will be allocated to both local and/or international investors which may potentially enhance the liquidity and trading of the Units. It is also noted that the Proposed Placements may include the participation of EPF (<i>which was a Major Unitholder as at the date of the signing of the SPA and the Announcement</i>) and/or persons connected to it through the Proposed Placement to EPF.</p> <p>In addition, the Proposed Issuance of Consideration Units to Regal Path is undertaken to provide transaction certainty to Pavilion REIT by mitigating risks associated with market volatility and changes in investor sentiment in the event Pavilion REIT is unable to raise the required amount from the Proposed Placements. We view this as reasonable taking into consideration that the Placement Issue Price will be based on the price from the bookbuilding exercise, which is subject to market volatility and changes in investor sentiment at the point of implementation of the Proposed Placements. The Proposed Issuance of Consideration Units to Regal Path allows more flexibility to Pavilion REIT in terms of the mode of settlement to complete the Proposed Acquisition. Whilst Regal Path's intention of not retaining the Consideration Units and would endeavour to place out the Consideration Units to monetise them may result in market volatility for the Units, we wish to highlight that the Purchase Consideration, issue price of the Consideration Units and Placement Issue Price are fair and reasonable based on our assessment as set out in Section 3.2 of this IAL.</p> <p>Notwithstanding that the issuance of the Placement Units (<i>if the Proposed Placements are undertaken</i>) and/or Consideration Units (<i>if the Proposed Placements are not undertaken</i>) may have an immediate dilutive impact on Pavilion REIT's EPU and DPU, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of Pavilion REIT.</p>
<p><u>Section 3.2</u> Basis and justification for the Purchase Consideration, issue price of the Consideration Units and Placement Issue Price</p>	<p><u>Purchase Consideration</u> In evaluating the Purchase Consideration, we have reviewed the valuation conducted by the Valuer for PBJ Mall. In arriving at the opinion of market value for PBJ Mall, it is noted that the Valuer has adopted two (2) methods of valuation, i.e. the income approach by DCF method as the primary approach and supported by the comparison approach.</p> <p>Taking into consideration that PBJ Mall is a new commercial and income generating property, the Valuer has thus adopted the market value as derived from the income approach by DCF method as a fair representation supported by comparison approach.</p> <p>Based on the income approach by DCF method (<i>being the primary approach</i>), the Valuer has derived a market value for PBJ Mall of RM2,210 million as at the material date of valuation on 31 October 2022. As a check, the Valuer has derived a higher market value for PBJ Mall of RM2,248 million as at the material date of valuation on 31 October 2022 using the comparison approach.</p> <p>As the Purchase Consideration (RM2,200 million) represents a discount of RM10 million or approximately 0.5% to the market value of PBJ Mall as appraised by the Valuer (RM2,210 million), we are of the view that the Purchase Consideration is fair and reasonable.</p> <p><u>Settlement terms</u> The settlement terms are fair and reasonable and not detrimental to the interests of the non-interested Unitholders.</p>

Reference in IAL / Consideration factors	Our evaluation
	<p><u>Issue price of the Consideration Units</u> The issue price of the Consideration Units is fair and reasonable as it will be determined later based on either: -</p> <ul style="list-style-type: none"> (i) the Placement Issue Price of the relevant placement tranche of the Proposed Placements whereby in such an event, the issue price of the Consideration Units will be equivalent to the issue price available to third party placees in respect of the Placement Units; or (ii) in the event either the Tranche 1 Placement or Tranche 2 Placement is not undertaken, the Consideration Units will be issued based on the five (5)-day VWAP of the Units up to and including the day preceding the date on which the Board decides to issue the Consideration Units as part settlement of the relevant amounts of the Purchase Consideration. We wish to highlight that there will be no discount to the said five (5)-day VWAP of the Units accorded to the Consideration Units to be issued to Regal Path. <p><u>Placement Issue Price</u> The Placement Issue Price is fair and reasonable as it will be based on the price from the bookbuilding exercise, where the bookbuilding price range will be determined based on, amongst others, indicative demand and feedback from potential investors, precedent transactions and market price of the Units. In any event, the Placement Units will be issued at not more than 10.0% discount to the five (5)-day VWAP of the Units immediately prior to the price-fixing date, to be announced at a later date.</p> <p><u>Advance Distribution</u> In addition, in order to ensure fairness to the existing Unitholders, the Board intends to declare the Advance Distribution in respect of the distributable income accrued during the Advance Distribution Period to the existing Unitholders. The Placement Units and the Consideration Units (<i>if any</i>) will not be entitled to the Advance Distribution.</p>
<p><u>Section 3.3</u> Salient terms of the SPA</p>	<p>The salient terms of the SPA are fair and reasonable and not detrimental to the interests of the non-interested Unitholders.</p>
<p><u>Section 3.4</u> Effects of the Proposals</p>	<p>The pro forma effects of the Proposals from Section 6, Part A of the Circular are illustrated based on the following two (2) scenarios: -</p> <ul style="list-style-type: none"> (i) Scenario 1: With the Proposed Placements <i>(The Proposed Placements will be undertaken to raise the full amounts of the targeted Tranche 1 Placement Sum and Tranche 2 Placement Sum and no Consideration Units will be issued to Regal Path)</i> (ii) Scenario 2: Without the Proposed Placements <i>(The Proposed Placements will not be undertaken and the full amount of the Consideration Units will be issued to Regal Path to partly settle the Purchase Consideration)</i>

Reference in IAL / Consideration factors	Our evaluation
	<p>The pro forma effects of the Proposals are as follows: -</p> <p>(i) Unitholders' capital</p> <p><u>Scenario 1</u> The Unitholders' capital will increase by RM1,231.90 million (<i>after offsetting the Estimated Expenses in relation to the placement of new Units of approximately RM38.10 million</i>) as a total of 1,270,000,000 Placement Units will be issued at an illustrative issue price of RM1.00 each to raise funds for the Purchase Consideration and Estimated Expenses.</p> <p><u>Scenario 2</u> The Unitholders' capital will increase by RM598.20 million (<i>after offsetting the Estimated Expenses in relation to the issuance of the Consideration Units of approximately RM1.80 million</i>) as a total of 600,000,000 Consideration Units will be issued to Regal Path at an illustrative issue price of RM1.00 each to partly settle the Purchase Consideration.</p> <p>(ii) Substantial Unitholders' unitholdings</p> <p><u>Scenario 1</u> The existing unitholdings of all the Unitholders will be proportionately diluted by the issuance of 1,270,000,000 Placement Units. In the event that EPF and/or KWAP, both currently substantial Unitholders, participates in the Proposed Placements, their respective unitholdings in Pavilion REIT will increase accordingly by such number of Placement Units subscribed for.</p> <p><u>Scenario 2</u> Regal Path will emerge as a new substantial Unitholder (16.4% unitholdings) following the issuance of 600,000,000 Consideration Units. On the other hand, the existing unitholdings of all the Unitholders will be proportionately diluted by the issuance of the Consideration Units.</p> <p>Notwithstanding that the issuance of the Placement Units (<i>if the Proposed Placements are undertaken</i>) and/or Consideration Units (<i>if the Proposed Placements are not undertaken</i>) may have an immediate dilutive impact on the Unitholders' unitholdings, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of Pavilion REIT. Hence, the issuance of Placement Units and/or Consideration Units for the settlement of the Purchase Consideration is not detrimental to the interests of the non-interested Unitholders.</p>

Reference in IAL / Consideration factors	Our evaluation
	<p>(iii) Earnings, EPU and DPU</p> <p>The Proposals are expected to contribute positively to the earnings of Pavilion REIT taking into account the NPI contribution from PBJ Mall. Notwithstanding that Pavilion REIT will only settle part of the Purchase Consideration on the Completion Date (<i>i.e. Completion Date Payment</i>), Pavilion REIT will recognise 100.0% of the NPI contribution from PBJ Mall from the Completion Date. Thereafter, the potential effects of the Proposals on Pavilion REIT's earnings, EPU and DPU will depend on, amongst others, the actual NPI contribution of PBJ Mall to Pavilion REIT for the relevant period, timing and manner of settlement of the Balance Consideration which in turn depends on prevailing market conditions and investors' interest, number of new Units to be issued as well as costs of financing for borrowings. Nevertheless, the Proposals are expected to contribute positively to the future earnings and distributions of Pavilion REIT.</p> <p>(iv) NAV per Unit</p> <p><u>Scenario 1</u> The NAV of Pavilion REIT will increase by a net amount of RM1,194.7 million, mainly attributable to the issuance of 1,270,000,000 Placement Units at an illustrative issue price of RM1.00 each to raise funds for the Purchase Consideration and Estimated Expenses. The increase is offset by the Estimated Expenses in relation to the placement of new Units of approximately RM38.1 million and accretion of interest expense of approximately RM37.2 million, computed as the difference between the Final Balance Payment and the present value of the Final Balance Payment assuming a discount rate of 5.0% (<i>being the estimated finance cost</i>) over a period of 2 years. Arising from the issuance of Placement Units and recognition of the said Estimated Expenses and accretion of interest expense, the NAV per unit (<i>after income distribution</i>) will decrease slightly from RM1.2858 as at 31 December 2022 to RM1.1845.</p> <p><u>Scenario 2</u> The NAV of Pavilion REIT will increase by a net amount of RM561.0 million, mainly attributable to the issuance of 600,000,000 Consideration Units at an illustrative issue price of RM1.00 each to partly settle the Purchase Consideration. The increase is offset by the Estimated Expenses in relation to the issuance of the Consideration Units of approximately RM1.80 million and accretion of interest expense of approximately RM37.2 million, computed as the difference between the Final Balance Payment and the present value of the Final Balance Payment assuming a discount rate of 5.0% (<i>being the estimated finance cost</i>) over a period of 2 years. Arising from the issuance of the Consideration Units and recognition of the said Estimated Expenses and accretion of interest expense, the NAV per unit (<i>after income distribution</i>) will decrease slightly from RM1.2858 as at 31 December 2022 to RM1.2282.</p>

Reference in IAL / Consideration factors	Our evaluation
	<p>Notwithstanding the marginal decrease in NAV per Unit of Pavilion REIT in both scenarios, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of Pavilion REIT. In addition, taking into consideration the prospects of PBJ Mall as set out in Section 3.5 of this IAL, any future appreciation in the market value of PBJ Mall will enhance the NAV and NAV per Unit of Pavilion REIT and lower the gearing of Pavilion REIT.</p> <p>(v) Gearing</p> <p><u>Scenario 1</u> The new borrowings to be secured (<i>net of estimated upfront cost associated with the borrowings</i>) will result in the gearing of Pavilion REIT increasing from 33.8% to 36.8%.</p> <p><u>Scenario 2</u> The new borrowings to be secured (<i>net of estimated upfront cost associated with the borrowings</i>) will result in the gearing of Pavilion REIT increasing from 33.8% to 44.1%.</p> <p>For information purposes, the increased gearing in both scenarios is still within the threshold as prescribed or permitted under Paragraph 8.32 of the Listed REIT Guidelines i.e. the total borrowings of Pavilion REIT must not exceed 50% of its total asset value at the time the borrowings are incurred.</p> <p>(vi) Convertible securities</p> <p>As at the LPD, Pavilion REIT does not have any convertible securities in issue.</p> <p>Based on our evaluation above, the overall effects of the Proposed Acquisition are not detrimental to the interests of the non-interested Unitholders.</p>
<p><u>Section 3.5</u> Prospects of the retail industry as well as PBJ Mall and Pavilion REIT</p>	<p>In view of the strategic location, ease of accessibility and connectivity of PBJ Mall coupled with the potential synergies to be derived as one of the retail malls under the distinguished "Pavilion" brand, PBJ Mall is well positioned to attract both shoppers and tenants and achieve the desired occupancy level and positive rental reversions as well as potentially benefit from any appreciation in market value of PBJ Mall in the future. We view the long-term prospects of the retail industry as well as PBJ Mall and Pavilion REIT to be favourable.</p>
<p><u>Section 3.6</u> Risk factors in relation to the Proposed Acquisition</p>	<p>The risk factors are set out in Section 5, Part A of the Circular, which include (i) financing risk, (ii) delays in the issuance and transfer of the Strata Titles, (iii) competition risk and (iv) property investment risk.</p> <p>In view that Pavilion REIT's current portfolio mainly consists of retail properties situated within Klang Valley, the proposed addition of PBJ Mall to Pavilion REIT's portfolio will not significantly change the business risk profile of Pavilion REIT upon completion of the Proposed Acquisition as Pavilion REIT is already currently subjected to such risks inherent in the retail property market.</p>

3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition after taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposed Acquisition based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the Unitholders in relation to the Proposals, as set out in Part A of the Circular before voting on the ordinary resolution to give effect to the Proposed Acquisition at the forthcoming Unitholders' Meeting.

Premised on our evaluation of the Proposed Acquisition in Section 3 of this IAL, we are of the view that, on the basis of the information available to us, the Proposed Acquisition is **fair and reasonable** and **not detrimental** to the interests of the non-interested Unitholders.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

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7 March 2023

To: The non-interested Unitholders

Dear Sir / Madam,

PAVILION REAL ESTATE INVESTMENT TRUST (“PAVILION REIT”)

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ACQUISITION

This IAL is prepared for inclusion in the Circular to the Unitholders. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to Malacca Securities, being the Independent Adviser for the Proposed Acquisition.

1. INTRODUCTION

On 22 November 2022, the Joint Principal Advisers announced, on behalf of the Board, that the Trustee had, on the same date, entered into the SPA with Regal Path in relation to the Proposed Acquisition. In conjunction with the Proposed Acquisition, the Board proposes to undertake the Proposed Placements to partly fund the Proposed Acquisition.

The details of the Proposals are set out in Section 2, Part A of the Circular.

In view of the interests of certain Directors, major shareholders of the Manager, Major Unitholders and/or persons connected to them (*please refer to Section 9, Part A of the Circular for their interests and course of actions in relation to the Proposed Acquisition*), the Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, Malacca Securities has been appointed on 3 November 2022 as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders on the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested Unitholders, together with our recommendation on whether the non-interested Unitholders should vote in favour of the Proposed Acquisition. In view of the conditionality of the Proposals as set out in Section 7, Part A of the Circular, we have considered the Proposals as a whole in our evaluation of the Proposed Acquisition.

Nonetheless, the non-interested Unitholders should rely on their own evaluation of the merits and demerits of the Proposed Acquisition before making a decision on the course of action to be taken at the forthcoming Unitholders’ Meeting.

This IAL is prepared solely for the use of the non-interested Unitholders to consider the Proposed Acquisition and should not be used or relied upon by any other party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO THE UNITHOLDERS IN RELATION TO THE PROPOSALS AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION

Malacca Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Acquisition. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities ("**IAL Guide**").

Our scope as the Independent Adviser is limited to expressing an independent opinion on the Proposed Acquisition as to whether the Proposed Acquisition is fair and reasonable and whether the Proposed Acquisition is detrimental to the interests of the non-interested Unitholders, together with our recommendation on whether the non-interested Unitholders should vote in favour of the Proposed Acquisition, based on information and documents provided to us or which are available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information: -

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) the SPA;
- (iii) the Valuation Certificate and the Valuation Report;
- (iv) other relevant information, documents, confirmations and representations furnished to us by the directors, management and/or representatives (*where applicable*) of the Manager, the Trustee and Pavilion REIT; and
- (v) other relevant publicly available information, including but not limited to the annual reports of Pavilion REIT.

We have relied on the directors, management and/or representatives (*where applicable*) of the Manager, the Trustee and Pavilion REIT to take due care to ensure that all information, documents, confirmations and representations provided by them to facilitate our evaluation of the Proposed Acquisition are accurate, valid and complete in all material aspects. Nonetheless, we have made enquiries as were reasonable in the circumstances and undertaking reasonableness check and corroborating such information with independent sources, where possible. We are satisfied that the information provided to us or which are available to us is sufficient, reasonable, reliable, accurate, complete and contains no material omission nor any false and misleading information as at the LPD.

The Board has seen, reviewed and accepted the contents of this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL and confirms, after having made all reasonable enquiries, that to the best of their knowledge and belief, all material facts and information relevant to Malacca Securities' evaluation of the Proposed Acquisition have been disclosed to Malacca Securities and there is no omission of any facts and information which would make any information disclosed to Malacca Securities or in this IAL false or misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by Malacca Securities in relation to the Proposed Acquisition is limited to ensuring that accurate information in relation to Pavilion REIT and PBJ Mall has been provided to Malacca Securities for its evaluation of the Proposed Acquisition and to ensure that all information in relation to Pavilion REIT and PBJ Mall that are relevant to Malacca Securities' evaluation of the Proposed Acquisition have been completely disclosed to Malacca Securities and that there is no material fact, the omission of which would make any information provided to Malacca Securities false or misleading.

We have evaluated the Proposed Acquisition and in rendering our advice, we have considered various factors, which we believe are of relevance and general importance to an assessment of the Proposed Acquisition and would be of general concern to the non-interested Unitholders. Our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested Unitholders as a whole and not for any specific group of non-interested Unitholders. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situations, risk profiles or particular needs of any individual non-interested Unitholder or any specific group of non-interested Unitholders. We recommend that any individual non-interested Unitholder who is in doubt as to the action to be taken or requires advice in relation to the Proposed Acquisition in the context of his individual investment objectives, financial situation, risk profile or particular needs to consult his stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Further, it is not within our terms of reference to express any opinion on legal, accounting and taxation issues relating to the Proposed Acquisition.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the SPA are able to fulfill their respective obligations thereto in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time.

We shall notify the non-interested Unitholders if, after the despatch of this IAL, we become aware of the following: -

- (i) significant change affecting the information contained in this IAL;
- (ii) there is a reasonable ground to believe that the statements in this IAL are misleading / deceptive; and
- (iii) there is a material omission in this IAL.

We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposed Acquisition.

Save for our current appointment as the Independent Adviser for the Proposed Acquisition, we do not have any other professional relationship with Pavilion REIT in the past two (2) years.

Malacca Securities is a participating organisation of Bursa Securities and provides a range of services including corporate finance advisory, stocks and futures broking and research. Malacca Securities was approved by the SC on 10 August 2020, as a corporate finance adviser. The corporate finance department of Malacca Securities provides a range of advisory services which include, amongst others, mergers, acquisitions and divestitures, take-overs/general offers, fund raising, initial public offerings as well as independent advisory services. Our team comprises experienced personnel with the requisite qualifications and experiences to provide amongst others, independent analysis of transactions and issuing opinions on whether the terms and conditions of a transaction are deemed fair and reasonable.

Our credentials and experiences as an Independent Adviser in the past two (2) years prior to the date of this IAL include, amongst others, the following proposals: -

- (i) independent advice in relation to the proposed acquisitions by MESB Berhad of the entire equity interests in N.U. Recycle Sdn Bhd, Formidex Sdn Bhd and Waier Trading Sdn Bhd from Datuk Wong Sak Kuan, Lee Wai Fun and Lotus Essential Sdn Bhd for a total cash consideration of RM51,000,000, where the independent advice letter was issued and dated 17 November 2022;
- (ii) independent advice in relation to the proposed exemption to Super Advantage Property Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares in G Neptune Berhad (“**GNB Share(s)**”) not already held by them pursuant to the proposed acquisition of 100% equity interest in Southern Score Sdn Bhd for a purchase consideration of RM252,000,000 to be satisfied via the issuance of 1,680,000,000 new GNB Shares at an issue price of RM0.15 per GNB Share, where the independent advice letter was issued and dated 22 August 2022; and
- (iii) independent advice in relation to the following: -
 - (a) proposed exemption for Mah Seong Huak, IR. Gan Wee Peng and the persons acting in concert with them under Paragraph 4.08 of the Rules on Take-overs, Mergers and Compulsory Acquisitions from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares, warrants and redeemable convertible preference shares in EVD Berhad (*formerly known as iDimension Consolidated Bhd*) not already held by them after the proposed securities exchange; and
 - (b) proposed management buyout which entails the disposal of entire equity interests in iDimension MSC Sdn Bhd, iDimension Systems Sdn Bhd, iDimension MSC Pte Ltd, iDimension Agrisoft Sdn Bhd and IDB Interactive Sdn Bhd involving the interests of related parties,

where the independent advice letter was issued and dated 23 December 2021.

Premised on the foregoing, Malacca Securities has the necessary experience and expertise to carry out this engagement effectively and satisfactorily and is capable and competent in carrying out our role and responsibilities as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders in relation to the Proposed Acquisition.

3. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition based on the following pertinent factors: -

Consideration factors	Section
(i) Rationale for the Proposals	3.1
(ii) Basis and justification for the Purchase Consideration, issue price of the Consideration Units and Placement Issue Price	3.2
(iii) Salient terms of the SPA	3.3
(iv) Effects of the Proposals	3.4
(v) Prospects of the retail industry as well as PBJ Mall and Pavilion REIT	3.5
(vi) Risk factors in relation to the Proposed Acquisition	3.6

3.1 Rationale for the Proposals

We have considered the rationale for the Proposals as set out in Section 3, Part A of the Circular and our commentaries are as follows: -

The Proposed Acquisition entails the acquisition of PBJ Mall (as depicted below), which is a five (5)-storey retail mall with two (2) basement car park levels with a total of 4,800 parking bays, known as “Pavilion Bukit Jalil” together with the related assets and rights. It is noted that the principal investment policy of Pavilion REIT is to invest directly and indirectly, in a diversified portfolio of income producing real estate assets used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region. The investment objective of Pavilion REIT is to provide Unitholders with regular and stable distributions as well as to achieve long-term growth in NAV per Unit and maintaining an appropriate capital structure, whilst balancing stakeholder needs.

As such, the Proposed Acquisition is in line with Pavilion REIT’s investment policy.



General view of the Property



Main entrance of the Property

Upon completion of the Proposed Acquisition, the portfolio of Pavilion REIT's investment properties will comprise five (5) retail properties and an office tower within Klang Valley, as follows: -

No.	Property	Address	Tenure	Approximate age of building	NLA (sq ft)	Occupancy rate (%)	Market value (RM'million)	Date of valuation	NPI (RM'million)	Yield (%)
(1)	Retail Properties PBJ Mall (five (5)-storey retail mall with two (2) basement car park levels with a total of 4,800 parking bays)	No. 2, Persiaran Jalil 8, Bandar Bukit Jalil, 57000 Kuala Lumpur	Interest in perpetuity	1 year	1,822,041 ⁽¹⁾ 1,760,289 ⁽²⁾	82.1 ⁽¹⁾⁽³⁾ 81.4 ⁽²⁾⁽³⁾	2,210	31.10.2022	146.00 ⁽⁴⁾	6.6 ⁽⁵⁾
(2)	Pavilion Kuala Lumpur Mall (seven (7)-storey shopping mall (including four (4) split-levels of car parking bays together with a three (3)-storey retail office block sited atop and annexed with a four (4)-storey retail / entertainment connection block) and three (3) levels of basement car parks (a total of 2,391 car park bays))	168 Jalan Bukit Bintang, 55100 Kuala Lumpur	99-year lease expiring on 26.10.2109	15 years	1,355,416	91.6 ⁽⁶⁾	5,000	31.12.2022	316.44 ⁽⁷⁾	6.3 ⁽⁸⁾
(3)	DA MEN Mall (five (5)-storey retail mall together with a lower ground floor and two (2) levels of basement car parks (a total of 1,638 car park bays))	Da:men USJ 1, Persiaran Kewajipan, USJ 1, 47600 Subang Jaya, Selangor	Interest in perpetuity	7 years	421,303	64.5 ⁽⁶⁾	180	31.12.2022	(7.10) ⁽⁷⁾	(3.9) ⁽⁸⁾⁽⁹⁾
(4)	Elite Pavilion Mall (ten (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 (a total of fifty (50) car park bays))	166 Jalan Bukit Bintang, 55100 Kuala Lumpur	Elite Pavilion Interest in perpetuity Extension-Connections 99-year lease expiring on 26.10.2109	6 years	227,783	92.3 ⁽⁶⁾	550	31.12.2022	40.86 ⁽⁷⁾	7.4 ⁽⁸⁾
(5)	Intermark Mall (six (6)-storey retail podium with a roof pavilion together with 367 designated car parking bays)	348 Jalan Tun Razak, 50400 Kuala Lumpur	Interest in perpetuity	10 years	222,494	86.9 ⁽⁶⁾	185	31.12.2022	9.92 ⁽⁷⁾	5.4 ⁽⁸⁾
(1)	Office Tower Pavilion Tower (twenty (20)-storey office building together with six (6) mechanical / electrical levels)	75 Jalan Raja Chulan, 50200 Kuala Lumpur	99-year lease expiring on 26.10.2109	15 years	163,844	72.8 ⁽⁶⁾	130	31.12.2022	4.08 ⁽⁷⁾	3.1 ⁽⁸⁾

Notes: -

- (1) Including own-use areas which comprise the exhibition hall, the function room and the management office.
- (2) Excluding own-use areas.
- (3) Occupancy rate as at the LPD.
- (4) Based on the Targeted NPI of at least RM146 million on an annualised basis.
- (5) Based on the Targeted NPI of at least RM146 million on an annualised basis over the Purchase Consideration of RM2,200 million.
- (6) Occupancy rate as at 31 December 2022.
- (7) Based on the NPI for the FYE 31 December 2022.
- (8) Based on the NPI for the FYE 31 December 2022 over market value as at 31 December 2022.
- (9) For information purposes, DA MEN Mall recorded a relatively low occupancy rate and a negative yield due to intense competition from other retail malls in the vicinity and it is less attractive to the shoppers due to frequent traffic congestion in the surrounding area.

(Sources: Pavilion REIT's Annual Report 2022 and Valuation Report)

PBJ Mall is expected to be an attractive addition to Pavilion REIT's portfolio of investment properties in view of the following: -

- (i) **Enhancement to current portfolio.** The proposed addition of PBJ Mall is expected to enhance the current portfolio of Pavilion REIT's investment properties and thereby, attracting further investors' interest taking into consideration the following factors: -

- (a) High expected yield – PBJ Mall, a newly-established mall within the on-going development of Bukit Jalil City, has the largest NLA as compared to other investment properties of Pavilion REIT. Coupled with the strategic location of the Property together with its vibrant tenant mix of retail brands and new international brands as further elaborated in (ii) and (iii) below, and based on the Targeted NPI of at least RM146 million on an annualised basis over the Purchase Consideration of RM2,200 million, PBJ Mall is expected to yield a rate of return of at least 6.6% per annum, which is higher than the average yield of other existing investment properties of Pavilion REIT for the FYE 31 December 2022 of 3.7%. Hence, the Proposed Acquisition is expected to contribute positively and to be earnings accretive to Pavilion REIT's distributable income moving forward;

- (b) Diversification of Pavilion REIT's portfolio of investment properties – Upon completion of the Proposed Acquisition, Pavilion REIT's portfolio of investment properties will expand whereby: -

- (aa) total NLA will increase by 76.2% from 2.39 million sq ft as at 31 December 2022 to 4.21 million sq ft;

- (bb) total market value will increase by 36.6% from RM6,045 million as at 31 December 2022 to RM8,255 million; and

- (cc) the Targeted NPI will increase the total NPI by at least RM146 million. Assuming the Proposed Acquisition was completed at the beginning of the FYE 31 December 2022, the total NPI will increase by 40.1% from RM364.2 million to RM510.2 million.

In view that PBJ Mall is a significant addition to Pavilion REIT's portfolio of investment properties (*representing 43.3% to the total NLA, 26.8% to the total market value and 28.6% to the total NPI of the enlarged portfolio*), this is expected to diversify and reduce the dependence of Pavilion REIT on Pavilion Kuala Lumpur Mall's contribution.

For illustrative purposes only, the contribution of each investment properties to Pavilion REIT's portfolio in terms of NLA, market value and NPI before and after the completion of the Proposed Acquisition is as shown below: -

Before the Proposed Acquisition (As at 31 December 2022 / For the FYE 31 December 2022)

<u>Pavilion REIT's portfolio</u>	<u>NLA</u>		<u>Market value</u>		<u>NPI</u>	
	<u>(sq ft)</u>	<u>%</u>	<u>(RM'million)</u>	<u>%</u>	<u>(RM'million)</u>	<u>%</u>
(1) Pavilion Kuala Lumpur Mall	1,355,416	56.69	5,000	82.71	316.44	86.89
(2) DA MEN Mall	421,303	17.62	180	2.98	(7.10)	(1.95)
(3) Elite Pavilion Mall	227,783	9.53	550	9.10	40.86	11.22
(4) Intermark Mall	222,494	9.31	185	3.06	9.92	2.72
(5) Pavilion Tower	163,844	6.85	130	2.15	4.08	1.12
Total	2,390,840	100.0	6,045	100.0	364.20	100.0

After the Proposed Acquisition

<u>Pavilion REIT's portfolio</u>	<u>NLA</u>		<u>Market value</u>		<u>NPI</u>	
	<u>(sq ft)</u>	<u>%</u>	<u>(RM'million)</u>	<u>%</u>	<u>(RM'million)</u>	<u>%</u>
(1) PBJ Mall	1,822,041	43.25	2,210	26.77	146.00	28.62
(2) Pavilion Kuala Lumpur Mall	1,355,416	32.17	5,000	60.57	316.44	62.02
(3) DA MEN Mall	421,303	10.00	180	2.18	(7.10)	(1.39)
(4) Elite Pavilion Mall	227,783	5.41	550	6.66	40.86	8.01
(5) Intermark Mall	222,494	5.28	185	2.24	9.92	1.94
(6) Pavilion Tower	163,844	3.89	130	1.58	4.08	0.80
Total	4,212,881	100.0	8,255	100.0	510.20	100.0

- (c) Licence to use the trademark "Pavilion Bukit Jalil" – Pursuant to the SPA, the Property shall be sold and transferred to Pavilion REIT together with the licence to use the trademark "Pavilion Bukit Jalil". Accordingly, with effect from the Completion Date and subject to the payment of a nominal one-time licence fee of RM1.00 only, Pavilion REIT will be granted a non-transferable and royalty free licence to use the said trademark for the purpose of its business in the ordinary course in relation to PBJ Mall together with all ancillary and related activities including marketing and promotional activities.

Such licence will enable PBJ Mall to continue leveraging on the distinguished "Pavilion" brand attributable to the success and strong reputation of Pavilion Kuala Lumpur Mall, allowing Pavilion REIT to benefit from potential synergies such as concerted efforts in its marketing and promotional plans for the Pavilion malls as well as cross-selling of PBJ Mall's vacant retail units / spaces to existing tenants of Pavilion Kuala Lumpur Mall.

- (ii) **Strategic location of the Property.** PBJ Mall is strategically located in the locality of Bukit Jalil, with easy accessibility and great connectivity whereby PBJ Mall: -

- (a) forms part of the fifty (50)-acre commercial integrated development of Bukit Jalil City and is strategically located along Bukit Jalil Highway and only thirteen (13) km away from Kuala Lumpur city centre;

- (b) is surrounded by mature and well-established neighbourhoods such as Bandar Kinrara, Bandar Baru Sri Petaling and Taman Overseas Union (OUG) as well as various developments of serviced apartments, high-rise condominiums, shop offices and commercial shop offices such as The Park 2, Aurora @ Bukit Jalil, The Earth Bukit Jalil and The Link 2. Furthermore, the eighty (80)-acre Bukit Jalil Recreational Park is also located within the vicinity; and
- (c) is easily accessible and well connected with various major highways such as Shah Alam Expressway, Maju Expressway, KL-Seremban Highway and Bukit Jalil Highway. In addition, PBJ Mall has various built-in accessibility and infrastructure upgrades including new U-turns, new pedestrian link bridges, an underpass and tunnel access to the mall's basement carpark, totalling up to five (5) vehicle entry and exit points and twelve (12) pedestrian entrances.

Viewed as a whole, we note that the ease of accessibility and connectivity of PBJ Mall shall bode well for the mall patronage, supported by the surrounding population from mature and well-established neighbourhoods and high-rise developments.

- (iii) **Tenant mix and occupancy.** PBJ Mall is an integrated lifestyle regional mall with over 1.8 million sq ft of retail space spanning five (5) retail floors. The size of PBJ Mall enables the management to curate a good tenant mix of shopping, dining and entertainment experiences that offers choice and variety to consumers / shoppers, which will help attract visitors and increase footfall. In addition, it is noted that PBJ Mall features a 28,000 sq ft outdoor covered piazza which can be utilised for live entertainment, car launches and athleisure events, a 6,000 sq ft centre court which can be utilised for product launches, fashion shows and iconic festival celebrations and a 47,000 sq ft exhibition centre which can be utilised for consumer fairs and exhibitions.

We take cognisance that PBJ Mall provides a vibrant mix of retail brands and new international brands. Currently, PBJ Mall houses anchor tenants such as Parkson, The Food Merchant, TGV Cinemas, Harvey Norman, Blue Ice Snow Park, Grand Harbour Restaurant & Banquet, Food Republic and other specialty anchor tenants such as HOHM, Nitori, Tokyo Town and Tsutaya Bookstore.

Notwithstanding that PBJ Mall has only commenced its business on 3 December 2021, we note that PBJ Mall has achieved an occupancy rate of 81.4% (*excluding own-use areas*) as at the LPD with a weighted average lease expiry (“WALE”) of PBJ Mall of about 2.40 years as at 31 October 2022. Further, as an assurance in respect of the minimum occupancy and rental rate for PBJ Mall, the parties to the SPA have agreed that at least 80.0% of the total NLA of PBJ Mall (*excluding own-use areas*) must have commenced rental billing with average total rental of the tenanted NLA must not be less than RM9.50 per sq ft per month, on or before the Unconditional Date. We view that the minimum occupancy and rental rate agreed by the parties to the SPA are reasonable in view that PBJ Mall is a relatively new mall and that these thresholds are close to projected occupancy rate and rental rate respectively in the initial year of operations, both of which are key bases and assumptions adopted in the valuation of PBJ Mall by the Valuer, which form the basis of the Purchase Consideration.

We note that the Proposed Acquisition is intended to be funded by a mixture of new equity capital and borrowings. The use of a combination of equity and borrowings is expected to allow Pavilion REIT to maintain its gearing at a manageable level and at the same time enable Pavilion REIT to manage its cash flows to maintain sufficient headroom for any future cash acquisitions.

The Proposed Placements (*if undertaken*) are expected to widen its Unitholders' base taking into consideration that the Proposed Placements will be allocated to both local and/or international investors which may potentially enhance the liquidity and trading of the Units. It is also noted that the Proposed Placements may include the participation of EPF (*which was a Major Unitholder as at the date of the signing of the SPA and the Announcement*) and/or persons connected to it through the Proposed Placement to EPF.

In addition, the Proposed Issuance of Consideration Units to Regal Path is undertaken to provide transaction certainty to Pavilion REIT by mitigating risks associated with market volatility and changes in investor sentiment in the event Pavilion REIT is unable to raise the required amount from the Proposed Placements. We view this as reasonable taking into consideration that the Placement Issue Price will be based on the price from the bookbuilding exercise, which is subject to market volatility and changes in investor sentiment at the point of implementation of the Proposed Placements. The Proposed Issuance of Consideration Units to Regal Path allows more flexibility to Pavilion REIT in terms of the mode of settlement to complete the Proposed Acquisition. Whilst Regal Path's intention of not retaining the Consideration Units and would endeavour to place out the Consideration Units to monetise them may result in market volatility for the Units, we wish to highlight that the Purchase Consideration, issue price of the Consideration Units and Placement Issue Price are fair and reasonable based on our assessment as set out in Section 3.2 of this IAL.

The Proposed Issuance of Consideration Units to Regal Path :-

- (i) is not expected to trigger any mandatory offer obligation under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC with regard to the Units held by TSLSC, PSTKY, QH and persons acting in concert with them including Regal Path as they collectively hold more than 50% of the total Units in issue as at the LPD and the Proposed Issuance of Consideration Units to Regal Path is not expected to result in any of them individually holding more than 33% of the total Units in issue; and
- (ii) is not expected to result in Pavilion REIT failing to maintain the required unitholding spread requirement under Paragraph 8.02(1) of the Listing Requirements. As set out in Section 7, Part A of the Circular, the approval of Bursa Securities for the listing of and quotation for the Placement Units and the Consideration Units on the Main Market of Bursa Securities is subject to, amongst others, a confirmation from the Joint Principal Advisers that Pavilion REIT complies fully with the 25% public unitholding spread requirement under Paragraph 8.02(1) of the Listing Requirements being furnished to Bursa Securities prior to the listing of and quotation for the Consideration Units and Placement Units.

Based on the above, there is no risk of non-compliance with the Rules on Take-overs, Mergers and Compulsory Acquisitions and Paragraph 8.02(1) of the Listing Requirements upon completion of the Proposed Issuance of Consideration Units to Regal Path.

Notwithstanding that the issuance of the Placement Units (*if the Proposed Placements are undertaken*) and/or Consideration Units (*if the Proposed Placements are not undertaken*) may have an immediate dilutive impact on Pavilion REIT's EPU and DPU, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of Pavilion REIT.

Based on the above, we are of the view that the rationale for the Proposed Acquisition is fair and reasonable.

3.2 Basis and justification for the Purchase Consideration, issue price of the Consideration Units and Placement Issue Price

3.2.1 Purchase Consideration

In evaluating the Purchase Consideration, we have reviewed the valuation conducted by the Valuer for PBJ Mall.

In arriving at the opinion of market value for PBJ Mall, it is noted that the Valuer has adopted two (2) methods of valuation, i.e. the income approach by DCF method as the primary approach and supported by the comparison approach. Further details on the income approach by DCF method and comparison approach are as follows: -

- (i) the income approach by DCF method entails the estimation of future annual cash flows over a ten (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 flows is then determined by the application of an appropriate discount rate to derive a net present value of the property; and
- (ii) the comparison approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Taking into consideration that PBJ Mall is a new commercial and income generating property, the Valuer has thus adopted the market value as derived from the income approach by DCF method as a fair representation supported by comparison approach.

The direct capitalisation or investment method (term and reversion) is best used for stable or mature asset where the benefit stream is expected to grow at a consistent rate into the future; whereas the DCF method is most appropriate for asset with uneven growth in their future benefit streams with a lack of earnings history (typically adopted for newly completed investment assets).

In a valuation of a homogeneous real estate such as vacant lands and residential homes, the comparison approach is the most appropriate method of valuation as there are less adjustments and analysis on comparable(s). However, in the case of more complex real estate such as commercial assets (*including car parking bays*) and other income generating or investment properties, qualitative and quantitative adjustments are more difficult to be computed or gauged to reflect the differences of the comparable(s) and the property being valued. Therefore, the Valuer has considered the income approach by DCF method as the preferred method of valuation in the opinion of market value for PBJ Mall.

Based on the income approach by DCF method (*being the primary approach*), the Valuer has derived a market value for PBJ Mall of RM2,210 million as at the material date of valuation on 31 October 2022. As a check, the Valuer has derived a higher market value for PBJ Mall of RM2,248 million as at the material date of valuation on 31 October 2022 using the comparison approach.

We are of the view that the valuation methodologies adopted by the Valuer are reasonable, appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by the Valuer and are satisfied with the reasonableness of the key bases and assumptions. As such, we are satisfied with the valuation conducted by the Valuer as well as the reasonableness of the opinion of market value for PBJ Mall as expressed by the Valuer.

Summarised below are our commentaries in respect of the key bases and assumptions adopted in the valuation of PBJ Mall by the Valuer using the income approach by DCF method (please refer to the Valuation Certificate in Appendix II of the Circular for further information on PBJ Mall and details of the valuation): -

No.	Key bases and assumptions	Our commentaries																																																									
1.	<p>Projected gross rental revenue and occupancy</p> <table border="1" data-bbox="448 1240 772 1944"> <thead> <tr> <th>Year</th> <th>Projected gross rental revenue (RM per square foot ("psf") / month / occupied area)</th> <th>Projected occupancy (%)</th> </tr> </thead> <tbody> <tr><td>1</td><td>9.48</td><td>86.46</td></tr> <tr><td>2</td><td>9.86</td><td>92.29</td></tr> <tr><td>3</td><td>9.97</td><td>95.47</td></tr> <tr><td>4</td><td>10.73</td><td>94.44</td></tr> <tr><td>5</td><td>10.73</td><td>100.00</td></tr> <tr><td>6</td><td>10.80</td><td>100.00</td></tr> <tr><td>7</td><td>11.65</td><td>100.00</td></tr> <tr><td>8</td><td>11.82</td><td>100.00</td></tr> <tr><td>9</td><td>11.90</td><td>100.00</td></tr> <tr><td>10 / Terminal</td><td>12.96</td><td>100.00</td></tr> </tbody> </table>	Year	Projected gross rental revenue (RM per square foot ("psf") / month / occupied area)	Projected occupancy (%)	1	9.48	86.46	2	9.86	92.29	3	9.97	95.47	4	10.73	94.44	5	10.73	100.00	6	10.80	100.00	7	11.65	100.00	8	11.82	100.00	9	11.90	100.00	10 / Terminal	12.96	100.00	<p>Our commentaries</p> <p>Fair and reasonable.</p> <p>The projected gross rental revenue comprises projected revenue generated from PBJ Mall with a total NLA of 1,822,041 sq ft (including own-use areas (i.e. the exhibition hall, the function room and the management office) of 61,752 sq ft) and the projected occupancy includes own-use areas. We noted that PBJ Mall is a newly established mall and hence, it will require a gestation period prior to achieving the projected gross rental revenue and occupancy.</p> <p>The projected gross rental revenue and occupancy are adopted by the Valuer after taking into consideration, amongst others, the following: -</p> <p>(i) the committed occupancy of PBJ Mall of 78.97% over NLA (including own-use areas) and 78.23% over NLA (excluding own-use areas) as at 31 October 2022, with one (1)-year to three (3)-year tenancy terms with option to renew thereafter, whilst the remaining lots being in sourcing / negotiation stage. The WALE of PBJ Mall as at 31 October 2022 was about 2.40 years (by NLA, excluding own-use areas);</p> <p>(ii) the average occupancy rate along with the estimated monthly gross revenue of other selected comparative retail malls with NLA of more than 800,000 sq ft as follows: -</p> <table border="1" data-bbox="948 89 1123 1128"> <thead> <tr> <th>No.</th> <th>Retail mall</th> <th>Estimated occupancy rate (December 2021) (%)</th> <th>Estimated gross revenue (RM psf / month / occupied area)</th> </tr> </thead> <tbody> <tr><td>(1)</td><td>Pavilion Kuala Lumpur</td><td>90.2</td><td>27.18</td></tr> <tr><td>(2)</td><td>Elite Pavilion Kuala Lumpur</td><td>86.4</td><td>19.61</td></tr> <tr><td>(3)</td><td>Mid Valley Megamall</td><td>97.8</td><td>12.98</td></tr> <tr><td>(4)</td><td>The Gardens Mall</td><td>90.7</td><td>12.88</td></tr> <tr><td>(5)</td><td>Sunway Pyramid Shopping Mall</td><td>98.0</td><td>9.64</td></tr> </tbody> </table> <p>(iii) the approximate rental range (1H 2022) by floor level and floor area of other selected comparative retail malls within Klang Valley comprising (1) Mid Valley Megamall, (2) The Gardens Mall, (3) Nu Sentral @ KL Sentral, (4) 1 Utama Shopping Centre, Bandar Utama, (5) Sunway Pyramid Shopping Mall and (6) IOI City Mall set out as follows: -</p>	No.	Retail mall	Estimated occupancy rate (December 2021) (%)	Estimated gross revenue (RM psf / month / occupied area)	(1)	Pavilion Kuala Lumpur	90.2	27.18	(2)	Elite Pavilion Kuala Lumpur	86.4	19.61	(3)	Mid Valley Megamall	97.8	12.98	(4)	The Gardens Mall	90.7	12.88	(5)	Sunway Pyramid Shopping Mall	98.0	9.64
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969</td> <td data-bbox="512 1048 695 1081">15.00 - 21.00</td> </tr> <tr> <td data-bbox="209 1081 256 1115"></td> <td data-bbox="256 1081 384 1126">517 - 926</td> <td data-bbox="512 1081 695 1126">27.00 - 40.00</td> </tr> <tr> <td data-bbox="209 936 256 1126" rowspan="3">The Gardens Mall</td> <td data-bbox="256 936 384 969">Ground Floor</td> <td data-bbox="384 936 512 969">1,001 - 1,819</td> <td data-bbox="512 936 695 969">31.50 - 37.50</td> </tr> <tr> <td data-bbox="256 969 384 1003">1</td> <td data-bbox="384 969 512 1003">1,485 - 1,862</td> <td data-bbox="512 969 695 1003">23.50 - 30.00</td> </tr> <tr> <td data-bbox="256 1003 384 1037">2</td> <td data-bbox="384 1003 512 1037">1,098 - 1,658</td> <td data-bbox="512 1003 695 1037">18.50 - 21.47</td> </tr> <tr> <td data-bbox="209 1037 256 1070">3</td> <td data-bbox="256 1037 384 1070">2,077 - 2,777</td> <td data-bbox="512 1037 695 1070">17.00 - 18.00</td> </tr> <tr> <td data-bbox="209 1070 256 1104"></td> <td data-bbox="256 1070 384 1104">581 - 861</td> <td data-bbox="512 1070 695 1104">21.00 - 24.15</td> </tr> <tr> <td data-bbox="209 1104 256 1126"></td> <td data-bbox="256 1104 384 1126">344 - 646</td> <td data-bbox="512 1104 695 1126">21.75 - 31.00</td> </tr> <tr> <td data-bbox="209 869 256 1126" rowspan="5">Nu Sentral @ KL Sentral</td> <td data-bbox="256 869 384 902">Lower Ground</td> <td data-bbox="384 869 512 902">969 - 1,216</td> <td data-bbox="512 869 695 902">17.00 - 19.00</td> </tr> <tr> <td data-bbox="256 902 384 936">1</td> <td data-bbox="384 902 512 936">1,001 - 1,216</td> <td data-bbox="512 902 695 936">14.30 - 17.50</td> </tr> <tr> <td data-bbox="256 936 384 969">2</td> <td data-bbox="384 936 512 969">753 - 1,259</td> <td data-bbox="512 936 695 969">13.00 - 15.00</td> </tr> <tr> <td data-bbox="256 969 384 1003">3</td> <td data-bbox="384 969 512 1003">1,873 - 2,659</td> <td data-bbox="512 969 695 1003">12.87 - 13.40</td> </tr> <tr> <td data-bbox="256 1003 384 1037">4</td> <td data-bbox="384 1003 512 1037">215 - 689</td> <td data-bbox="512 1003 695 1037">12.00 - 16.00</td> </tr> <tr> <td data-bbox="209 1037 256 1070">5</td> <td data-bbox="256 1037 384 1070">323 - 1,981</td> <td data-bbox="512 1037 695 1070">12.00 - 41.00</td> </tr> <tr> <td data-bbox="209 1070 256 1104"></td> <td data-bbox="256 1070 384 1104">1,345 - 2,669</td> <td data-bbox="512 1070 695 1104">12.50 - 34.00</td> </tr> <tr> <td data-bbox="209 1104 256 1126"></td> <td data-bbox="256 1104 384 1126">560 - 1,378</td> <td data-bbox="512 1104 695 1126">12.50 - 38.00</td> </tr> <tr> <td data-bbox="209 846 256 1126" rowspan="2">1 Utama Shopping Centre, Bandar Utama</td> <td data-bbox="256 846 384 880">Lower Ground</td> <td data-bbox="384 846 512 880">463 - 1,830</td> <td data-bbox="512 846 695 880">7.00 - 31.00</td> </tr> <tr> <td data-bbox="256 880 384 913">2</td> <td data-bbox="384 880 512 913">635 - 7,739</td> <td data-bbox="512 880 695 913">16.80 - 35.80</td> </tr> <tr> <td data-bbox="209 913 256 1126" rowspan="3">Sunway Pyramid Shopping Mall</td> <td data-bbox="256 913 384 947">Lower Ground 2</td> <td data-bbox="384 913 512 947">538 - 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1,851	25.00 - 35.65	Ground Floor	560 - 958	45.00 - 80.00	1	398 - 883	33.35 - 38.00	2	431 - 700	23.35 - 25.00	3	420 - 969	15.00 - 21.00		517 - 926	27.00 - 40.00	The Gardens Mall	Ground Floor	1,001 - 1,819	31.50 - 37.50	1	1,485 - 1,862	23.50 - 30.00	2	1,098 - 1,658	18.50 - 21.47	3	2,077 - 2,777	17.00 - 18.00		581 - 861	21.00 - 24.15		344 - 646	21.75 - 31.00	Nu Sentral @ KL Sentral	Lower Ground	969 - 1,216	17.00 - 19.00	1	1,001 - 1,216	14.30 - 17.50	2	753 - 1,259	13.00 - 15.00	3	1,873 - 2,659	12.87 - 13.40	4	215 - 689	12.00 - 16.00	5	323 - 1,981	12.00 - 41.00		1,345 - 2,669	12.50 - 34.00		560 - 1,378	12.50 - 38.00	1 Utama Shopping Centre, Bandar Utama	Lower Ground	463 - 1,830	7.00 - 31.00	2	635 - 7,739	16.80 - 35.80	Sunway Pyramid Shopping Mall	Lower Ground 2	538 - 3,337	11.85 - 45.30	Lower Ground 1	592 - 1,991	22.60 - 43.79	Ground	108 - 3,391	17.50 - 58.62	1	226 - 3,380	14.30 - 44.00		484 - 16,318	4.12 - 33.00		452 - 10,129	2.65 - 43.00	2	484 - 5,866	2.80 - 32.19	<p>(iv) the actual average concluded rental rate (<i>base rental + service charge + promotion charge</i>) for PBJ Mall of approximately RM9.24 psf / month / occupied area (<i>excluding own-use areas</i>) as at 31 October 2022 for the remaining unexpired term(s) as stipulated under the respective committed tenancy agreement(s); and</p>
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		<p>(v) the market rental growth is anticipated to be flat in the immediate term for one (1) year due to the recent re-opening of national borders and resumption of economic activities. With the country's transition to endemic phase, the retail industry is expected to gradually recover simultaneously. Over the course of the holding period, the growth of gross rental represents a nine (9)-year compounded annual growth rate ("CAGR") of 3.54%, which the Valuer deemed fair after having considered the current market condition (<i>no increment in Year 1, 1.0% in Year 2, 2.0% in Year 3, 3.0% in Year 4 and Year 5, 3.5% in Year 6 onwards</i>) coupled with the historical growth trend of gross revenue of other selected retail malls (<i>seven (7)-year CAGR of about 2.53% to 3.93% during period of year 2012 to 2020; and six (6)-year CAGR of about 4.65% to 6.22% during period of year 2012 to 2019 before the COVID-19 pandemic</i>).</p> <p>(Source: Valuation Report)</p> <p>In arriving at the comparables as set out in item (ii) and (iii) above, we have relied on the comparables selected by the Valuer as the analysis was based on publicly available information including annual reports of respective listed companies on Bursa Securities in terms of comparative retail malls with NLA of more than 800,000 sq ft as well as property market report issued by National Property Information Centre in relation to information relating to rental range by floor level and floor area.</p> <p>We view that the projected gross rental revenue and the projected occupancy of PBJ Mall are fair and reasonable as these are supportable by the average occupancy rate and rental rate of the selected comparative retail malls. As at the LPD, the occupancy rate of PBJ Mall by third party tenants (<i>for committed and/or commenced tenancies, excluding own-use areas</i>) is 81.4% and the average rental rate per sq ft per month is RM9.34. Furthermore, the nine (9)-year CAGR for the growth of gross rental of 3.54% is reasonable after taking into consideration the current market condition coupled with the historical growth trend of gross revenue of other selected retail malls.</p>

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2.	<p>Projected other income</p> <table border="1" data-bbox="236 1429 539 1944"> <thead> <tr> <th>Year</th> <th>Projected other income (RM psf / month / NLA)</th> </tr> </thead> <tbody> <tr><td>1</td><td>0.24</td></tr> <tr><td>2</td><td>0.32</td></tr> <tr><td>3</td><td>0.40</td></tr> <tr><td>4</td><td>0.49</td></tr> <tr><td>5</td><td>0.56</td></tr> <tr><td>6</td><td>0.61</td></tr> <tr><td>7</td><td>0.64</td></tr> <tr><td>8</td><td>0.66</td></tr> <tr><td>9</td><td>0.68</td></tr> <tr><td>10 / Terminal</td><td>0.71</td></tr> </tbody> </table>	Year	Projected other income (RM psf / month / NLA)	1	0.24	2	0.32	3	0.40	4	0.49	5	0.56	6	0.61	7	0.64	8	0.66	9	0.68	10 / Terminal	0.71	<p>Fair and reasonable.</p> <p>The projected other income comprises projected revenue generated from storage areas, push carts events and promotion spaces, advertising and sales turnover rent.</p> <p>The projected other income is adopted by the Valuer after taking into consideration, amongst others, the average achieved revenue from other income of PBJ Mall for the period from 3 December 2021 to 30 September 2022, which amounts to approximately RM0.19 psf / month over the total NLA (including own-use areas). These other income comprises revenue generated from the following: -</p> <p>(i) storage areas and push carts. In the Valuer's assessment, the Valuer has considered the current average committed rental and take-up for storage areas and push carts. As at the date of valuation, there are twenty-eight (28) storage areas and forty-two (42) push carts within PBJ Mall, of which twelve (12) storage areas and eighteen (18) push carts (both at approximately 43% respectively) have been let out. The Valuer has thus adopted the fair market rental for the storage area (RM3.00 psf in Year 1 at 50% take-up) and push cart (RM2,000 / unit in Year 1 at 50% take-up) respectively and considered a staggered period for the remaining areas to be fully taken up equally by Year 5. The Valuer expects the general growth projections in terms of rental income for storage areas and push carts to grow in tandem with the gross rental revenue projections of retail component as the revenue deriving from other income is solely dependent on the performance of the retail segment;</p> <p>(ii) advertising and events and promotion spaces. The Valuer has projected a fair receivable revenue of about RM0.20 psf at Year 1 after having benchmarked against the actual receivable revenue of RM0.13 psf for the past three (3) months coupled with the average receivable advertising revenue of other selected comparative shopping malls (in Klang Valley: ranging from 0.40% to 8.74% of gross retail revenue), resulting in a projection ranging from 2.11% to 2.78% of projected retail revenue throughout Year 1 to Year 10; and</p> <p>(iii) sales turnover rent. The Valuer has not projected any potential income for Year 1 in view of the establishment of the mall and the current market condition and adopted a projection of 0.50% in Year 2, 1.00% in Year 3, 1.50% in Year 4, 1.75% in Year 5 and 2.00% of the projected retail rental revenue from Year 6 onwards. The Valuer has also benchmarked against the sales turnover rent for other selected comparative shopping malls in Klang Valley which ranges from 1.43% to 7.97% of gross retail revenue.</p> <p>Overall, the projected total other income of RM0.24 psf / month over NLA (including own-use areas) in Year 1 up to RM0.71 psf / month over NLA (including own-use areas) in Year 10 is fair and adequate after benchmarking with the average total receivable for other income of other selected shopping malls in Klang Valley as follows: -</p>
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3.	<p data-bbox="531 1783 555 1944">Void allowance</p> <table border="1" data-bbox="584 1429 683 1944"> <thead> <tr> <th>Year</th> <th>Void allowance (% of projected annual income)</th> </tr> </thead> <tbody> <tr> <td>1 to 10 / Terminal</td> <td>5.00</td> </tr> </tbody> </table>	Year	Void allowance (% of projected annual income)	1 to 10 / Terminal	5.00	<p data-bbox="531 958 555 1189">Fair and reasonable.</p> <p data-bbox="584 71 667 1189">The Valuer has adopted a void allowance of 5.00% of the projected annual income as fair representation for allowance of void, unforeseen vacancies, possible rent-free periods, fitting out periods and possibility of bad debts.</p> <p data-bbox="695 71 807 1189">In assessing the void allowance, we have considered, amongst others, PBJ Mall is new (<i>approximately one (1) year old</i>), the committed occupancy of PBJ Mall of 78.23% over NLA (<i>excluding own-use areas</i>) as at 31 October 2022 with a WALE of about 2.40 years, the strategic location of PBJ Mall as well as the benchmarking against the historical occupancy rates of other selected comparative retail malls below: -</p> <table border="1" data-bbox="836 71 1034 1189"> <thead> <tr> <th rowspan="2">No.</th> <th rowspan="2">Retail mall</th> <th colspan="5">Historical occupancy rate (%)</th> </tr> <tr> <th>December 2018</th> <th>December 2019</th> <th>December 2020</th> <th>December 2021</th> <th>December 2022</th> </tr> </thead> <tbody> <tr> <td>(1)</td> <td>Pavilion Kuala Lumpur</td> <td>98.7</td> <td>98.0</td> <td>96.5</td> <td>90.2</td> <td>91.6</td> </tr> <tr> <td>(2)</td> <td>Elite Pavilion Kuala Lumpur</td> <td>96.7</td> <td>95.0</td> <td>83.2</td> <td>86.4</td> <td>92.3</td> </tr> <tr> <td>(3)</td> <td>Mid Valley Megamall</td> <td>99.3</td> <td>99.9</td> <td>99.7</td> <td>97.8</td> <td>99.5</td> </tr> <tr> <td>(4)</td> <td>The Gardens Mall</td> <td>97.2</td> <td>98.9</td> <td>91.8</td> <td>90.7</td> <td>97.0</td> </tr> <tr> <td>(5)</td> <td>Sunway Pyramid Shopping Mall</td> <td>98.8</td> <td>97.0</td> <td>98.0</td> <td>98.0</td> <td>97.0</td> </tr> </tbody> </table> <p data-bbox="1062 887 1086 1189"><i>(Source: Various annual reports)</i></p> <p data-bbox="1118 71 1201 1189">Taking into consideration the high historical occupancy rates of other selected comparative retail malls above and the various positive attributes of PBJ Mall, we view that a void allowance of 5.00% of the projected annual income for the PBJ Mall is reasonable.</p>	No.	Retail mall	Historical occupancy rate (%)					December 2018	December 2019	December 2020	December 2021	December 2022	(1)	Pavilion Kuala Lumpur	98.7	98.0	96.5	90.2	91.6	(2)	Elite Pavilion Kuala Lumpur	96.7	95.0	83.2	86.4	92.3	(3)	Mid Valley Megamall	99.3	99.9	99.7	97.8	99.5	(4)	The Gardens Mall	97.2	98.9	91.8	90.7	97.0	(5)	Sunway Pyramid Shopping Mall	98.8	97.0	98.0	98.0	97.0
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		<p>In view of the above, the Valuer has adopted an estimated outgoings of about RM3.50 psf / month over NLA (including own-use areas) (including the potential payment of service charge and sinking fund to the joint management body / management corporation in compliance to the Strata Management Act 2013) as fair for Year 1 and projected an increase of 10% at Year 2 upon expiry of defect liability period with provisional costs allocated for maintenance and repairs, after having considered the building features and services along with its design and concept of the development and allowed the provisional expenses to increase at an underlying rate of inflation of about 3.0% from Year 3 onwards as fair and adequate. The projected nine (9)-year CAGR in respect of the outgoings is 3.76%.</p> <p>The comparable retail malls were selected by the Valuer based on the similarity and comparability of these retail malls with PBJ Mall in terms of, amongst others, building specifications, quality and design. We view this to be reasonable as the outgoings required in the operations of a retail mall depend on the complexity and sophistication of its building specifications, quality and design.</p> <p>The projected outgoings of PBJ Mall are within the range of the current outgoings of other selected comparative retail malls in Klang Valley and hence, we view that the projected outgoings of PBJ Mall are reasonable.</p>																																									
6.	<p>Projected car park revenue</p> <table border="1" data-bbox="734 1429 1034 1944"> <thead> <tr> <th>Year</th> <th>Projected car park revenue (RM per bay / month)</th> </tr> </thead> <tbody> <tr><td>1</td><td>205</td></tr> <tr><td>2</td><td>205</td></tr> <tr><td>3</td><td>278</td></tr> <tr><td>4</td><td>286</td></tr> <tr><td>5</td><td>295</td></tr> <tr><td>6</td><td>305</td></tr> <tr><td>7</td><td>316</td></tr> <tr><td>8</td><td>327</td></tr> <tr><td>9</td><td>339</td></tr> <tr><td>10 / Terminal</td><td>350</td></tr> </tbody> </table>	Year	Projected car park revenue (RM per bay / month)	1	205	2	205	3	278	4	286	5	295	6	305	7	316	8	327	9	339	10 / Terminal	350	<p>Fair and reasonable.</p> <p>PBJ Mall presently provides a total of 4,800 usable car parking bays. In arriving at the projected car park revenue, the Valuer has considered the following: -</p> <p>(i) current arrangement for the remaining unexpired term for the car park operator cum license agreement;</p> <p>(ii) existing car parking rates as follows: -</p> <table border="1" data-bbox="957 89 1061 1131"> <thead> <tr> <th>Historical car park collection</th> <th>Average of 10-month period (03.12.2021 to 30.09.2022)</th> <th>Average of 3-month period (01.07.2022 to 30.09.2022)</th> </tr> </thead> <tbody> <tr> <td>Total car park revenue (RM)</td> <td>4,163,963</td> <td>1,669,836</td> </tr> <tr> <td>Analysis over 4,800 bays (RM per bay)</td> <td>87</td> <td>116</td> </tr> </tbody> </table> <p>(iii) current average receivable revenue of other car parking bays of other selected retail malls located within Klang Valley as follows: -</p> <table border="1" data-bbox="1173 313 1300 1131"> <thead> <tr> <th>Selected mall in the locality</th> <th>Average car park receivable revenue</th> </tr> </thead> <tbody> <tr> <td>Kuala Lumpur city centre</td> <td>RM377 per bay</td> </tr> <tr> <td>Bandar Utama</td> <td>RM248 per bay</td> </tr> <tr> <td>Bandar Sunway</td> <td>RM414 per bay</td> </tr> <tr> <td>Mont Kiara</td> <td>RM340 per bay</td> </tr> </tbody> </table> <p>(Source: Valuation Report)</p>	Historical car park collection	Average of 10-month period (03.12.2021 to 30.09.2022)	Average of 3-month period (01.07.2022 to 30.09.2022)	Total car park revenue (RM)	4,163,963	1,669,836	Analysis over 4,800 bays (RM per bay)	87	116	Selected mall in the locality	Average car park receivable revenue	Kuala Lumpur city centre	RM377 per bay	Bandar Utama	RM248 per bay	Bandar Sunway	RM414 per bay	Mont Kiara	RM340 per bay
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7.	<p>Projected car park operating expenses</p> <table border="1" data-bbox="711 1429 863 1944"> <thead> <tr> <th data-bbox="711 1731 810 1944">Year</th> <th data-bbox="711 1429 810 1731">Projected car park operating expenses (% of projected gross revenue)</th> </tr> </thead> <tbody> <tr> <td data-bbox="810 1731 831 1944">1 to 2</td> <td data-bbox="810 1429 831 1731">5.00</td> </tr> <tr> <td data-bbox="831 1731 863 1944">3 to 10 / Terminal</td> <td data-bbox="831 1429 863 1731">30.00</td> </tr> </tbody> </table>	Year	Projected car park operating expenses (% of projected gross revenue)	1 to 2	5.00	3 to 10 / Terminal	30.00	<p>In view of the above, the Valuer has adopted RM205 per bay / month being the expected license fee payable by the car park operator as fair for Year 1 and Year 2, whilst for Year 3 onwards (<i>upon expiry of the car park operator cum license agreement</i>), the Valuer has projected on the basis that car parking services will be owner-operated, thus the car park revenue is projected at the expected gross collectible income by the operator starting at about RM278 per bay / month at Year 3 (<i>Year 1: RM270 per bay / month with projected nine (9)-year CAGR of 2.94%</i>). The growth projections for car park revenue component are expected to grow in tandem with the gross rental revenue projections of retail component as the income from the car park revenue component is solely dependent on the performance of the retail segment.</p> <p>We view that the projected car park revenue is reasonable as it is estimated based on existing car park operator cum license agreement for Year 1 and Year 2, and subsequently after the expiry of the said agreement, the projected car park revenue falls within the range of the current average receivable revenue of other car parking bays of other selected retail malls located within Klang Valley. Furthermore, the nine (9)-year CAGR for the growth of car park revenue of 2.94% is not excessive and is reasonable.</p> <p>Fair and reasonable.</p> <p>For the remaining unexpired term of the car park operator cum license agreement, a sum equivalent to 5.00% of the projected gross revenue has been allocated to account for the owner's obligation. Thereafter, the car park services are assumed to be owner-operated from Year 3 onwards. The Valuer has benchmarked against the average expenses for car park (<i>ratio ranging from 15% to 30% of gross revenue</i>) located within other selected shopping malls in Klang Valley. An estimated 30% of car park gross revenue has thus been adopted as the fair operating expenses for the car park for Year 3 onwards.</p> <p>We view that the projected car park operating expenses are reasonable as the operating expenses are expected to be minimal for Year 1 and Year 2, and subsequently from Year 3 onwards, the projected car park operating expenses fall within the range of the average expenses for car park located within other selected shopping malls in Klang Valley.</p>
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8.	Terminal yield / capitalisation rate of 6.50%	<p data-bbox="183 952 210 1191">Fair and reasonable.</p> <p data-bbox="236 85 320 1191">The Valuer has adopted the terminal yield / capitalisation rate of 6.50% after taking into consideration the historical transacted yields of shopping malls in Kuala Lumpur / Selangor which are in the region of about 5.98% to 6.85% as shown below: -</p> <table border="1" data-bbox="347 85 895 1191"> <thead> <tr> <th data-bbox="352 898 400 1191">Building Location</th> <th data-bbox="352 651 400 898">Mid Valley Megamall Mid Valley City, Kuala Lumpur</th> <th data-bbox="352 338 400 651">Pavilion Kuala Lumpur Mall Jalan Bukit Bintang, Kuala Lumpur</th> <th data-bbox="352 85 400 338">Sunway Pyramid Shopping Mall Bandar Sunway, Selangor</th> </tr> </thead> <tbody> <tr> <td data-bbox="400 898 496 1191">Description / Type of Property</td> <td data-bbox="400 651 496 898">A five (5)-level retail mall with one (1) mezzanine floor, two (2) levels of basement car park and four (4) levels of elevated car park (a total of 6,092 car parks)</td> <td data-bbox="400 338 496 651">A seven (7)-storey shopping mall (including four (4) split-level of car parking bays) together with a three (3)-storey retail office block sited atop and annexed with a four (4)-storey retail / entertainment connection block and three (3) levels of basement car parks (a total of 2,427 car parks)</td> <td data-bbox="400 85 496 338">A purpose-built four (4)-level retail and entertainment mega-mall together with six (6) levels of elevated and three (3) levels of basement car parks (a total of 3,804 car parks) plus a convention centre</td> </tr> <tr> <td data-bbox="496 898 528 1191">Tenure</td> <td data-bbox="496 651 528 898">Leasehold interest</td> <td data-bbox="496 338 528 651">Leasehold interest</td> <td data-bbox="496 85 528 338">Leasehold interest</td> </tr> <tr> <td data-bbox="528 898 560 1191">Approximate NLA (sq ft)</td> <td data-bbox="528 651 560 898">1,718,951</td> <td data-bbox="528 338 560 651">1,335,119</td> <td data-bbox="528 85 560 338">1,685,568</td> </tr> <tr> <td data-bbox="560 898 592 1191">Consideration (RM)</td> <td data-bbox="560 651 592 898">3,440,000,000</td> <td data-bbox="560 338 592 651">3,190,300,000</td> <td data-bbox="560 85 592 338">2,132,025,000</td> </tr> <tr> <td data-bbox="592 898 624 1191">Net income (RM) (car park & other incomes)</td> <td data-bbox="592 651 624 898">205,577,304⁽¹⁾</td> <td data-bbox="592 338 624 651">203,326,000⁽²⁾</td> <td data-bbox="592 85 624 338">146,000,000</td> </tr> <tr> <td data-bbox="624 898 655 1191">Year of transaction</td> <td data-bbox="624 651 655 898">2012</td> <td data-bbox="624 338 655 651">2011</td> <td data-bbox="624 85 655 338">2010</td> </tr> <tr> <td data-bbox="655 898 687 1191">Adjusted yield</td> <td data-bbox="655 651 687 898">5.98%</td> <td data-bbox="655 338 687 651">6.37%</td> <td data-bbox="655 85 687 338">6.85%</td> </tr> <tr> <td data-bbox="687 898 719 1191">Adjusted average yield</td> <td colspan="3" data-bbox="687 651 719 898">6.40% (Adopt 6.50%)</td> </tr> </tbody> </table> <p data-bbox="922 1108 949 1191">Notes: -</p> <p data-bbox="949 112 976 1191">(1) Annualised NPI amounting to RM57,499,000 for the period from 20 September 2012 to 31 December 2012.</p> <p data-bbox="976 862 1003 1191">(2) NPI for financial year 2010.</p> <p data-bbox="1019 929 1046 1191">(Source: Valuation Report)</p> <p data-bbox="1074 85 1241 1191">In view of limited recorded yield transactions of retail mall in the current market condition and it is not possible to identify exactly alike properties to benchmark and/or make reference to, the Valuer has thus adopted a yield of 6.50% as the most probable expected rate of return (reflecting the recent increment of overnight policy rate ("OPR") as an attempt to reduce inflationary pressures) as fair after having considered factors, amongst others, relating to the tenure, establishment of the mall and prevailing market condition.</p> <p data-bbox="1268 85 1327 1191">We are of the view that the terminal yield / capitalisation rate of 6.50% is reasonable as it falls within the range of historical transacted yields of shopping malls in Kuala Lumpur / Selangor.</p>	Building Location	Mid Valley Megamall Mid Valley City, Kuala Lumpur	Pavilion Kuala Lumpur Mall Jalan Bukit Bintang, Kuala Lumpur	Sunway Pyramid Shopping Mall Bandar Sunway, Selangor	Description / Type of Property	A five (5)-level retail mall with one (1) mezzanine floor, two (2) levels of basement car park and four (4) levels of elevated car park (a total of 6,092 car parks)	A seven (7)-storey shopping mall (including four (4) split-level of car parking bays) together with a three (3)-storey retail office block sited atop and annexed with a four (4)-storey retail / entertainment connection block and three (3) levels of basement car parks (a total of 2,427 car parks)	A purpose-built four (4)-level retail and entertainment mega-mall together with six (6) 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9.	Discount rate of 8.50%	<p>Fair and reasonable.</p> <p>Discount rate is a risk-weighted factor used to calculate the net present value of the future cash flow from the asset till the time of exit. It is a measure of risk associated in the asset class and is determined typically by the market.</p> <p>The discount rate of 8.50% is adopted by the Valuer after taking into consideration the following: -</p> <ul style="list-style-type: none"> (i) ten (10)-year risk free interest (about 3%) (source: <i>Bank Negara Malaysia</i>) plus additional anticipated risk premium (4% to 6%) associated with the asset class. The anticipated risk perception involves, amongst others, perceived risk of market uncertainty and lack of liquidity associated with the property; and (ii) the recent increment of OPR. <p>A discount rate of 8.50% is adopted for PBJ Mall, which is about 2.00% higher than the expected rate of return. The discount rate is usually higher than the long-term capitalisation rate to reflect the additional risk premium of the asset.</p> <p>We view that the discount rate of 8.50% adopted is reasonable as it has imputed anticipated risk premium (above <i>risk free rate</i>) to compensate for, amongst others, market uncertainties, interest rate movements and lack of liquidity associated with the property.</p>

Based on the income approach by DCF method (*being the primary approach*), the Valuer has derived a market value for PBJ Mall of RM2,210 million as at the material date of valuation on 31 October 2022. Based on the reasons and justifications above, we view that the derived value for PBJ Mall (*including car parking bays*) is fair and reasonable.

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Summarised below are our commentaries in respect of the key bases and assumptions adopted in the valuation of PBJ Mall by the Valuer using the comparison approach (please refer to the Valuation Certificate in Appendix II of the Circular for further information on PBJ Mall and details of the valuation): -

Retail Mall

	The Property	Comparable 1 (Empire Subang Gallery)	Comparable 2 (Mid Valley Megamall)	Comparable 3 (Pavilion Kuala Lumpur Mall)	Comparable 4 (Sunway Pyramid Shopping Mall)
Name and address	Pavilion Bukit Jalil, No. 2, Persiaran Jalil 8, Bandar Bukit Jalil, 57000 Kuala Lumpur	Empire Subang Gallery, Jalan SS16/1, SS 16, 47500 Subang Jaya, Selangor Darul Ehsan	Mid Valley Megamall, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	Pavilion Kuala Lumpur Mall, No. 168, Jalan Bukit Bintang, 55100 Kuala Lumpur.	Sunway Pyramid Shopping Mall, No. 3, Jalan PJS 11/15, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan
Legal description	Parent Lot 101899 held under Master Title No. Geran 79550, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Parent Lot 62011 held under Master Title No. Geran 238145, Bandar Subang Jaya, District of Petaling, Selangor Darul Ehsan	Parent Lot 80 Section 95A held under Master Title No. PN 37075, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Parent Lots 374 and 377, Section 63, held under Master Title Nos. Pajakan Negeri (WP) 45861 and Pajakan Negeri 43401 respectively (now known as Parent Lot PT 80 Section 63 held under Master Title No. HSD 120091), Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Lot Nos. 62059, 32, 51175, PT 891 and PT 1312 held under Title Nos. Pajakan Negeri 17414, Pajakan Negeri 9495, Pajakan Negeri 9500, HS(D) 233143 and HS(D) 259957 respectively, all within Town of Sunway, District of Petaling, Selangor Darul Ehsan
Type of property	A five (5)-storey retail mall with two (2) basement car park levels (a total of 4,800 car parks)	A five (5)-storey retail mall together with four (4) basement car park levels (a total of 1,414 car parks)	A five (5)-level retail mall with one (1) mezzanine floor, two (2) basement car park levels and four (4) elevated car park levels (a total of 6,092 car parks)	A seven (7)-storey shopping mall including four (4) split-level of car parking bays together with a three (3)-storey retail office block sited atop and annexed with a four (4)-storey retail / entertainment connection block and three (3) basement car parks levels (a total of 2,427 car parks)	A purpose-built four (4)-level retail and entertainment mega-mall together with six (6) levels of elevated car parks levels and three (3) basement car parks levels (a total of 3,804 car parks) plus a convention centre
Tenure	Interest in perpetuity	Interest in perpetuity	Leasehold interest for a term of 99 years, expiring on 6 June 2103	Leasehold interest for a term of 99 years, expiring on 26 October 2109	Leasehold interest for a term of 99 years, expiring on 1 April 2097, 21 February 2102 and 14 August 2105
Age of building	Approximately 1 year	Approximately 7 years	Approximately 13 years	Approximately 4 years	Approximately 13 years
Net lettable area (sq. ft)	1,822,041	333,749	1,718,951	1,335,119	1,685,568
Consideration	-	RM571,900,000	RM3,440,000,000	RM3,190,300,000	RM2,132,025,000
Date of transaction / announcement	-	19 January 2017	26 July 2012	18 October 2011	8 July 2010
Analysis	-	RM1,714 psf	RM2,001 psf	RM2,390 psf	RM1,265 psf
Remarks	-	Reported NLA of the shopping mall is extracted from the vendor's official website. The vendor has been granted a call option to buy back the shopping mall on the fifth (5 th) anniversary of the sale. It also has the right of first refusal to buy the mall should the vendor decide to dispose of it within the five (5) years.	-	-	-

The Property		Comparable 1 (Empire Subang Gallery)		Comparable 2 (Mid Valley Megamall)		Comparable 3 (Pavilion Kuala Lumpur Mall)		Comparable 4 (Sunway Pyramid Shopping Mall)	
Adjusted analysis (excluding car park)	-	RM1,565 psf	RM1,824 psf	RM2,294 psf	RM1,208 psf				
Prevailing market condition / Time adjustment	5%	An upward adjustment should have been made for improved market condition since year 2017. However, in view of the impact due to COVID-19 pandemic, a downward adjustment is considered, resulting in a net-off effective adjustment for prevailing market condition	5%	An upward adjustment should have been made for improved market condition since year 2012. However, in view of the impact due to COVID-19 pandemic, a downward adjustment is considered, resulting in a net-off effective adjustment for prevailing market condition	5%	An upward adjustment should have been made for improved market condition since year 2011. However, in view of the impact due to COVID-19 pandemic, a downward adjustment is considered, resulting in a net-off effective adjustment for prevailing market condition	5%	An upward adjustment should have been made for improved market condition since year 2010. However, in view of the impact due to COVID-19 pandemic, a downward adjustment is considered, resulting in a net-off effective adjustment for prevailing market condition	
Adjusted analysis	-	RM1,644 psf	RM1,915 psf	RM2,409 psf	RM1,269 psf				
Location	Located within the integrated development of Bukit Jalil City, along Lebuhraya Bukit Jalil	Comparable to the Property	-20%	Better location than the Property	-25%	Better location than the Property	0%	Comparable to the Property	
Exposure / Visibility	Located along Lebuhraya Bukit Jalil with well exposure with advertisement potential / benefits	Comparable to the Property	0%	Comparable to the Property	0%	Comparable to the Property	0%	Comparable to the Property	
Accessibility	Accessible via various access road	Better public transportation connectivity than the Property	-5%	Better public transportation connectivity than the Property	-10%	Better public transportation connectivity than the Property	-5%	Better public transportation connectivity than the Property	
Occupancy	78.97% over NLA including own-use areas	Commands higher occupancy than the Property	-10%	Commands higher occupancy than the Property	-10%	Commands higher occupancy than the Property	-10%	Commands higher occupancy than the Property	
Tenure	Interest in perpetuity	Comparable to the Property	0%	Conveys a leasehold interest	10%	Conveys a leasehold interest	10%	Conveys a leasehold interest	
Floor area / Parcel area / NLA	1,822,041 sq ft	Smaller size than the Property	-10%	Comparable to the Property	0%	Comparable to the Property	0%	Comparable to the Property	
Tenant mix / Market positioning / Store concept	Mass to mid market	Comparable to the Property	0%	Comparable to the Property	-10%	Proposed to feature better tenant mix and market positioning	0%	Comparable to the Property	
Establishment of the mall	Newly-established mall	More established than the Property	-10%	More established than the Property	-10%	More established than the Property	-10%	More established than the Property	
Building specifications / Quality / Design / Layout	Equipped with moderate specification and finishes; with modern design contemporary layout	Comparable to the Property	0%	Comparable to the Property	-5%	Has better specifications than the Property	5%	The Property has better specifications	
Condition / Age of building	Approximately 1 year	The Property is newly completed	5%	The Property is newly completed	5%	The Property is newly completed	5%	The Property is newly completed	
Individual strata / En bloc basis	Strata en bloc	Comparable to the Property	0%	Comparable to the Property	0%	Comparable to the Property	-5%	Held under individual titles	
Effective adjustment		-30%	-35%	-55%	-10%				
Adjusted value		RM1,150 psf	RM1,245 psf	RM1,084 psf	RM1,142 psf				

From the above adjusted values, the derived values ranged between RM1,084 psf to RM1,245 psf. In view of limited recorded transactions of identical shopping malls in the immediate and surrounding localities, the selected comparable(s) were adopted as it is not possible to identify exactly alike properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued. Despite not being the least adjusted sale transaction, the Valuer is in the opinion that Comparable 4 is the most similar in terms of, amongst others, location, NLA and tenant mix / market positioning / store concept, coupled with the least effective adjustment being made, hence the Valuer had placed greater reliance on Comparable 4 as fair representation after having considered and made diligent adjustments for differences including but not limited to prevailing market condition, accessibility, occupancy, tenure, establishment of the mall, building specifications / quality / design, condition / age of building and individual strata / en bloc basis. The Valuer had thus adopted the value (excluding car park bays) of RM2,080,744,305 (analysed to be RM1,142 psf over NLA including own-use area) as fair representation by using comparison approach. (Source: Valuation Report)

Based on the reasons and justifications above, we view that the derived value for the retail mall (excluding car park bays) is fair and reasonable.

Car Park

	The Property	Comparable 1 (The Pinnacle Sunway)	Comparable 2 (Pacific Towers)	Comparable 3 (da:men USJ Shopping Mall)
Type of property	Car parking bays	Car parking bays	Car parking bays	Car parking bays
Location	Pavilion Bukit Jalil, No. 2, Persiaran Jalil 8, Bandar Bukit Jalil, 57000 Kuala Lumpur	The Pinnacle Sunway, Jalan Lagoan Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan	Pacific Towers, Jalan 13/6, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan	da:men USJ Shopping Mall (currently known as Da Men Mall), No. 1, Persiaran Kewajipan, USJ 1, Subang Jaya, Selangor Darul Ehsan
Tenure	Interest in perpetuity	Leasehold interest for a term of 99 years, expiring on 1 April 2097	Leasehold interest for a term of 99 years, expiring on 21 May 2112	Interest in perpetuity
Number of bay (Saleable bay)	4,800 bays	855 bays	1,216 bays	1,638 bays
Consideration / Price of offer	-	RM35,000,000	RM53,700,000	RM55,692,000
Date of announcement / transaction	-	29 June 2020	14 October 2019	17 September 2015
Analysis	-	RM40,936 per bay	RM44,161 per bay	RM34,000 per bay
Time adjustment	0%	Recent sale transaction	0%	5%
Analysis		RM40,936 per bay	RM44,161 per bay	RM34,000 per bay
Other adjustments				
Location	Strategically located within Bukit Jalil	Comparable to the Property	Comparable to the Property	Comparable to the Property
Integrated development / Establishment	Located within the integrated development of Bukit Jalil City	-25%	-25%	0%
Tenure	Interest in perpetuity	10%	10%	0%
Effective adjustment		-15%	-15%	0%
Adjusted value		RM34,795 per bay	RM37,537 per bay	RM35,700 per bay

From the above adjusted values, the derived values ranged between RM34,795 per bay to RM37,537 per bay. In view of limited recorded transactions of identical car parking bay transactions in the immediate and surrounding localities, the Valuer has resorted to adopt the selected comparable(s) in the Valuer's assessment by comparison approach; as it is not possible to identify exactly alike properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued.

With total effective adjustments made for all comparable(s). The Valuer placed greater reliance on Comparable 1 (being the most recent sale transaction) as fair representation after having considered and made diligent adjustments for various dissimilarities including but not limited to integrated development / establishment and tenure. Based on the foregoing, the Valuer had thus adopted the value for the car parking bays to be RM167,017,544 (analysed to be RM34,795 per bay) as fair representation by using comparison approach. (Source: Valuation Report)

Based on the reasons and justifications above, we view that the derived value for the car parking bays is fair and reasonable.

Based on the comparison approach, the Valuer derived an aggregate market value of RM2,248 million (i.e. RM2,081 million for the retail mall and RM167 million for the car parking bays) for the Property.

Our commentaries: -

The market value of the Property derived from the income approach by DCF method and comparison approach are as follows: -

Method of valuation	Derived value
Income approach by DCF method (Primary approach)	RM2,210 million
Comparison approach	RM2,248 million

Taking into consideration that PBJ Mall is a new commercial and income generating property, the Valuer has thus adopted the market value as derived from the income approach by DCF method as a fair representation supported by comparison approach.

As the Purchase Consideration (RM2,200 million) represents a discount of RM10 million or approximately 0.5% to the market value of PBJ Mall as appraised by the Valuer (RM2,210 million) based on the income approach by DCF method (being the primary approach), we are of the view that the Purchase Consideration is fair and reasonable.

3.2.2 Settlement terms

As set out in Section 2.1.2, Part A of the Circular, the Purchase Consideration of RM2,200 million shall be satisfied in tranches by Pavilion REIT in the following manner: -

Description of payment	Our commentaries	Amount		Mode of settlement	Timing of settlement
		(RM million)	%		
Completion Date Payment	(1)	1,650	75.0	(i) Cash of RM1,650 million; or (ii) Cash of not less than RM1,450 million and Consideration Units of up to RM200 million	Completion Date (subject to the fulfilment of the Conditions Precedent including at least 80.0% of the total NLA of PBJ Mall (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)
Balance Consideration	(2)				
(i) Defects Rectification Payment	(2(i))	50	2.3	Cash of RM50 million	Within forty-five (45) days from completion of the rectification of defects during the Defects Rectification Period
(ii) Strata Title Payment	(2(ii))	100	4.5	Cash of RM100 million	Within thirty (30) days from receipt of the Strata Title Documents
(iii) Final Balance Payment	(2(iii))	400	18.2	Cash, Consideration Units or a combination of both amounting to RM400 million	(i) Within sixty (60) days of Pavilion REIT's receipt of the auditor's certification (if the Targeted NPI is achieved during the NPI Determination Period); or (ii) Within sixty (60) days of Pavilion REIT's receipt of the valuer's report on the new valuation of PBJ Mall (if the Targeted NPI is not achieved during the NPI Determination Period)
Purchase Consideration		550	25.0		
		2,200	100.0		

The Purchase Consideration will be funded via a combination of borrowings, internal funds, proceeds from the Proposed Placements and/or issuance of the Consideration Units to Regal Path. Please refer to Section 2.1.8, Part A of the Circular for further details on the source of funding.

Our commentaries: -

- (1) Unlike most property sale and purchase transactions, there is no deposit payment required for the Proposed Acquisition. This is deemed favourable to Pavilion REIT as it allows Pavilion REIT to reduce its costs of financing for any upfront payment in respect of the Purchase Consideration. The initial tranche of payment to Regal Path in respect of the Purchase Consideration is the Completion Date Payment to be settled on the Completion Date, which is the date on which Pavilion REIT shall be the beneficial owner of the Property and becomes entitled to all rights, title, interest, benefits and claim in and to the Property.

In view of Regal Path's requirement to repay its outstanding loan facilities in relation to PBJ Mall, at least RM1,450 million of the Completion Date Payment (*representing approximately 65.9% of the Purchase Consideration*) have been agreed to be paid in cash. The balance of up to RM200 million may be settled in the form of Consideration Units. The flexibility in mode of settlement allows Pavilion REIT to manage its capital structure in order to maintain an acceptable gearing level as well as to conserve cash and debt capacity for future needs.

- (2) The parties have agreed that the Balance Consideration of RM550 million (*representing approximately 25.0% of the Purchase Consideration*) will only be settled to Regal Path after the Completion Date upon fulfilment of the relevant conditions as follows: -

- (i) Defects Rectification Payment of RM50 million (*representing approximately 2.3% of the Purchase Consideration*) which will be paid to Regal Path in the manner as set out in Section 7 of Appendix I of the Circular, providing an assurance against the performance of Regal Path in respect of the rectification of defects to the reasonable satisfaction of Pavilion REIT.

For information purposes, Pavilion REIT has concluded a technical due diligence exercise on PBJ Mall prior to the execution of the SPA. Based on the said exercise, there were no major findings identified which will hinder the safety and/or operations of PBJ Mall. Furthermore, we take note that PBJ Mall has opened for business for more than one (1) year and has an occupancy rate of 81.4% (*excluding own-use areas*) as at the LPD;

- (ii) Strata Title Payment of RM100 million (*representing approximately 4.5% of the Purchase Consideration*) which will be paid to Regal Path within thirty (30) days from the receipt of the last of the Strata Title Documents, providing an assurance against the performance of Regal Path in respect of the delivery of the Strata Title Documents to Pavilion REIT to enable Pavilion REIT to register its interest as beneficial owner of PBJ Mall; and

- (iii) Final Balance Payment of RM400 million (*representing approximately 18.2% of the Purchase Consideration*) which will be settled to Regal Path, subject to PBJ Mall having achieved the Targeted NPI of at least RM146 million on an annualised basis within the NPI Determination Period (*which translates to an annualised yield rate of approximately 6.6% based on the Purchase Consideration*) whereby: -

- (a) if the Targeted NPI is achieved, the Final Balance Payment of RM400 million will be settled to Regal Path within sixty (60) days from the date of receipt by Pavilion REIT of the auditor's certification that the Targeted NPI has been achieved; or

- (b) if the Targeted NPI is not achieved, a new valuation of PBJ Mall will be conducted and: -
- (aa) if the new valuation of PBJ Mall is equal to or more than the Purchase Consideration, no adjustment will be made to the Purchase Consideration and the Final Balance Payment of RM400 million will be settled to Regal Path within sixty (60) days from the date of receipt by Pavilion REIT of the valuation report; or
 - (bb) if the new valuation of PBJ Mall is lower than the Purchase Consideration (“**Lower Value**”), a sum equivalent to the difference between the Purchase Consideration and the Lower Value shall be deducted from the Final Balance Payment and the remaining balance shall be settled to Regal Path within sixty (60) days from the date of receipt by Pavilion REIT of the valuation report. The maximum reduction to the Purchase Consideration shall be limited to the Final Balance Payment amount of RM400 million. This translates to a minimum adjusted Purchase Consideration of RM1,800 million, which is lower than Regal Path’s original cost of investment in PBJ Mall of RM1,930 million on 10 October 2019 and the audited NBV of PBJ Mall as at 30 June 2022 of RM2,177 million.

As the Final Balance Payment may be partly or fully satisfied via the issuance of the Consideration Units by Pavilion REIT, this allows Pavilion REIT to have more flexibility in managing its capital structure.

In addition, under the terms of the SPA, Pavilion REIT will also acquire Additional Assets required for the operations of PBJ Mall which include laptops, buggies and mobile elevating work platforms under the Ancillary Purchases. The purchase consideration for the Ancillary Purchases will be based on the total NBV of the Additional Assets under the Ancillary Purchases as at the Completion Date and does not form part of the Purchase Consideration. As at the LPD, the total NBV of the Additional Assets is approximately RM3.1 million, which represents merely 0.2% against the Purchase Consideration. The purchase consideration for the Ancillary Purchases will be settled in cash on the Completion Date using borrowings and/or internal funds. We view that it is reasonable for the Ancillary Purchases to be undertaken subsequent to the completion of the Proposed Acquisition in view that the quantum and value of the Additional Assets to be acquired can only be determined based on the requirements of PBJ Mall’s operations and the NBV of these Additional Assets as at the Completion Date. For the avoidance of doubt, the Purchase Consideration was determined based on the valuation of PBJ Mall, excluding the value of Additional Assets.

Based on the above, we are of the view that the settlement terms are fair and reasonable and not detrimental to the interests of the non-interested Unitholders.

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3.2.3 Issue price of the Consideration Units

The issue price of the Consideration Units will be determined later based on either: -

- (i) the Placement Issue Price of the relevant placement tranche of the Proposed Placements undertaken by Pavilion REIT to pay the relevant amounts that are due.

In such an event, the issue price of the Consideration Units to be issued to Regal Path will be equivalent to the issue price available to third party placees in respect of the Placement Units; or

- (ii) in the event either the Tranche 1 Placement or Tranche 2 Placement is not undertaken, the Consideration Units will be issued to Regal Path based on the five (5)-day VWAP of the Units up to and including the day preceding the date on which the Board decides to issue the Consideration Units as part settlement of the relevant amounts of the Purchase Consideration.

We wish to highlight that there will be no discount to the said five (5)-day VWAP of the Units accorded to the Consideration Units to be issued to Regal Path.

In view of the above, the issue price of the Consideration Units is fair and reasonable.

3.2.4 Placement Issue Price

The Placement Issue Price will be based on the price from the bookbuilding exercise, where the bookbuilding price range will be determined based on, amongst others, indicative demand and feedback from potential investors, precedent transactions and market price of the Units. In any event, the Placement Units will be issued at not more than 10.0% discount to the five (5)-day VWAP of the Units immediately prior to the price-fixing date, to be announced at a later date.

In view of the above, the Placement Issue Price is fair and reasonable.

3.2.5 Advance Distribution

In addition, in order to ensure fairness to the existing Unitholders, the Board intends to declare the Advance Distribution in respect of the distributable income accrued during the Advance Distribution Period to the existing Unitholders. The Placement Units and the Consideration Units (*if any*) will not be entitled to the Advance Distribution.

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3.3

Salient terms of the SPA

Our commentaries on the salient terms of the SPA as set out in Section 2.1.3, Part A of the Circular and Appendix I of the Circular are as follows: -

Salient terms of the SPA	Our commentaries
<p>(1) Sale and purchase</p> <p>Regal Path has agreed to sell the Property to Pavilion REIT and Pavilion REIT has agreed to purchase the Property from Regal Path, free from the existing encumbrances on the Land Title (save where expressly provided otherwise under the SPA), the Existing Securities affecting the Property and all other encumbrances subject to the terms and conditions contained in the SPA.</p>	<p>Fair and reasonable. This clause relates to the subject matter of the Proposed Acquisition whereby subject to the satisfaction or waiver of the Conditions Precedent and the completion of the Proposed Acquisition, Pavilion REIT shall be the beneficial owner of the Property and becomes entitled to all rights, title, interest, benefits and claim in and to the Property with effect from the Completion Date.</p>
<p>(2) Conditions Precedent</p> <p>The sale, purchase and transfer of the Property is conditional upon: -</p> <ul style="list-style-type: none"> (i) at least 80.0% of the total NLA of PBJ Mall (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; (ii) the approval of Regal Path's shareholders on the sale of the Property upon the terms and conditions contained in the SPA, having been obtained by Regal Path; (iii) the approval of Malton's shareholders on the sale of the Property upon the terms and conditions contained in the SPA, having been obtained by Regal Path; (iv) the consent of the State Authority to the transfer of the Property by Regal Path to Pavilion REIT pursuant to the restrictions in interest endorsed on the Land Title, having been obtained by Regal Path; 	<p>Fair and reasonable. The Conditions Precedent (save for condition precedent (i)) represent necessary approvals / procedures which are customary to facilitate the completion of the Proposed Acquisition.</p> <p>The condition precedent (i) is a negotiated commercial term which sets out the agreed minimum thresholds which have to be achieved for PBJ Mall before the parties may proceed to completion of the Proposed Acquisition. This condition precedent serves to safeguard the interests of Pavilion REIT as the purchaser. The agreed minimum occupancy and rental rate are reasonable as these thresholds are close to projected occupancy rate and rental rate respectively in the initial year of operations, both of which are key bases and assumptions adopted in the valuation of PBJ Mall by the Valuer, which form the basis of the Purchase Consideration. In addition, PBJ Mall has only commenced operations for approximately one (1) year as compared to the other retail malls under Pavilion REIT's portfolio which have commenced operations between six (6) and fifteen (15) years and the selected comparative retail malls as set out in Section 3.2.1 of this IAL are also more established malls as compared to PBJ Mall. In this regard, we view that the occupancy rate of at least 80% together with an average total rental of the tenanted NLA of not less than RM9.50 per sq ft per month are reasonable for a new mall which has just commenced operations. The inclusion of condition precedent (i) in the SPA ensures that the minimum occupancy rate and rental rate are achieved and sustained before Pavilion REIT proceeds with completion of the Proposed Acquisition.</p>

Salient terms of the SPA	Our commentaries
<p>(v) the written confirmation from DBKL that upon completion of the SPA, DBKL will enter into the Piazza Maintenance Agreement;</p> <p>(vi) the approval of the Unitholders for the Proposed Acquisition and the Proposed Placements, having been obtained by Pavilion REIT;</p> <p>(vii) the approval of the SC and/or Bursa Securities, if required, having been obtained by Pavilion REIT;</p> <p>(viii) the written confirmation of the PMD's EPU or any other equivalent ministry, department or unit in charge of granting the approval pursuant to the Guideline on the Acquisition of Properties (Effective 1 March 2014) issued by the PMD's EPU confirming that the approval of the PMD's EPU is not required for the purchase of the Property by Pavilion REIT from Regal Path, having been obtained by Pavilion REIT if required; and</p> <p>(ix) the receipt by Pavilion REIT's solicitors of the written confirmation from the Manager confirming that the Manager has satisfied the relevant conditions, variations or revisions imposed by the SC and Bursa Securities in respect of the Proposed Acquisition which are capable of being satisfied up to the date of such written confirmation.</p>	<p>The SPA will become unconditional on the date on which the last of the Conditions Precedent is satisfied, suspended or waived (as the case may be) by Pavilion REIT.</p> <p>As at the LPD, save for conditions precedent (iv) and (vii), the other Conditions Precedent have not been fulfilled.</p>
<p>(3) Non-fulfilment of Conditions Precedent</p> <p>If any of the Conditions Precedent are not fulfilled, suspended or waived in accordance with the provisions of the SPA by the date falling on the expiry of 9 months from the date of the SPA (i.e. 22 August 2023) or such extended date as Regal Path and Pavilion REIT may agree in writing, either party, provided non-fulfilment of the Conditions Precedent is not attributable to any fault or omission of the party, may terminate the SPA forthwith by written notice to the other party and thereafter, the SPA ceases to have any effect and becomes null and void and neither party has any claims against the other party save and except for any antecedent breach.</p>	<p>Fair and reasonable. In the event of non-fulfilment of any of the Conditions Precedent (not attributable to any fault or omission of any party) by the date falling on the expiry of nine (9) months from the date of the SPA or such extended date as Regal Path and Pavilion REIT may agree in writing, either party may terminate the SPA whereupon neither party shall have any claims against the other party save and except for any antecedent breach.</p>

Salient terms of the SPA	Our commentaries
<p>(4) Completion</p> <p>Subject to the satisfaction or waiver of the Conditions Precedent and the performance of all Regal Path's obligations including the delivery of completion documents as set out in the SPA, completion shall take place on the Completion Date and Pavilion REIT shall settle the payment of the Purchase Consideration in accordance with the terms and timeline prescribed in the SPA in simultaneous exchange of the vacant possession of the Property.</p> <p>Regal Path agrees and acknowledges, among others, that, with effect from the Completion Date: -</p> <ul style="list-style-type: none"> (i) Pavilion REIT shall be the beneficial owner of the Property and become entitled to and Regal Path is deemed to have absolutely transferred and assigned to Pavilion REIT all of Regal Path's rights, title, interest, benefits and claim in and to the Property; (ii) Pavilion REIT shall be entitled to all rights, title, interest and benefits in and to and shall have full enjoyment of the common property and all such facilities and/or services provided by the joint management body and/or the management corporation (as the case may be), the facilities / services providers and/or appropriate authorities to the Property which are not assigned to Pavilion REIT; (iii) Pavilion REIT shall become entitled to and Regal Path is deemed to have absolutely transferred and assigned to Pavilion REIT all of Regal Path's rights, title, interest and benefits in and to the tenancy agreements, contracts, the insurance contracts, the link bridge agreements, and the warranties and guarantees in respect of the Assets and the Additional Assets, and Regal Path has absolutely no further rights, title, interest and benefits therein; (iv) Pavilion REIT shall become entitled to all the rights, title, interest and benefits in and to the electricity agreements, link bridges agreements, air space permits in respect of the link bridges, the retail and public installation licences of PBJ Mall; and (v) Regal Path shall not be entitled to and covenants not to deal with the Property in any manner whatsoever. 	<p>Fair and reasonable. Subject to the satisfaction or waiver of the Conditions Precedent and the completion of the Proposed Acquisition, Pavilion REIT shall be the beneficial owner of the Property and becomes entitled to all rights, title, interest, benefits and claim in and to the Property with effect from the Completion Date.</p>

Salient terms of the SPA	Our commentaries
<p>(5) Strata Titles, Transfer and others</p> <p>Regal Path has undertaken, at its own cost and expense, to: -</p> <p>(i) obtain the approval of the Director of Land and Mines of the Federal Territory of Kuala Lumpur in respect of the application for the subdivision of the Land for the issuance of the Strata Titles within 7 months from the Completion Date or such extended period as may be mutually agreed by the parties subject always to paragraph (ii) below;</p> <p>(ii) obtain the Strata Titles by 31 December 2023 or such other extended period as may be mutually agreed upon by the parties;</p> <p>(iii) within 10 days after the receipt by Regal Path of the Strata Titles: -</p> <p>(a) deliver to Pavilion REIT: -</p> <p>(A) the original Strata Titles;</p> <p>(B) the Transfer duly executed by Regal Path in favour of Pavilion REIT free from all encumbrances (other than those attributable to Pavilion REIT and/or the Chargee); and</p> <p>(C) all such documents as may be required for presentation of the Transfer for registration at the Land Office;</p> <p>(b) execute and deliver to Pavilion REIT: -</p> <p>(A) a declaration of trust relating to the Strata Titles in the form substantially similar to the Declaration of Trust; and</p> <p>(B) a power of attorney relating to the Strata Titles in the form substantially similar to the Power of Attorney;</p> <p>(iv) upon the issuance of the Strata Titles, obtain the written consent of the State Authority for the transfer of the Strata Titles in favour of Pavilion REIT and forward the original written consent to Pavilion REIT or its solicitors as soon as practicable upon Regal Path's receipt of the same.</p>	<p>Fair and reasonable. With effect from the Completion Date, Pavilion REIT shall be the beneficial owner of the Property and becomes entitled to all rights, title, interest, benefits and claim in and to the Property.</p> <p>As at the LPD, the Strata Titles have not been issued by the Land Office and Regal Path has undertaken to obtain the Strata Titles by 31 December 2023 or such other extended period as may be agreed between Pavilion REIT and Regal Path. All costs and expenses relating to the subdivision of the buildings on the Land and for obtaining the Strata Titles, including all premiums payable, shall be borne by Regal Path.</p> <p>Upon completion of the Proposed Acquisition, pending the subdivision of titles, issuance of Strata Titles and registration of the Transfer in favour of Pavilion REIT, Regal Path shall hold the legal title to the Property as bare trustee for and on behalf of Pavilion REIT and grant to Pavilion REIT the power to deal with the legal title to the Property.</p> <p>As an assurance against the performance of Regal Path in respect of the Strata Titles and registration of Transfer in favour of Pavilion REIT, a portion of the Purchase Consideration i.e. the Strata Title Payment of RM100 million will only be paid to Regal Path within thirty (30) days from the receipt of all the Strata Title Documents.</p>

Salient terms of the SPA		Our commentaries																
<p>(6) Failure to complete</p> <p>6.1 Default by Pavilion REIT</p> <p>In the event that Pavilion REIT shall fail to pay the Completion Date Payment or any part thereof in accordance with the terms of the SPA, Regal Path shall be entitled to give notice in writing to Pavilion REIT requiring Pavilion REIT to remedy such default within 14 days from the date of Pavilion REIT's receipt of Regal Path's said notice or such extended date as Regal Path and Pavilion REIT may agree in writing.</p> <p>In the event the default is not remedied within the said period, Regal Path shall be entitled at its absolute discretion to terminate the SPA by written notice to Pavilion REIT and Regal Path shall be entitled to a forfeiture sum equivalent to 1.0% of the Purchase Consideration as agreed liquidated damages. Upon such termination: -</p> <p>(i) Regal Path shall within 14 days thereof refund or cause to be refunded (free of interest) to Pavilion REIT all sums paid by Pavilion REIT towards payment of the Completion Date Payment in cash less the agreed liquidated damages or if any part thereof is paid to Regal Path and/or its Authorised Nominee(s) in Consideration Units, such Consideration Units shall be cancelled in accordance with the Trust Deed and the applicable laws and requirement; and</p> <p>(ii) Pavilion REIT shall simultaneously in exchange of Regal Path's refund, re-deliver all documents delivered by Regal Path to Pavilion REIT pursuant to the SPA (if any and save for those submitted to the appropriate authorities) together with the withdrawal of private caveat form duly executed by Pavilion REIT (if Pavilion REIT has lodged a private caveat against the Land to protect its interest in the Property) and the requisite registration fees therefor,</p> <p>and thereafter, no party shall have any further rights or obligations under the SPA save and except for any antecedent breach. For the avoidance of doubt, Regal Path shall not be entitled to terminate the SPA in the event that Pavilion REIT fails to pay the Balance Consideration or any part thereof and any unpaid Balance Consideration shall be enforceable against Pavilion REIT as a debt due to Regal Path.</p>	<p>Fair and reasonable. This clause is a normal commercial term which governs the rights of the non-defaulting party. In an event of default which is not remedied, the non-defaulting party shall be entitled to the following rights and remedies: -</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: center;">In an event of default by</th> <th colspan="2" style="text-align: center;">Defaulting party</th> </tr> <tr> <th style="text-align: center;">Pavilion REIT</th> <th style="text-align: center;">Regal Path</th> </tr> <tr> <th rowspan="2" style="text-align: center;">Rights and remedies available to</th> <th colspan="2" style="text-align: center;">Non-defaulting party</th> </tr> <tr> <th style="text-align: center;">Regal Path</th> <th style="text-align: center;">Pavilion REIT</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">(i) Remedy of specific performance of the SPA against the defaulting party together with all damages (at the discretion of the non-defaulting party); or</td> <td style="text-align: center;">-</td> <td style="text-align: center;">✓</td> </tr> <tr> <td style="vertical-align: top;">(ii) Termination of the SPA (at the discretion of the non-defaulting party) whereby: - (a) the non-defaulting party shall be entitled to a sum equivalent to 1.0% of the Purchase Consideration as agreed liquidated damages; (b) Regal Path shall within fourteen (14) days refund or cause to be refunded (free of interest) the balance sums paid by Pavilion REIT in cash or if applicable, Consideration Units issued to Regal Path shall be cancelled; (c) Pavilion REIT shall re-deliver relevant documents to Regal Path together with a duly executed withdrawal of private caveat form and registration fees, if applicable; and (d) thereafter, no party shall have any further rights or obligations under the SPA save and except for any antecedent breach.</td> <td style="vertical-align: top;"> <p style="text-align: center;">✓</p> <p style="text-align: center;"><i>(in respect of Pavilion REIT's default on Completion Date Payment or any part thereof only. Such remedy is not available for Pavilion REIT's default on Balance Consideration or any part thereof)</i></p> </td> <td style="text-align: center;">✓</td> </tr> </tbody> </table>	In an event of default by	Defaulting party		Pavilion REIT	Regal Path	Rights and remedies available to	Non-defaulting party		Regal Path	Pavilion REIT	(i) Remedy of specific performance of the SPA against the defaulting party together with all damages (at the discretion of the non-defaulting party); or	-	✓	(ii) Termination of the SPA (at the discretion of the non-defaulting party) whereby: - (a) the non-defaulting party shall be entitled to a sum equivalent to 1.0% of the Purchase Consideration as agreed liquidated damages; (b) Regal Path shall within fourteen (14) days refund or cause to be refunded (free of interest) the balance sums paid by Pavilion REIT in cash or if applicable, Consideration Units issued to Regal Path shall be cancelled; (c) Pavilion REIT shall re-deliver relevant documents to Regal Path together with a duly executed withdrawal of private caveat form and registration fees, if applicable; and (d) thereafter, no party shall have any further rights or obligations under the SPA save and except for any antecedent breach.	<p style="text-align: center;">✓</p> <p style="text-align: center;"><i>(in respect of Pavilion REIT's default on Completion Date Payment or any part thereof only. Such remedy is not available for Pavilion REIT's default on Balance Consideration or any part thereof)</i></p>	✓
In an event of default by	Defaulting party																	
	Pavilion REIT	Regal Path																
Rights and remedies available to	Non-defaulting party																	
	Regal Path	Pavilion REIT																
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(ii) Termination of the SPA (at the discretion of the non-defaulting party) whereby: - (a) the non-defaulting party shall be entitled to a sum equivalent to 1.0% of the Purchase Consideration as agreed liquidated damages; (b) Regal Path shall within fourteen (14) days refund or cause to be refunded (free of interest) the balance sums paid by Pavilion REIT in cash or if applicable, Consideration Units issued to Regal Path shall be cancelled; (c) Pavilion REIT shall re-deliver relevant documents to Regal Path together with a duly executed withdrawal of private caveat form and registration fees, if applicable; and (d) thereafter, no party shall have any further rights or obligations under the SPA save and except for any antecedent breach.	<p style="text-align: center;">✓</p> <p style="text-align: center;"><i>(in respect of Pavilion REIT's default on Completion Date Payment or any part thereof only. Such remedy is not available for Pavilion REIT's default on Balance Consideration or any part thereof)</i></p>	✓																

Salient terms of the SPA	Our commentaries
<p>6.2 Default by Regal Path</p> <p>In the event that any of the following events shall occur, Pavilion REIT shall be entitled to give notice in writing to Regal Path requiring Regal Path to remedy such default within 14 days from the date of Regal Path's receipt of Pavilion REIT's said notice or such extended date as Pavilion REIT may agree in writing: -</p> <ul style="list-style-type: none"> (i) if Regal Path fails to complete the sale and purchase of the Property in accordance with the terms and conditions of the SPA or is in breach of any term or condition of the SPA or if it fails to perform or observe any undertaking, obligation or agreement expressed in the SPA; (ii) if a receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of Regal Path; (iii) if Regal Path is or becomes unable to pay its debts when they are due or become unable to pay its debts within the meaning of the Act or any other legislation regarding insolvency of the jurisdiction in which it carries on business; (iv) if Regal Path enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them; (v) if a resolution is passed or an application or order is made for the winding up or dissolution of Regal Path otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of Pavilion REIT; (vi) if Regal Path threatens to cease carrying on a substantial portion of its business; or (vii) if Regal Path commits any act or omits to do any act which results in the breach or non-fulfilment of any term or condition of any banking, finance or credit facility which has the effect of causing the events specified in (iv), (v) and/or (vi) to occur. 	<p>For the avoidance of doubt, Regal Path shall not be entitled to terminate the SPA in the event that Pavilion REIT fails to pay the Balance Consideration or any part thereof as the completion of the Proposed Acquisition would have taken place prior to the settlement of any part of the Balance Consideration to Regal Path. In such an event, any unpaid Balance Consideration shall be enforceable against Pavilion REIT as a debt due to Regal Path.</p>

Salient terms of the SPA	Our commentaries
<p>In the event the default is not remedied by Regal Path within the said period, Pavilion REIT shall be entitled at its absolute discretion to the remedy of specific performance of the SPA against Regal Path together with all damages or to terminate the SPA by written notice to Regal Path and Regal Path shall pay to Pavilion REIT a sum equivalent to 1.0% of the Purchase Consideration as agreed liquidated damages. Upon such termination: -</p> <p>(i) Regal Path shall within 14 days thereof refund or cause to be refunded (free of interest) to Pavilion REIT all sums paid by Pavilion REIT towards payment of the Purchase Consideration in cash or if any part thereof is paid to Regal Path in Consideration Units, such Consideration Units shall be cancelled in accordance with the Trust Deed and the applicable laws and requirement; and</p> <p>(ii) Pavilion REIT shall simultaneously in exchange of Regal Path's refund, re-deliver all documents delivered by Regal Path to Pavilion REIT pursuant to the SPA (if any and save for those submitted to the appropriate authorities) together with the withdrawal of private caveat form duly executed by Pavilion REIT (if Pavilion REIT has lodged a private caveat against the Land to protect its interest in the Property) and the requisite registration fees therefor,</p> <p>and thereafter, no party shall have any further rights or obligations under the SPA save and except for any antecedent breach.</p>	<p>Please refer to our commentaries above.</p>

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Salient terms of the SPA	Our commentaries
<p>(7) Non-registration of Transfer</p> <p>Regal Path shall, after the Unconditional Date but prior to the Completion Date, execute the following documents and deliver the same to Pavilion REIT's solicitors as stakeholder for Pavilion REIT's execution on the Completion Date: -</p> <ul style="list-style-type: none"> (i) the Power of Attorney; and (ii) the Declaration of Trust. <p>In the event that the Transfer is presented for registration with the Land Office but is rejected and/or not registered in the name of Pavilion REIT for any reason whatsoever and such rejection and/or non-registration cannot be rectified by the parties, the parties hereby agree and confirm that: -</p> <ul style="list-style-type: none"> (i) Pavilion REIT is the appointed attorney of Regal Path to deal with the Property as if Pavilion REIT is holding the legal title to the Property; (ii) Regal Path will hold the legal title to the Property as bare trustee for and on behalf of Pavilion REIT; (iii) Regal Path will do or cause to be done all things to ensure that Pavilion REIT's rights, title, interest and benefits in and to the Property are protected at all times; (iv) Regal Path will do all such acts and things as may be required by Pavilion REIT in order that Pavilion REIT may fully and effectively deal with the Property and to give effect to any such dealings by Pavilion REIT in its capacity as the sole unencumbered beneficial owner save for any encumbrance in favour of the Chargee, if any; (v) Regal Path will not act in any manner so as to jeopardise Pavilion REIT's rights, title, interest and benefits in and to the Property; and (vi) Pavilion REIT shall be entitled to lodge a trust caveat on the Strata Titles to protect its rights, title, interest and benefits in and to the Property. 	<p>Fair and reasonable. With effect from the Completion Date, Pavilion REIT shall be the beneficial owner of the Property and becomes entitled to all rights, title, interest, benefits and claim in and to the Property.</p> <p>This clause protects the rights, title, interest and benefits of Pavilion REIT in and to the Property in the event that the Transfer cannot be registered in the name of Pavilion REIT. In such an event, Regal Path will hold the legal title to the Property as bare trustee for and on behalf of Pavilion REIT and Pavilion REIT is able to deal with the Property as if Pavilion REIT is holding the legal title to the Property.</p>

Salient terms of the SPA	Our commentaries
<p>(8) Private caveat</p> <p>Pending the issuance of the Strata Titles, Pavilion REIT and the Chargee shall be entitled to lodge their private caveats respectively against the Land at any time hereafter, including after completion of the SPA, to protect their interest in the Property.</p> <p>Pavilion REIT shall provide its letter of consent to the appropriate authority or withdraw the caveat lodged by Pavilion REIT to facilitate Regal Path's application for the subdivision of the Land for the issuance of the Strata Titles.</p> <p>Pavilion REIT agrees that it shall at its own cost and expense withdraw any private caveat that it has lodged and procure the withdrawal of any private caveat lodged by the Chargee against the Land to protect its interest in the Property if the SPA is terminated in accordance with the terms and conditions of the SPA.</p>	<p>Fair and reasonable. This clause allows Pavilion REIT and the Chargee to lodge their respective private caveats against the Land to protect their interest in the Property arising from the Proposed Acquisition, pending the issuance of the Strata Titles.</p>
<p>(9) Defects rectification</p> <p>Regal Path shall, at its own costs and expenses, within the Defects Rectification Period complete all required work in relation to the defects as may be notified by Pavilion REIT to Regal Path, in writing, prior to the execution of the SPA and at any time after the execution of SPA up to (and inclusive of) the 14th day after the Completion Date ("Existing Defects"), to Pavilion REIT's reasonable satisfaction.</p> <p>If at any time prior to the expiry of the Defects Rectification Period, Regal Path has completed the rectification of all the Existing Defects to Pavilion REIT's reasonable satisfaction, Pavilion REIT shall pay to Regal Path the Defects Rectification Payment within 45 days from the date of completion of such rectification.</p> <p>However, if Regal Path is unable to complete the rectification of all the Existing Defects by the expiry of the Defects Rectification Period to Pavilion REIT's reasonable satisfaction, Regal Path shall inform Pavilion REIT (in writing) the status of the remedial work in relation to the Existing Defects ("Existing Defects Status Report") within 14 days after the expiry of the Defects Rectification Period.</p>	<p>Fair and reasonable. As an assurance against the performance of Regal Path in respect of the rectification of all the Existing Defects to Pavilion REIT's reasonable satisfaction ("Defects Rectification"), a portion of the Purchase Consideration i.e. the Defects Rectification Payment of RM50 million is withheld by Pavilion REIT and will only be paid to Regal Path within forty-five (45) days from the date of completion of such rectification.</p> <p>The following summarises the manner in which the Defects Rectification Payment of RM50 million shall be dealt with: -</p> <p>(i) <u>If the Defects Rectification is completed within the Defects Rectification Period (i.e. six (6) months from the Completion Date)</u></p> <p>The entire Defects Rectification Payment of RM50 million shall be paid to Regal Path within forty-five (45) days from the date of completion of Defects Rectification.</p>

Salient terms of the SPA	Our commentaries
<p>The parties shall mutually agree and appoint a quantity surveyor (“Independent QS”), at the costs to be shared equally by the parties, to assess the costs required to complete the remaining outstanding Existing Defects and the findings of the Independent QS shall be final and binding against the parties. Pavilion REIT shall be entitled to retain from the Defects Rectification Payment a sum of RM10 million or the aggregate amount of the costs assessed by the Independent QS, whichever is higher (“Defects Retention Sum”). The balance of the Defects Rectification Payment (after deducting the Defects Retention Sum) will be paid by Pavilion REIT within 45 days from the date of Pavilion REIT’s receipt of the report from the Independent QS.</p> <p>Thereafter, if Regal Path is unable to complete the rectification of all the Existing Defects by the expiry of the period of 24 months from the Completion Date (“Final Defects Rectification Period”), Regal Path shall inform Pavilion REIT (in writing) and provide the Existing Defects Status Report within 14 days after the expiry of the Final Defects Rectification Period. Pavilion REIT shall be entitled to deduct from the Defects Retention Sum, the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the Independent QS. The balance of the Defects Retention Sum (after deducting the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the Independent QS), if any, will be released to Regal Path and thereafter Regal Path shall no longer be liable for the remaining outstanding Existing Defects.</p>	<p>(ii) <u>If the Defects Rectification is not completed within the Defects Rectification Period (i.e. six (6) months from the Completion Date)</u></p> <p>The balance of the Defects Rectification Payment (after deducting the Defects Retention Sum, which is the higher of (a) RM10 million or (b) the aggregate amount of the costs required to complete the remaining outstanding Existing Defects as assessed by the Independent QS) shall be paid to Regal Path within forty-five (45) days from the date of Pavilion REIT’s receipt of the report from the Independent QS.</p> <p>(iii) <u>if the Defects Rectification is not completed within the Final Defects Rectification Period (i.e. twenty-four (24) months from the Completion Date)</u></p> <p>The balance of the Defects Retention Sum (after deducting the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the Independent QS) shall be paid to Regal Path and thereafter Regal Path shall no longer be liable for the remaining outstanding Existing Defects.</p> <p>Please refer to Section 3.2.2 of this IAL for our further commentaries on the Defects Rectification Payment.</p>
<p>(10) Warranties</p> <p>Under the SPA, Regal Path warrants and represents, among others, that: -</p> <p>(i) Regal Path is the sole legal and beneficial owner of the Land and the Property;</p> <p>(ii) Regal Path has the requisite capacity, power and authority to enter into and perform the SPA and any other documents or agreements to be entered into in accordance with the SPA;</p> <p>(iii) Regal Path is not prohibited or prevented (whether contractually or otherwise) from entering into the SPA to dispose of the Property to Pavilion REIT and for the effective transfer of the Property to Pavilion REIT;</p>	<p>Fair and reasonable. This clause is a normal commercial term typical to transactions of such nature.</p>

Salient terms of the SPA	Our commentaries
<p>(iv) save for the Existing Securities as disclosed in the SPA, the Property is free from all encumbrances and any adverse claims. Regal Path has not created and will not create any encumbrances over the Property and/or dealt with the same in any manner whatsoever;</p> <p>(v) Regal Path has observed and complied with all laws, by-laws, rules and regulations affecting the Land and the Property and all conditions of title, covenants, restrictions in interest and category of land use, whether express or implied, in respect of the Land and the Property;</p> <p>(vi) on the Completion Date, the Property shall be in the same state and condition as at the date of the SPA, fair wear and tear excepted;</p> <p>(vii) the Property has been constructed and completed in good and workmanlike manner in accordance with all laws, by-laws, approvals, rules and regulations of the appropriate authorities and the CCC in respect of the Property has been issued by the appropriate authorities;</p> <p>(viii) the tenancy agreements in relation to PBJ Mall and the guarantees provided in connection thereto constitute valid and legally binding obligations between the parties thereto and are in full force and effect; and</p> <p>(ix) there are no pending suits, legal proceedings, arbitrations and/or claims against Regal Path or in respect of the Property which may affect in any way Regal Path's title to or its right to dispose of the Property and Regal Path has no knowledge of any circumstances that have occurred or may occur that may result in such suits, legal proceedings, arbitrations and/or claims being taken against Regal Path or in respect of the Property.</p>	<p>Please refer to our commentaries above.</p>

Salient terms of the SPA	Our commentaries
<p>(11) PIAZZA MAINTENANCE AGREEMENT</p> <p>The following are the proposed salient terms of the Piazza Maintenance Agreement as at the LPD. The terms of the Piazza Maintenance Agreement are subject to the comments and agreement of DBKL.</p> <p>(i) Effective Date</p> <p>The Piazza Maintenance Agreement shall take effect from the date Pavilion REIT becomes the owner of PBJ Mall ("Effective Date").</p> <p>(ii) Maintenance and Open for Public Use</p> <p>(a) Pavilion REIT shall, in perpetuity, at its own costs and expense upkeep and maintain the Piazza in good and proper condition.</p> <p>(b) It is a condition of the developmental approval that the Piazza shall:</p> <p>(A) be fully maintained by and at the sole costs and expense of the owner of PBJ Mall; and</p> <p>(B) be open for public use;</p> <p>("Piazza Conditions").</p> <p>(iii) Payment to DBKL</p> <p>Pavilion REIT shall pay a monthly sum of RM1,000.00 to DBKL, which shall be paid no later than the 7th day of each calendar month, whether demanded or not by DBKL.</p> <p>(iv) Pavilion REIT's Rights and Obligations</p> <p>(a) On and from the Effective Date, Pavilion REIT shall at its own costs and expense upkeep and maintain the Piazza: -</p> <p>(aa) in a proper manner in accordance with good management and industry practice;</p>	<p>Fair and reasonable. This clause sets out the proposed salient terms of the Piazza Maintenance Agreement as at the LPD, which are subject to comments and agreement of DBKL. As set out in Section 2.1.3(i), Part A of the Circular, the Piazza Maintenance Agreement is necessary to ensure that Pavilion REIT is in compliance with the conditions set out in the development order in respect of PBJ Mall, being (i) that the Piazza must be fully maintained by and at the sole costs and expense of the owner of the Piazza; and (ii) that the Piazza must be open for public use. The proposed monthly sum payable to DBKL is a nominal amount of RM1,000.</p>

Salient terms of the SPA	Our commentaries
<p>(bb) in strict compliance with all applicable laws, rules and regulations of all authorities having jurisdiction over the Piazza; and</p> <p>(cc) in conformity to all directions as reasonably and legally directed by DBKL, where appropriate.</p> <p>(b) All costs, charges, or expenses incurred by Pavilion REIT in complying with the Piazza Conditions as well as incidental cost, charges or expenses shall be borne solely by Pavilion REIT.</p> <p>(c) Pavilion REIT shall have the exclusive right in appointing maintenance personnel / contractors for the purposes of upkeep and maintenance of the Piazza and all cost and expenses incurred in the appointment, management or termination of the said maintenance personnel / contractors shall be borne by Pavilion REIT.</p> <p>(v) Indemnity</p> <p>(a) Pavilion REIT shall perform all of its duties and obligations under the Piazza Maintenance Agreement at its own risk, to the fullest extent permitted by the law, and shall indemnify and keep DBKL and their agents and servants indemnified from and against all claims and demands of every kind resulting from any accident, damage, injury or death arising out of, or in the course of, or by reason of the Piazza Maintenance Agreement and DBKL shall have no responsibility or liability whatsoever in relation to such accident, damage, injury or death except if caused by DBKL's negligence, breach of its statutory duty and/or breach of common law.</p> <p>(b) Pavilion REIT shall indemnify and keep DBKL fully indemnified from and against all actions, suits, claims or demands, proceedings, losses, damages, compensation, costs (including legal cost), charges and expenses whatsoever to which DBKL shall or may become liable in respect of or arising from: -</p> <p>(A) the negligent use, misuse or abuse by Pavilion REIT, its personnel, servants, agents or employees appointed by Pavilion REIT in carrying out its duties and obligations under the Piazza Maintenance Agreement;</p>	<p>Please refer to our commentaries above.</p>

Salient terms of the SPA	Our commentaries
<p>(B) any loss or damage to property or injury whatsoever in nature and kind and howsoever or wherever sustained or caused or contributed to by the carrying out its duties and obligations by Pavilion REIT to any person; or</p> <p>(C) any loss, damage or injury from any cause whatsoever to property or persons affected by the performance of Pavilion REIT of its duties and obligations under the Piazza Maintenance Agreement to the extent to which the same is occasioned or contributed to by the act, omission, negligence, breach or default of Pavilion REIT or its personnel, servants, agents or employees.</p> <p>(vi) Others</p> <p>As at the date of the Piazza Maintenance Agreement, the Strata Titles have yet to be issued by the relevant land authority. The Piazza will be an accessory parcel to the Strata Titles once issued.</p>	<p>Please refer to our commentaries above.</p>

Our commentaries: -

Based on the above, we are of the view that the salient terms of the SPA are fair and reasonable and not detrimental to the interests of the non-interested Unitholders.

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3.4 Effects of the Proposals

We noted the pro forma effects of the Proposals from Section 6, Part A of the Circular, which are illustrated based on two (2) scenarios as follows: -

(i) Scenario 1: With the Proposed Placements

The Proposed Placements will be undertaken to raise the full amounts of the targeted Tranche 1 Placement Sum and Tranche 2 Placement Sum and no Consideration Units will be issued to Regal Path.

(ii) Scenario 2: Without the Proposed Placements

The Proposed Placements will not be undertaken and the full amount of the Consideration Units will be issued to Regal Path to partly settle the Purchase Consideration.

The illustration of the pro forma effects of the Proposals after taking into account the assumed parameters as set out in Scenario 1 and Scenario 2 are as follows: -

	Scenario 1: With the Proposed Placements	Scenario 2: Without the Proposed Placements
Number of new Units to be issued	1,270,000,000	600,000,000
	Placement Units	Consideration Units
Illustrative issue price of the new Units	RM1.00	RM1.00
Size of issuance	RM1,270 million	RM600 million
New borrowings to be raised	RM1,000 million	RM1,634 million
Total funds to be raised to fund the Proposed Acquisition and Estimated Expenses	RM2,270 million	RM2,233 million

3.4.1 Unitholders' capital

As set out in Section 6.1, Part A of the Circular, the pro forma effects of the Proposals on the Unitholders' capital based on the assumed parameters as set out in Scenario 1 and Scenario 2 are as follows: -

	Scenario 1: With the Proposed Placements		Scenario 2: Without the Proposed Placements	
	Number of Units	RM	Number of Units	RM
As at the LPD	3,058,756,453	2,742,530,318	3,058,756,453	2,742,530,318
Units to be issued	1,270,000,000	1,270,000,000	600,000,000	600,000,000
Estimated Expenses	-	(38,100,000)	-	(1,800,000)
Enlarged Unitholders' capital	4,328,756,453	3,974,430,318	3,658,756,453	3,340,730,318

Scenario 1: With the Proposed Placements

Under Scenario 1, a total of 1,270,000,000 Placement Units will be issued at an illustrative issue price of RM1.00 each to raise funds for the Purchase Consideration and Estimated Expenses. Accordingly, this will result in an increase in the Unitholders' capital by RM1,231.90 million (*after offsetting the Estimated Expenses in relation to the placement of new Units of approximately RM38.10 million*).

Scenario 2: Without the Proposed Placements

Under Scenario 2, a total of 600,000,000 Consideration Units will be issued to Regal Path at an illustrative issue price of RM1.00 each to partly settle the Purchase Consideration. Accordingly, this will result in an increase in the Unitholders' capital by RM598.20 million (*after offsetting the Estimated Expenses in relation to the issuance of the Consideration Units of approximately RM1.80 million*).

3.4.2 Substantial Unitholders' unitholdings

As set out in Section 6.2, Part A of the Circular, the pro forma effects of the Proposals on the unitholdings of the substantial Unitholders and the public unitholding spread based on the assumed parameters as set out in Scenario 1 and Scenario 2 are as follows: -

	As at the LPD			Scenario 1: With the Proposed Placements			Scenario 2: Without the Proposed Placements			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	Number of Units	%	Number of Units	%	Number of Units	%	Number of Units	%	Number of Units	%
QH	1,008,900,000	33.0	-	-	1,008,900,000	23.3	-	1,008,900,000	27.6	-
TSLS	845,425,000	27.6	-	-	845,425,000	19.5	-	845,425,000	23.1	600,000,000 ⁽¹⁾
PSTKY	281,875,000	9.2	-	-	281,875,000	6.5	-	281,875,000	7.7	600,000,000 ⁽¹⁾
EPF	303,715,003	9.9	-	-	644,715,003	14.9	-	303,715,003	8.3	-
KWAP	184,482,300	6.0	-	-	184,482,300	4.3	-	184,482,300	5.0	-
Regal Path	-	-	-	-	-	-	-	600,000,000	16.4	-
Public	922,256,453	30.2	-	-	2,192,256,453	50.6	-	922,256,453	25.2	-

Note: -

(1) Deemed interested by virtue of his/her indirect shareholdings in Regal Path pursuant to Section 4 of the CMSA.

Scenario 1: With the Proposed Placements

Under Scenario 1, the existing unitholdings of all the Unitholders will be proportionately diluted by the issuance of 1,270,000,000 Placement Units. In the event that EPF and/or KWAP, both currently substantial Unitholders, participates in the Proposed Placements, their respective unitholdings in Pavilion REIT will increase accordingly by such number of Placement Units subscribed for.

Scenario 2: Without the Proposed Placements

Under Scenario 2, Regal Path will emerge as a new substantial Unitholder following the issuance of 600,000,000 Consideration Units. On the other hand, the existing unitholdings of all the Unitholders will be proportionately diluted by the issuance of the Consideration Units.

Notwithstanding that the issuance of the Placement Units (if the Proposed Placements are undertaken) and/or Consideration Units (if the Proposed Placements are not undertaken) may have an immediate dilutive impact on the Unitholders' unitholdings, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of Pavilion REIT. Hence, the issuance of Placement Units and/or Consideration Units for the settlement of the Purchase Consideration is not detrimental to the interests of the non-interested Unitholders.

3.4.3 Earnings, EPU and DPU

The Proposals are expected to contribute positively to the earnings of Pavilion REIT taking into account the NPI contribution from PBJ Mall. Notwithstanding that Pavilion REIT will only settle part of the Purchase Consideration on the Completion Date (*i.e. Completion Date Payment*), Pavilion REIT will recognise 100.0% of the NPI contribution from PBJ Mall from the Completion Date. Thereafter, the potential effects of the Proposals on Pavilion REIT's earnings, EPU and DPU will depend on, amongst others, the actual NPI contribution of PBJ Mall to Pavilion REIT for the relevant period, timing and manner of settlement of the Balance Consideration which in turn depends on prevailing market conditions and investors' interest, number of new Units to be issued as well as costs of financing for borrowings. Nevertheless, the Proposals are expected to contribute positively to the future earnings and distributions of Pavilion REIT.

As set out in Section 6.3, Part A of the Circular which is for illustrative purposes only, assuming that the Proposals were completed on 1 January 2022 and based on the assumed parameters stated therein, the pro forma effects of the Proposals on the distributable income and DPU of Pavilion REIT for the FYE 31 December 2022 are as follows: -

	Audited FYE 31 December 2022	Scenario 1: With the Proposed Placements	Scenario 2: Without the Proposed Placements
Distributable income (RM'000)	255,811	255,811	255,811
Add: Annual incremental net distributable income (RM'000)	-	84,920	53,235
Pro forma distributable income (RM'000)	255,811	340,731	309,046
Number of Units in issue ('000)	3,055,722	4,325,722	3,655,722
DPU (sen)	8.37	7.88	8.45

3.4.4 NAV per Unit and gearing

As set out in Section 6.4, Part A of the Circular, the pro forma effects of the Proposals on the NAV per Unit and gearing of Pavilion REIT based on the assumed parameters as set out in Scenario 1 and Scenario 2 and audited statements of financial position of Pavilion REIT as at 31 December 2022 are as follows: -

	Audited as at 31 December 2022	Scenario 1: With the Proposed Placements	Scenario 2: Without the Proposed Placements
NAV (RM'000)	4,060,007	5,254,719	4,621,019
Number of Units in issue ('000)	3,055,722	4,325,722	3,655,722
NAV per Unit (RM)			
- Before income distribution	1.3287	1.2148	1.2641
- After income distribution	1.2858	1.1845	1.2282
Total borrowings (RM'000)	2,194,039	3,192,039	3,824,472
Total asset value (RM'000)	6,483,176	8,675,888	8,674,620
Gearing (%)	33.8	36.8	44.1

Scenario 1: With the Proposed Placements

Under Scenario 1, the NAV of Pavilion REIT will increase by a net amount of RM1,194.7 million, mainly attributable to the issuance of 1,270,000,000 Placement Units at an illustrative issue price of RM1.00 each to raise funds for the Purchase Consideration and Estimated Expenses. The increase is offset by the Estimated Expenses in relation to the placement of new Units of approximately RM38.1 million and accretion of interest expense of approximately RM37.2 million, computed as the difference between the Final Balance Payment and the present value of the Final Balance Payment assuming a discount rate of 5.0% (*being the estimated finance cost*) over a period of 2 years. Arising from the issuance of Placement Units and recognition of the said Estimated Expenses and accretion of interest expense, the NAV per unit (*after income distribution*) will decrease slightly from RM1.2858 as at 31 December 2022 to RM1.1845.

The new borrowings to be secured (*net of estimated upfront cost associated with the borrowings*) will result in the gearing of Pavilion REIT increasing from 33.8% to 36.8%.

Scenario 2: Without the Proposed Placements

Under Scenario 2, the NAV of Pavilion REIT will increase by a net amount of RM561.0 million, mainly attributable to the issuance of 600,000,000 Consideration Units to Regal Path at an illustrative issue price of RM1.00 each to partly settle the Purchase Consideration. The increase is offset by the Estimated Expenses in relation to the issuance of the Consideration Units of approximately RM1.80 million and accretion of interest expense of approximately RM37.2 million, computed as the difference between the Final Balance Payment and the present value of the Final Balance Payment assuming a discount rate of 5.0% (*being the estimated finance cost*) over a period of 2 years. Arising from the issuance of the Consideration Units and recognition of the said Estimated Expenses and accretion of interest expense, the NAV per unit (*after income distribution*) will decrease slightly from RM1.2858 as at 31 December 2022 to RM1.2282.

The new borrowings to be secured (*net of estimated upfront cost associated with the borrowings*) will result in the gearing of Pavilion REIT increasing from 33.8% to 44.1%.

Notwithstanding the marginal decrease in NAV per Unit of Pavilion REIT in both scenarios, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of Pavilion REIT, supported by amongst others the strategic location of PBJ Mall. In addition, taking into consideration the prospects of PBJ Mall as set out in Section 3.5 of this IAL, any future appreciation in the market value of PBJ Mall will enhance the NAV and NAV per Unit of Pavilion REIT and lower the gearing of Pavilion REIT.

For information purposes, the increased gearing in both scenarios is still within the threshold as prescribed or permitted under Paragraph 8.32 of the Listed REIT Guidelines i.e. the total borrowings of Pavilion REIT must not exceed 50% of its total asset value at the time the borrowings are incurred.

3.4.5 Convertible securities

As at the LPD, Pavilion REIT does not have any convertible securities in issue.

Based on our evaluation above, the overall effects of the Proposed Acquisition are not detrimental to the interests of the non-interested Unitholders.

3.5 Prospects of the retail industry as well as PBJ Mall and Pavilion REIT

Although the retail industry was adversely affected by the Covid-19 pandemic in the recent years, the resumption of economic activities since April 2022 with full upliftment of containment measures and reopening of international borders are expected to bode well for consumer spending, supported by improvement in labour market conditions with higher employment and income growth which lead to higher consumers' disposable income.

The services sector grew by 10.9% in 2022, mainly supported by the wholesale and retail trade; transportation and storage; as well as real estate and business services subsectors. The performance was attributed to the upswing in tourism-related activities following the reopening of international borders, increased consumer spending, higher adoption of digitalisation across all sectors as well as improved demand for professional services. The wholesale and retail trade subsector recorded a growth of 13.5% in 2022, supported by strong performance in all segments following an increase in household spending mainly attributed to improvement in the labour market. The retail trade segment recorded a significant growth of 18.3% mainly led by retail sale in non-specialised stores and retail sale of other goods in specialised stores. This corresponded with the encouraging trend in tourism spending activities. The services sector is projected to expand by 5.3% in 2023, driven by domestic demand amid moderate global activities. The growth will continue to be buoyed by wholesale and retail trade; transportation and storage; information and communication; food & beverages and accommodation; and finance and insurance subsectors. The wholesale and retail trade subsector is expected to grow and will remain as the key subsector, following greater usage of e-commerce and rapid transition to digitalisation. The expansion of online transaction is in line with the aim towards creating a cashless society ecosystem. *(Source: Updates on Economic and Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance Malaysia)*

Based on the Malaysian Institute of Economic Research, the Consumer Sentiments Index for the fourth quarter of 2022 has risen to 105.3, an increase of 6.9 points compared to third quarter of 2022 and 8.1 points compared to fourth quarter of 2021. Compared to third quarter of 2022, customer sentiments have improved due to expected increases in income and job opportunities and the expected decreases in inflation among consumers. *(Source: Malaysian Institute of Economic Research)*

PBJ Mall is expected to be an attractive addition to Pavilion REIT's portfolio of investment properties, given PBJ Mall's ease of accessibility and great connectivity as well as its strategic location within the integrated development of Bukit Jalil City, which in turn is within the larger township of Bukit Jalil. Other than being surrounded by mature and well-established neighbourhoods, Kuala Lumpur Sports City and Technology Park Malaysia are some of the existing key landmarks in the surrounding area. Future / upcoming developments in the vicinity include AI Park @ TPM 3, KL Wellness City, W City @ OUG and Hyatt Place Hotel. These developments are expected to draw more population and spur retail and commercial activities in the vicinity of Bukit Jalil City.

Bukit Jalil City is a fifty (50)-acre commercial integrated development comprising a retail mall, residential developments and shop-offices. There are synergistic effects between the different components within the mixed-use development, which augur well for the overall development as there will be a ready captive market from high-rise residential occupiers for the retail activities and *vice versa*, the proximity of retail and commercial amenities provides convenience to occupiers of the development.

Further, upon completion of the Proposed Acquisition, Pavilion REIT will be granted a non-transferable and royalty free licence to use the trademark “Pavilion Bukit Jalil” in relation to the business and operations of PBJ Mall including marketing and promotional activities. This will enable PBJ Mall to continue leveraging on the distinguished “Pavilion” brand, allowing Pavilion REIT to benefit from potential synergies such as concerted efforts in its marketing and promotional plans for the Pavilion malls as well as cross-selling of PBJ Mall’s vacant retail units / spaces to existing tenants of Pavilion Kuala Lumpur Mall.

In view of the above as well as PBJ Mall’s functionality, various event space offerings and retail planning that focus on entertainment and food and beverages, PBJ Mall is well positioned to attract both shoppers and tenants and achieve the desired occupancy level and positive rental reversions as well as potentially benefit from any appreciation in market value of PBJ Mall in the future. Hence, the Proposed Acquisition is expected to contribute positively to Pavilion REIT.

The Manager expects retail sales to normalise as consumers continue to be cautious in their spending due to uncertainties in the domestic and global economy stemming from inflationary pressures, rising cost of living and projected slowdown in the international economy. Despite these challenges, it is expected that domestic demand will anchor the economy amid a steady recovery in the labour market as well as further strengthening of tourism-related sectors leading to improvement in business environment and an increase in corporate earnings.

We also noted from the Manager that Pavilion REIT’s retail malls will continue to elevate its retail mix, create immersive experiences and encourage shoppers’ interaction. Through festive and themed campaigns, international collaborations, first-in-Malaysia experiences, stronger tenant partnerships, celebrity appearances as well as rewards to shoppers, the retail malls of Pavilion REIT will be able to reinvigorate a passion for shopping, dining and leisure for visitors.

In view of the above, we view the long-term prospects of the retail industry as well as PBJ Mall and Pavilion REIT to be favourable.

3.6 Risk factors in relation to the Proposed Acquisition

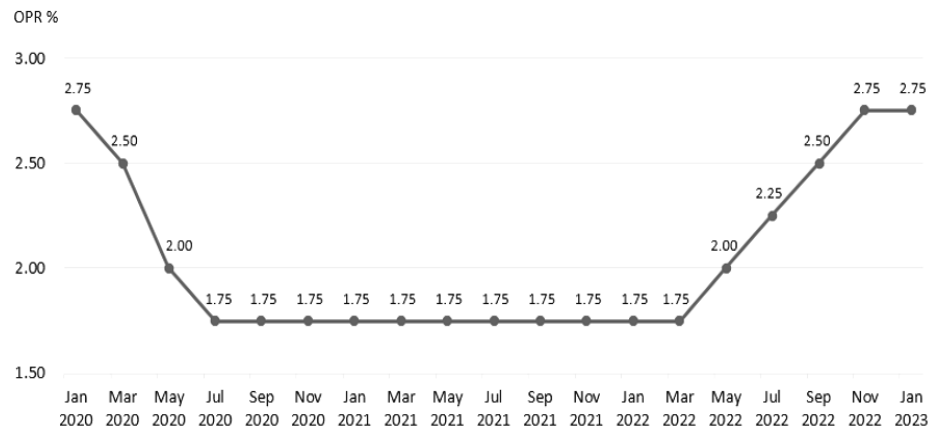
In considering the Proposed Acquisition, the non-interested Unitholders are advised to give careful consideration to the risk factors as set out in Section 5, Part A of the Circular.

We wish to highlight some of the risk factors in relation to the Proposed Acquisition to the non-interested Unitholders as follows: -

- (i) financing risk – As the Proposed Acquisition is intended to be partly funded via borrowings, this will result in new interest and principal servicing obligations to Pavilion REIT. As set out in Section 6.4, Part A of the Circular, the new borrowings to be secured (*net of estimated upfront cost associated with the borrowings*) will increase the pro forma total borrowings of Pavilion REIT from RM2,194 million (gearing 33.8%) as at 31 December 2022 to RM3,192 million (gearing 36.8%) in Scenario 1 and RM3,824 million (gearing 44.1%) in Scenario 2.

There can be no assurance that the necessary financing will be available in amounts or on terms and conditions acceptable to Pavilion REIT. In addition, Pavilion REIT could potentially be exposed to fluctuation in interest rates on the financing obtained, leading to higher borrowing costs that may adversely affect Pavilion REIT’s cash flows and financial performance, which may in turn affect the distributions to the Unitholders.

Amid the rising global inflationary pressures, Bank Negara Malaysia has recently increased the OPR by twenty-five (25) basis points to 2.75% on 3 November 2022. Below sets out the OPR since January 2020 (*before Covid-19*) until January 2023: -



For illustrative purposes only, assuming that the new borrowings to be secured to partly settle the Purchase Consideration are based on floating rate, a change of twenty-five (25) basis points in interest rate will result in the following pre-tax increase / (decrease) in annual borrowing costs: -

	Increase of 25 basis points (RM million)	Decrease of 25 basis points (RM million)
Increase / (Decrease) in annual borrowing costs		
• Scenario 1 (Borrowings of RM1,000 million)	2.50	(2.50)
• Scenario 2 (Borrowings of RM1,634 million)	4.09	(4.09)

Notwithstanding the above, Pavilion REIT will actively monitor its debt portfolio, which includes gearing level, interest costs as well as cash flows to ensure that its debt portfolio remains at a sustainable and optimal level. Further, we noted that in managing interest rate risk, it is part of the Manager's risk management policies to closely monitor interest rates and where appropriate, utilise swap instruments to manage the debt portfolio of Pavilion REIT between fixed and floating rates.

- (ii) delays in the issuance and transfer of the Strata Titles – As at the LPD, the Strata Titles have not been issued by the Land Office and Regal Path has undertaken, at its own costs and expenses, to apply for subdivision of the Land and obtain the Strata Titles by 31 December 2023 or such other extended period as may be agreed between Pavilion REIT and Regal Path. A delay in the process will result in a delay in the registration of Transfer in favour of the Trustee as the registered and legal owner of PBJ Mall for and on behalf of Pavilion REIT.

Nevertheless, pending the issuance and transfer of Strata Titles, Regal Path has agreed that it shall hold the legal title to the Property as bare trustee for and on behalf of Pavilion REIT and grant to Pavilion REIT the power to deal with the legal title to the Property upon the completion of the Proposed Acquisition.

As an assurance against the performance of Regal Path in respect of the Strata Titles and registration of Transfer in favour of Pavilion REIT, a portion of the Purchase Consideration i.e. the Strata Title Payment of RM100 million will only be paid to Regal Path within thirty (30) days from the receipt of all the Strata Title Documents.

- (iii) competition risk – PBJ Mall may be affected by increased competition from other retail properties whereby the increase in supply of shopping malls could potentially lead to loss of key tenants or a significant number of tenants, non-renewal of tenancies following expiry or renewal of tenancies at less favourable rates and/or non-collection of rental.

Based on the Property Market Report First Half 2022 issued by the Valuation and Property Services Department, Ministry of Finance Malaysia: -

- (a) The performance of shopping complex continued to be moderate in first half of 2022, with the national occupancy rate saw a slight decline at 75.7% as compared to second half of 2021 (76.3%). There were 17.36 million square metres of existing retail space recorded, increased from 16.93 million square metres as recorded in first half of 2021. Wilayah Persekutuan Kuala Lumpur and Selangor recorded 81.6% and 77.7% occupancy rate respectively; and
- (b) Selangor dominated the incoming supply of shopping complex at 31.1% (484,488 square metres), followed by Wilayah Persekutuan Kuala Lumpur at 29.1% (453,926 square metres) and Pulau Pinang at 12.2% (190,552 square metres) in planned supply.

The scheduled completion / opening of the following five (5) retail centres / components in Kuala Lumpur by 2023 will add approximately 3.5 million sq ft of space to the existing retail stock: -

<u>Shopping Centre / Retail Component</u>	<u>Location</u>	<u>Estimated NLA (sq ft)</u>
The Exchange TRX	Tun Razak Exchange	1,300,000
Retail component at Lot 91 @ KLCC	Kuala Lumpur city centre	73,000
Retail component at 8 Conlay	Kuala Lumpur city centre	120,000
118 Mall	Kuala Lumpur city centre	850,000
Pavilion Damansara Heights	Damansara Heights	1,170,000
Total		<u>3,513,000</u>

(Source: Valuation Report)

Taking into consideration, amongst others, the strategic location, current occupancy and retail planning of PBJ Mall coupled with the reputable "Pavilion" brand, the competition risk arising from other existing shopping malls and new entrants to the industry may be mitigated.

- (iv) property investment risk – The returns from the Proposed Acquisition may also be adversely affected by factors such as (a) unpredictable business interruptions and additional expenses on repairs and rectifications of defects, (b) natural disasters such as fire, flood and earthquakes, disease outbreaks, epidemics and pandemics, (c) changes in laws and regulations and (d) unfavourable general economic environment due to, amongst others, inflationary pressures, high interest rate environment and weak labour market, which will result in low consumer spending.

In view that Pavilion REIT's current portfolio mainly consists of retail properties situated within Klang Valley, the proposed addition of PBJ Mall to Pavilion REIT's portfolio will not significantly change the business risk profile of Pavilion REIT upon completion of the Proposed Acquisition as Pavilion REIT is already currently subjected to such risks inherent in the retail property market.

4. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition after taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposed Acquisition based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the Unitholders in relation to the Proposals, as set out in Part A of the Circular before voting on the ordinary resolution to give effect to the Proposed Acquisition at the forthcoming Unitholders' Meeting.

Premised on our evaluation of the Proposed Acquisition in Section 3 of this IAL, we are of the view that, on the basis of the information available to us, the Proposed Acquisition is **fair and reasonable** and **not detrimental** to the interests of the non-interested Unitholders.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

Yours faithfully,
For and on behalf of
MALACCA SECURITIES SDN BHD

TAN KOK TIAM
Head
Corporate Finance

TAN POH LIN
Senior Vice President
Corporate Finance

SALIENT TERMS OF THE SPA

1. SALE AND PURCHASE

Regal Path has agreed to sell the Property to Pavilion REIT and Pavilion REIT has agreed to purchase the Property from Regal Path, free from the existing encumbrances on the Land Title (save where expressly provided otherwise under the SPA), the Existing Securities affecting the Property and all other encumbrances subject to the terms and conditions contained in the SPA.

2. COMPLETION

Subject to the satisfaction or waiver of the Conditions Precedent and the performance of all Regal Path's obligations including the delivery of completion documents as set out in the SPA, completion shall take place on the Completion Date and Pavilion REIT shall settle the payment of the Purchase Consideration in accordance with the terms and timeline prescribed in the SPA in simultaneous exchange of the vacant possession of the Property.

Regal Path agrees and acknowledges, among others, that, with effect from the Completion Date:

- (i) Pavilion REIT shall be the beneficial owner of the Property and become entitled to and Regal Path is deemed to have absolutely transferred and assigned to Pavilion REIT all of Regal Path's rights, title, interest, benefits and claim in and to the Property;
- (ii) Pavilion REIT shall be entitled to all rights, title, interest and benefits in and to and shall have full enjoyment of the common property and all such facilities and/or services provided by the joint management body and/or the management corporation (as the case may be), the facilities/services providers and/or appropriate authorities to the Property which are not assigned to Pavilion REIT;
- (iii) Pavilion REIT shall become entitled to and Regal Path is deemed to have absolutely transferred and assigned to Pavilion REIT all of Regal Path's rights, title, interest and benefits in and to the tenancy agreements, contracts, the insurance contracts, the link bridge agreements, and the warranties and guarantees in respect of the Assets and the Additional Assets, and Regal Path has absolutely no further rights, title, interest and benefits therein;
- (iv) Pavilion REIT shall become entitled to all the rights, title, interest and benefits in and to the electricity agreements, link bridges agreements, air space permits in respect of the link bridges, the retail and public installation licences of PBJ Mall; and
- (v) Regal Path shall not be entitled to and covenants not to deal with the Property in any manner whatsoever.

3. STRATA TITLES, TRANSFER AND OTHERS

Regal Path has undertaken, at its own cost and expense, to:

- (i) obtain the approval of the Director of Land and Mines of the Federal Territory of Kuala Lumpur in respect of the application for the subdivision of the Land for the issuance of the Strata Titles within 7 months from the Completion Date or such extended period as may be mutually agreed by the parties subject always to paragraph (ii) below;
- (ii) obtain the Strata Titles by 31 December 2023 or such other extended period as may be mutually agreed upon by the parties;
- (iii) within 10 days after the receipt by Regal Path of the Strata Titles:
 - (a) deliver to Pavilion REIT:
 - (A) the original Strata Titles;

SALIENT TERMS OF THE SPA (Cont'd)

- (B) the Transfer duly executed by Regal Path in favour of Pavilion REIT free from all encumbrances (other than those attributable to Pavilion REIT and/or the Chargee); and
 - (C) all such documents as may be required for presentation of the Transfer for registration at the Land Office;
- (b) execute and deliver to Pavilion REIT:
- (A) a declaration of trust relating to the Strata Titles in the form substantially similar to the Declaration of Trust; and
 - (B) a power of attorney relating to the Strata Titles in the form substantially similar to the Power of Attorney; and
- (iv) upon the issuance of the Strata Titles, obtain the written consent of the State Authority for the transfer of the Strata Titles in favour of Pavilion REIT and forward the original written consent to Pavilion REIT or its solicitors as soon as practicable upon Regal Path's receipt of the same.

4. FAILURE TO COMPLETE**4.1 Default by Pavilion REIT**

In the event that Pavilion REIT shall fail to pay the Completion Date Payment or any part thereof in accordance with the terms of the SPA, Regal Path shall be entitled to give notice in writing to Pavilion REIT requiring Pavilion REIT to remedy such default within 14 days from the date of Pavilion REIT's receipt of Regal Path's said notice or such extended date as Regal Path and Pavilion REIT may agree in writing.

In the event the default is not remedied within the said period, Regal Path shall be entitled at its absolute discretion to terminate the SPA by written notice to Pavilion REIT and Regal Path shall be entitled to a forfeiture sum equivalent to 1.0% of the Purchase Consideration as agreed liquidated damages. Upon such termination:

- (i) Regal Path shall within 14 days thereof refund or cause to be refunded (free of interest) to Pavilion REIT all sums paid by Pavilion REIT towards payment of the Completion Date Payment in cash less the agreed liquidated damages or if any part thereof is paid to Regal Path and/or its Authorised Nominee(s) in Consideration Units, such Consideration Units shall be cancelled in accordance with the Trust Deed and the applicable laws and requirement; and
- (ii) Pavilion REIT shall simultaneously in exchange of Regal Path's refund, re-deliver all documents delivered by Regal Path to Pavilion REIT pursuant to the SPA (if any and save for those submitted to the appropriate authorities) together with the withdrawal of private caveat form duly executed by Pavilion REIT (if Pavilion REIT has lodged a private caveat against the Land to protect its interest in the Property) and the requisite registration fees therefor,

and thereafter, no party shall have any further rights or obligations under the SPA save and except for any antecedent breach. For the avoidance of doubt, Regal Path shall not be entitled to terminate the SPA in the event that Pavilion REIT fails to pay the Balance Consideration or any part thereof and any unpaid Balance Consideration shall be enforceable against Pavilion REIT as a debt due to Regal Path.

4.2 Default by Regal Path

In the event that any of the following events shall occur, Pavilion REIT shall be entitled to give notice in writing to Regal Path requiring Regal Path to remedy such default within 14 days from the date of Regal Path's receipt of Pavilion REIT's said notice or such extended date as Pavilion REIT may agree in writing:

- (i) if Regal Path fails to complete the sale and purchase of the Property in accordance with the terms and conditions of the SPA or is in breach of any term or condition of the SPA or if it fails to perform or observe any undertaking, obligation or agreement expressed in the SPA;
- (ii) if a receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of Regal Path;
- (iii) if Regal Path is or becomes unable to pay its debts when they are due or become unable to pay its debts within the meaning of the Act or any other legislation regarding insolvency of the jurisdiction in which it carries on business;
- (iv) if Regal Path enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (v) if a resolution is passed or an application or order is made for the winding up or dissolution of Regal Path otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of Pavilion REIT;
- (vi) if Regal Path threatens to cease carrying on a substantial portion of its business; or
- (vii) if Regal Path commits any act or omits to do any act which results in the breach or non-fulfilment of any term or condition of any banking, finance or credit facility which has the effect of causing the events specified in (iv), (v) and/or (vi) to occur.

In the event the default is not remedied by Regal Path within the said period, Pavilion REIT shall be entitled at its absolute discretion to the remedy of specific performance of the SPA against Regal Path together with all damages or to terminate the SPA by written notice to Regal Path and Regal Path shall pay to Pavilion REIT a sum equivalent to 1.0% of the Purchase Consideration as agreed liquidated damages. Upon such termination:

- (i) Regal Path shall within 14 days thereof refund or cause to be refunded (free of interest) to Pavilion REIT all sums paid by Pavilion REIT towards payment of the Purchase Consideration in cash or if any part thereof is paid to Regal Path in Consideration Units, such Consideration Units shall be cancelled in accordance with the Trust Deed and the applicable laws and requirement; and
- (ii) Pavilion REIT shall simultaneously in exchange of Regal Path's refund, re-deliver all documents delivered by Regal Path to Pavilion REIT pursuant to the SPA (if any and save for those submitted to the appropriate authorities) together with the withdrawal of private caveat form duly executed by Pavilion REIT (if Pavilion REIT has lodged a private caveat against the Land to protect its interest in the Property) and the requisite registration fees therefor,

and thereafter, no party shall have any further rights or obligations under the SPA save and except for any antecedent breach.

SALIENT TERMS OF THE SPA (Cont'd)

5. NON-REGISTRATION OF TRANSFER

Regal Path shall, after the Unconditional Date but prior to the Completion Date, execute the following documents and deliver the same to Pavilion REIT's solicitors as stakeholder for Pavilion REIT's execution on the Completion Date:

- (i) the Power of Attorney; and
- (ii) the Declaration of Trust.

In the event that the Transfer is presented for registration with the Land Office but is rejected and/or not registered in the name of Pavilion REIT for any reason whatsoever and such rejection and/or non-registration cannot be rectified by the parties, the parties hereby agree and confirm that:

- (i) Pavilion REIT is the appointed attorney of Regal Path to deal with the Property as if Pavilion REIT is holding the legal title to the Property;
- (ii) Regal Path will hold the legal title to the Property as bare trustee for and on behalf of Pavilion REIT;
- (iii) Regal Path will do or cause to be done all things to ensure that Pavilion REIT's rights, title, interest and benefits in and to the Property are protected at all times;
- (iv) Regal Path will do all such acts and things as may be required by Pavilion REIT in order that Pavilion REIT may fully and effectively deal with the Property and to give effect to any such dealings by Pavilion REIT in its capacity as the sole unencumbered beneficial owner save for any encumbrance in favour of the Chargee, if any;
- (v) Regal Path will not act in any manner so as to jeopardise Pavilion REIT's rights, title, interest and benefits in and to the Property; and
- (vi) Pavilion REIT shall be entitled to lodge a trust caveat on the Strata Titles to protect its rights, title, interest and benefits in and to the Property.

6. PRIVATE CAVEAT

Pending the issuance of the Strata Titles, Pavilion REIT and the Chargee shall be entitled to lodge their private caveats respectively against the Land at any time hereafter, including after completion of the SPA, to protect their interest in the Property.

Pavilion REIT shall provide its letter of consent to the appropriate authority or withdraw the caveat lodged by Pavilion REIT to facilitate Regal Path's application for the subdivision of the Land for the issuance of the Strata Titles.

Pavilion REIT agrees that it shall at its own cost and expense withdraw any private caveat that it has lodged and procure the withdrawal of any private caveat lodged by the Chargee against the Land to protect its interest in the Property if the SPA is terminated in accordance with the terms and conditions of the SPA.

7. DEFECTS RECTIFICATION

Regal Path shall, at its own costs and expenses, within the Defects Rectification Period complete all required work in relation to the defects as may be notified by Pavilion REIT to Regal Path, in writing, prior to the execution of the SPA and at any time after the execution of SPA up to (and inclusive of) the 14th day after the Completion Date ("**Existing Defects**"), to Pavilion REIT's reasonable satisfaction.

SALIENT TERMS OF THE SPA (Cont'd)

If at any time prior to the expiry of the Defects Rectification Period, Regal Path has completed the rectification of all the Existing Defects to Pavilion REIT's reasonable satisfaction, Pavilion REIT shall pay to Regal Path the Defects Rectification Payment within 45 days from the date of completion of such rectification.

However, if Regal Path is unable to complete the rectification of all the Existing Defects by the expiry of the Defects Rectification Period to Pavilion REIT's reasonable satisfaction, Regal Path shall inform Pavilion REIT (in writing) the status of the remedial work in relation to the Existing Defects ("**Existing Defects Status Report**") within 14 days after the expiry of the Defects Rectification Period.

The parties shall mutually agree and appoint a quantity surveyor ("**Independent QS**"), at the costs to be shared equally by the parties, to assess the costs required to complete the remaining outstanding Existing Defects and the findings of the Independent QS shall be final and binding against the parties. Pavilion REIT shall be entitled to retain from the Defects Rectification Payment a sum of RM10 million or the aggregate amount of the costs assessed by the Independent QS, whichever is higher ("**Defects Retention Sum**"). The balance of the Defects Rectification Payment (after deducting the Defects Retention Sum) will be paid by Pavilion REIT within 45 days from the date of Pavilion REIT's receipt of the report from the Independent QS.

Thereafter, if Regal Path is unable to complete the rectification of all the Existing Defects by the expiry of the period of 24 months from the Completion Date ("**Final Defects Rectification Period**"), Regal Path shall inform Pavilion REIT (in writing) and provide the Existing Defects Status Report within 14 days after the expiry of the Final Defects Rectification Period. Pavilion REIT shall be entitled to deduct from the Defects Retention Sum, the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the Independent QS. The balance of the Defects Retention Sum (after deducting the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the Independent QS), if any, will be released to Regal Path and thereafter Regal Path shall no longer be liable for the remaining outstanding Existing Defects.

8. WARRANTIES

Under the SPA, Regal Path warrants and represents, among others, that:

- (i) Regal Path is the sole legal and beneficial owner of the Land and the Property;
- (ii) Regal Path has the requisite capacity, power and authority to enter into and perform the SPA and any other documents or agreements to be entered into in accordance with the SPA;
- (iii) Regal Path is not prohibited or prevented (whether contractually or otherwise) from entering into the SPA to dispose of the Property to Pavilion REIT and for the effective transfer of the Property to Pavilion REIT;
- (iv) save for the Existing Securities as disclosed in the SPA, the Property is free from all encumbrances and any adverse claims. Regal Path has not created and will not create any encumbrances over the Property and/or dealt with the same in any manner whatsoever;
- (v) Regal Path has observed and complied with all laws, by-laws, rules and regulations affecting the Land and the Property and all conditions of title, covenants, restrictions in interest and category of land use, whether express or implied, in respect of the Land and the Property;
- (vi) on the Completion Date, the Property shall be in the same state and condition as at the date of the SPA, fair wear and tear excepted;

SALIENT TERMS OF THE SPA (Cont'd)

- (vii) the Property has been constructed and completed in good and workmanlike manner in accordance with all laws, by-laws, approvals, rules and regulations of the appropriate authorities and the CCC in respect of the Property has been issued by the appropriate authorities;
- (viii) the tenancy agreements in relation to PBJ Mall and the guarantees provided in connection thereto constitute valid and legally binding obligations between the parties thereto and are in full force and effect; and
- (ix) there are no pending suits, legal proceedings, arbitrations and/or claims against Regal Path or in respect of the Property which may affect in any way Regal Path's title to or its right to dispose of the Property and Regal Path has no knowledge of any circumstances that have occurred or may occur that may result in such suits, legal proceedings, arbitrations and/or claims being taken against Regal Path or in respect of the Property.

9. PIAZZA MAINTENANCE AGREEMENT

The following are the proposed salient terms of the Piazza Maintenance Agreement as at the LPD. The terms of the Piazza Maintenance Agreement are subject to the comments and agreement of DBKL.

(i) Effective Date

The Piazza Maintenance Agreement shall take effect from the date Pavilion REIT becomes the owner of PBJ Mall ("**Effective Date**").

(ii) Maintenance and Open for Public Use

- (a) Pavilion REIT shall, in perpetuity, at its own costs and expense upkeep and maintain the Piazza in good and proper condition.
- (b) It is a condition of the developmental approval that the Piazza shall:
 - (A) be fully maintained by and at the sole costs and expense of the owner of PBJ Mall; and
 - (B) be open for public use;
 ("**Piazza Conditions**").

(iii) Payment to DBKL

Pavilion REIT shall pay a monthly sum of RM1,000.00 to DBKL, which shall be paid no later than the 7th day of each calendar month, whether demanded or not by DBKL.

(iv) Pavilion REIT's Rights and Obligations

- (a) On and from the Effective Date, Pavilion REIT shall at its own costs and expense upkeep and maintain the Piazza:
 - (aa) in a proper manner in accordance with good management and industry practice;
 - (bb) in strict compliance with all applicable laws, rules and regulations of all authorities having jurisdiction over the Piazza; and
 - (cc) in conformity to all directions as reasonably and legally directed by DBKL, where appropriate.

SALIENT TERMS OF THE SPA (Cont'd)

- (b) All costs, charges, or expenses incurred by Pavilion REIT in complying with the Piazza Conditions as well as incidental cost, charges or expenses shall be borne solely by Pavilion REIT.
- (c) Pavilion REIT shall have the exclusive right in appointing maintenance personnel/ contractors for the purposes of upkeep and maintenance of the Piazza and all cost and expenses incurred in the appointment, management or termination of the said maintenance personnel/contractors shall be borne by Pavilion REIT.

(v) Indemnity

- (a) Pavilion REIT shall perform all of its duties and obligations under the Piazza Maintenance Agreement at its own risk, to the fullest extent permitted by the law, and shall indemnify and keep DBKL and their agents and servants indemnified from and against all claims and demands of every kind resulting from any accident, damage, injury or death arising out of, or in the course of, or by reason of the Piazza Maintenance Agreement and DBKL shall have no responsibility or liability whatsoever in relation to such accident, damage, injury or death except if caused by DBKL's negligence, breach of its statutory duty and/or breach of common law.
- (b) Pavilion REIT shall indemnify and keep DBKL fully indemnified from and against all actions, suits, claims or demands, proceedings, losses, damages, compensation, costs (including legal cost), charges and expenses whatsoever to which DBKL shall or may become liable in respect of or arising from:
 - (A) the negligent use, misuse or abuse by Pavilion REIT, its personnel, servants, agents or employees appointed by Pavilion REIT in carrying out its duties and obligations under the Piazza Maintenance Agreement;
 - (B) any loss or damage to property or injury whatsoever nature and kind and howsoever or wherever sustained or caused or contributed to by the carrying out its duties and obligations by Pavilion REIT to any person; or
 - (C) any loss, damage or injury from any cause whatsoever to property or persons affected by the performance of Pavilion REIT of its duties and obligations under the Piazza Maintenance Agreement to the extent to which the same is occasioned or contributed to by the act, omission, negligence, breach or default of Pavilion REIT or its personnel, servants, agents or employees.

(vi) Others

As at the date of the Piazza Maintenance Agreement, the Strata Titles have yet to be issued by the relevant land authority. The Piazza will be an accessory parcel to the Strata Titles once issued.

**PRIVATE & CONFIDENTIAL**

MTrustee Berhad, acting solely in the capacity as trustee for and on behalf of Pavilion Real Estate Investment Trust (Pavilion REIT)

Level 15, Menara AmFirst

No. 1, Jalan 19/3

46300 Petaling Jaya

Selangor Darul Ehsan

Date: **22 NOV 2022**

Reference No.: V/COR/21/0168/cgc/ljh/wyt

Dear Sir / Madam,

VALUATION CERTIFICATE FOR A FIVE (5)-STOREY RETAIL MALL WITH TWO (2) BASEMENT CAR PARK LEVELS KNOWN AS PAVILION BUKIT JALIL FORMING STRATIFIED PARCELS (RETAIL AND CAR PARK) + ACCESSORY PARCELS ATTACHED AND APPURTENANT THERETO; FORMING PART OF A COMMERCIAL INTEGRATED DEVELOPMENT OF BUKIT JALIL CITY (HEREINAFTER REFERRED TO AS THE "SUBJECT PROPERTY" OR "PAVILION BUKIT JALIL")

We were instructed by MTrustee Berhad, acting solely in the capacity as trustee for and on behalf of Pavilion REIT (hereinafter referred to as the "Client") for our firm to ascertain the Market Value of the legal interest in the Subject Property stated herein.

This valuation certificate is prepared for the submission to the Securities Commission Malaysia and / or Bursa Malaysia Securities Berhad for inclusion to the circular to unitholders of Pavilion REIT in relation to the proposed acquisition of Pavilion Bukit Jalil by MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT.

This valuation certificate is prepared in conformity with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

This valuation certificate is prepared in accordance with the general principles adopted and limiting conditions as enclosed at the end of our formal valuation report. For all intents and purposes, this valuation certificate should be read in conjunction with our formal valuation report.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Accordingly, we have conducted the site inspection on various occasions, being the latest on 31st October 2022. As such, we have adopted **31st October 2022** as the material date of valuation.

Brief description of the Subject Property is attached overleaf.

Knight Frank Malaysia Sdn Bhd Co. Reg. No. 200201017816 (585479-A) (VE (1) 0141)

Level 10, Menara Southpoint, Mid Valley City, Medan Syed Putra Selatan, 59200 Kuala Lumpur, Malaysia
T + 603 228 99 688 | F + 603 228 99 788 | www.knightfrank.com.my



IDENTIFICATION OF PROPERTY

Interest Valued / Type of Property	Legal interest in a five (5)-storey retail mall with two (2) basement car park levels known as Pavilion Bukit Jalil comprising relevant areas and components forming stratified parcels (retail and car park) + accessory parcels attached and appurtenant thereto with a combined approved strata floor area(s) of 669,456 square metres (7,205,964 square feet) together with all fixtures, fittings and equipment + systems affixed and installed therein and other supporting facilities and amenities attached thereto (including parts of the pedestrian link bridge(s) identified as Accessory Parcel Nos. A35 and A57 respectively); forming part of a commercial integrated development of Bukit Jalil City; sited on part of Parent Lot 101899 held under Master Title No. Geran 79550, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.
Address	Pavilion Bukit Jalil, No. 2, Persiaran Jalil 8, Bandar Bukit Jalil, 57000 Kuala Lumpur.
Locality	Being part of a 50-acre commercial integrated development of Bukit Jalil City within the thriving suburb of Bukit Jalil; strategically sited along Lebuhraya Bukit Jalil with Bukit Jalil Recreational Park located to its immediate east (separated by Persiaran Jalil Utama).
Title Particulars	The following table outlines the title particulars of the Parent Lot: -

Summary of Title Particulars of the Parent Lot

Legal Description	: Parent Lot 101899 held under Master Title No. Geran 79550, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.
Title Land Area	: 113,900 square metres.
Tenure	: Interest in perpetuity.
Registered Proprietor	: Regal Path Sdn Bhd.
Quit Rent (Land Tax)	: RM392,955.00 per annum.
Category of Land Use	: "Bangunan". (Building).
Express Condition	: "Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan pembangunan komersial dan kawasan lapang sahaja". (This land shall be used for commercial building for the purposes of commercial development and vacant space only).
Restriction-In-Interest	: "Tanah ini tidak boleh dipindahmilik, dipajak, digadai atau diurusniagakan dalam apa-apa bentuk lain melainkan setelah mendapat persetujuan bertulis daripada Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur kecuali bagi pindahmilik pertama dan kedua". (This land shall not be transferred, leased, charged or dealt with in any other manner unless the written consent from the Federal Territory Land Executive Committee of Kuala Lumpur has been obtained except for the first and second transfer).
Encumbrance	: Charged to CIMB Investment Bank Berhad vide Presentation No. PDSC39469/2019, registered on 21 st October 2019.



IDENTIFICATION OF PROPERTY (CONT'D)

Title Particulars (Cont'd)

Summary of Title Particulars of the Parent Lot (Cont'd)

- Endorsement(s) (Cont'd) :
- ii) "Pemberian Ismen"; Lot Menanggung Lot 101903, GRN 79554, Mukim Petaling; Lot Menguasai Lot 101899, GRN 79550, Mukim Petaling, for perpetuity vide Presentation No. PDSC27569/2020, registered on 2nd October 2020;
 - iii) "Kelulusan Serabalik Sebahagian Tanah" measuring approximately 294 square metres vide Presentation No. PDN550/2021, registered on 20th April 2021;
 - iv) "Pajakan Sebahagian Tanah" to Tenaga Nasional Berhad (TNB) for a land area measuring approximately 195.95 square metres for a term of 30 years, commencing from 30th January 2021 and expiring on 29th January 2051 vide Presentation No. PDSC33061/2021, registered on 15th October 2021; and
 - v) "Pajakan Sebahagian Tanah" to TNB for a land area measuring approximately 218.32 square metres for a term of 30 years, commencing from 30th January 2021 and expiring on 29th January 2051 vide Presentation No. PDSC33060/2021, registered on 15th October 2021.

Note: Individual block / strata titles in respect of the Subject Property have yet to be issued. We note that the Certificate of Share Unit Formula (SiFUS) for the overall development of the parent lot, which comprise Pavilion Bukit Jalil (under valuation) together with a provisional block identified as P1 designated for future serviced apartment development (excluded in our valuation) has been approved on 25th August 2022, of which the Subject Property will consist of two (2) main parcels (Parcel Nos. 1 and 2) + 135 accessory parcels; with a total share unit of 618,256. Our valuation is on the basis / assumption that separate block / strata title(s) together with accessory parcels attached thereto conveying interests in perpetuity in respect of the Subject Property are forthcoming and when issued, will be free from all encumbrances and restrictive conditions over the designated strata floor area(s) stated herein. In our valuation, we have assumed the forthcoming block / strata title(s) when issued to be good and marketable and that all documentations are satisfactorily drawn.

PROPERTY DESCRIPTION

Overview

Pavilion Bukit Jalil is a five (5)-storey retail mall with two (2) basement car park levels comprising relevant areas and components forming stratified parcels (retail and car park) + accessory parcels attached and appurtenant thereto with a combined approved strata floor area(s) of 669,456 square metres (7,205,964 square feet) together with all fixtures, fittings and equipment + systems affixed and installed therein and other supporting facilities and amenities attached thereto (including parts of the pedestrian link bridge(s) identified as Accessory Parcel Nos. A35 and A57 respectively); forming part of the commercial integrated development of Bukit Jalil City.

Pavilion Bukit Jalil is an integrated lifestyle regional mall spanning five (5) retail floors with a total of circa 1.8 million square feet of retail space, providing a vibrant mix of well-known retail brands and new reputable international brands. The mall features numerous event spaces such as the outdoor Piazza for outdoor events; the Centre Court for annual festival activities; and the Exhibition Hall for fairs and exhibitions.

The mall houses anchor tenants like Parkson, specialty anchors and mini anchors that include The Food Merchant, Harvey Norman, Blue Ice Snow Park, Grand Harbour Restaurant & Banquet, HOHM, Tsutaya Bookstore and others; to name a few.



PROPERTY DESCRIPTION (CONT'D)

Building Description

General Building Description

Structures	:	Reinforced concrete frame with brick infills rendered externally and plastered internally.
Roofs	:	Reinforced concrete flat roof and partly laid with glazing and metal deck roofing.
Façade	:	Plastered brick walls clad with ultra-high performance concrete precast panels.
Ceilings	:	Decorative plaster boards complemented by aluminium / metal strip ceiling, cement plaster and suspended ceiling boards.
Wall Finishes	:	Plastered brickwalls, fixed glass panels, cement plaster, homogeneous tiles, and ceramic tiles.
Floor Finishes	:	Marble / granite slabs, ceramic / homogeneous tiles, timber strips, carpet and cement screed.
Windows	:	Laminated tempered glass windows.
Doors	:	Fire-rated timber doors and glass doors.

Proposed Strata Floor Area

Parcel No.	Main Parcel Area		Accessory Parcel Area	
	sq. m.	sq. ft.	sq. m.	sq. ft.
1	334,973	3,605,619	334,354	3,598,956
2	55	592	74	797
Total	335,028	3,606,211	334,428	3,599,753

Source: Proposed Strata Plans bearing Plan No. JP 200815-01 to JP 200815-94

Net Lettable Area (NLA)

Description	NLA (as per Tenancy Schedule dated 31 st October 2022)	
	sq. m.	sq. ft.
Retail Lots, Kiosks and Seating Areas	163,536.20	1,760,289
Own-Use Areas (Exhibition Hall, Function Room & Management Office)	5,736.95	61,752
Grand Total	169,273.15	1,822,041

Note: The total NLA referred herein excludes non-approved NLA and automated teller machine (ATM) areas.

Car Parking Bays

In circa of 4,800 usable car parking bays; spreading over the basement levels up to level 2M.

Age of Building

Approximately one (1) year of age from the issuance of a Certificate of Completion and Compliance bearing Reference No. LAM/WP/No. 13605 dated 11th August 2021 ("CCC").

State of Repair

Pavilion Bukit Jalil appears to be in good condition that commensurates with its age and use.

Occupancy Rate

Approximately 78.23% based on committed and / or commenced tenancies.

Planning

Located within an area designated for commercial use; and was issued with a CCC.



PROPERTY DESCRIPTION (CONT'D)

Planning (Cont'd)

Pursuant to the Development Order issued by Dewan Bandaraya Kuala Lumpur (DBKL) bearing Reference No. (43)d/m.DBKL.JPRB.6435/95/10 dated 19th November 2015, we noted a condition for 30% allocation of Bumiputera purchasers applicable for the retail space component. Vide a copy of a letter issued by Regal Path Sdn Bhd to DBKL dated 25th October 2022, we noted an application to waive such requirement has been made in view that the strata parcel(s) of the Subject Property will be held under single ownership. As such, our valuation is on the basis that the aforesaid waiver application will be granted with approval and the Bumiputera quota allocation will not be imposed to the Subject Property.

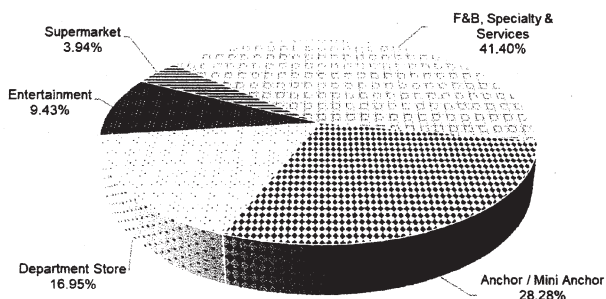
Current Operating Performance

Component	Current Operating Performance
Rental Income	Gross rent (base rental + service charge + promotion charge) ranging from RM1.50 psf / month – RM40.00 psf / month depending on occupied floor area across various tenants (with an average gross rental rate of RM9.24 psf / month over occupied NLA excluding own-use areas) based on the Tenancy Schedule dated 31 st October 2022.
Other Income	Other income includes income generated from storage areas, push carts, events and promotion space, advertising and sales turnover rent, amounting to RM3,515,502 for period from 3 rd December 2021 to 30 th September 2022 (this represents an average gross revenue of RM0.19 psf / month over total NLA including own-use areas).
Car Park Revenue	Car park income (license fee from car park operator) amounting to RM4,163,963 for period from 3 rd December 2021 to 30 th September 2022 (this represents an average of RM87 per bay / month).
Outgoings	RM61,271,987 for period from 3 rd December 2021 to 30 th September 2022 (this represents an average of RM3.36 psf / month over total NLA including own-use areas).

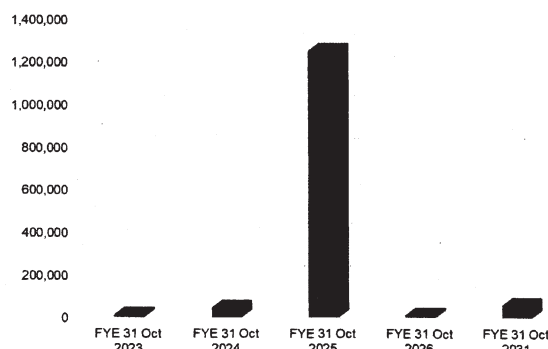
Tenancy Profile & Lease Expiry Profile

Pavilion Bukit Jalil houses a wide variety of specialty tenants which comprise anchor / mini anchor tenants, department store, entertainment, supermarket, food and beverages (F&B), specialty, services and other general retail. Generally, the tenancies are committed to either one (1), two (2) to three (3)-year tenancy terms with option(s) to renew thereafter; subject to the terms and condition stipulated in the tenancy agreement. As of the date of valuation, we note that the weighted average lease expiry is 2.40 years (by NLA excluding own-use areas).

Tenancy Profile by NLA (sq ft)



Lease Expiry by NLA (sq ft)





MARKET VALUE

Valuation Methodology In arriving at our opinion of Market Value for the Subject Property, we have adopted the **Income Approach by Discounted Cash Flow (DCF) Method** as the primary approach and supported by the **Comparison Approach**.

Historical Performance

Historical Operating Performance of Pavilion Bukit Jalil for the period of 3rd December 2021 – 30th September 2022

Average Occupancy	78.23% over NLA excluding own-use areas (As at 31 st October 2022)
Total Gross Income ⁽¹⁾	RM73,129,356
Total Outgoings ⁽²⁾	RM61,271,987
Net Property Income	RM11,857,369

Notes:

- (1) Total Gross Income consists of rental income derived from base rent + service charge + promotion charge + percentage rent, advertising income, car park income, exhibition hall income, events and other related incomes less rent rebates granted, and mall opening incentives, rental assistance and accrued / issued rebates amounting to RM29,124,513; excluding late interest charges and forfeited deposit.
- (2) Total Outgoings include utility charges, maintenance and management charges, owner's obligations (property taxes and insurance), administrative expenses, car park expenses and other related operating expenses; excluding accruals, bad / doubtful debts and depreciation on fixed asset.

Income Approach by DCF Method

In our assessment, we have carried out a DCF analysis over a ten (10)-year investment horizon for Pavilion Bukit Jalil in which we have assumed that the Subject Property is sold at the commencement of the terminal year of the cash flow. This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property in such a manner as to attain the desired level of investment return to commensurate with the risk of that asset class.

In undertaking this analysis, we have used a wide range of assumptions for the Subject Property including the growth of gross rental revenue together with other potential receivable income along with the expected property expenses during the holding period, projected occupancy and other related expenses.

Summary of Parameters – Income Approach by DCF Method

Common Parameters	
Void Allowance	5.00%. We have adopted a void allowance of 5.00% of the projected annual income as fair representation for allowance of void, unforeseen vacancies, possible rent-free periods, fitting out periods and possibility of bad debts.
Terminal Yield / Capitalisation Rate	6.50%. The yields of individual retail mall are dependent on many factors including locations, tenant mix, catchment population, occupancy rate and the size of the malls. From our findings, we have noted that the historical transacted yields of shopping malls in Kuala Lumpur / Selangor are in the region of about 5.98% to 6.85%. In view of limited recorded yield transactions of retail mall in the current market condition and it is not possible to identify exactly alike properties to benchmark and / or reference to, we have thus adopted a yield of 6.50% as the most probable expected rate of return (reflecting the recent increment of Overnight Policy Rate (OPR) as an attempt to reduce inflationary pressures) as fair after having considered factors, amongst others, relating to the tenure, establishment of the mall and prevailing market condition.



MARKET VALUE (CONT'D)

Building	Mid Valley Megamall	Pavilion Kuala Lumpur Mall	Sunway Pyramid Shopping Mall
Location	Mid Valley City, Kuala Lumpur	Jalan Bukit Bintang, Kuala Lumpur	Bandar Sunway, Selangor Darul Ehsan
Tenure	Leasehold interest	Leasehold Interest	Leasehold Interest
Approximate NLA	1,718,951 sq. ft	1,335,119 sq. ft.	1,685,568 sq. ft.
Consideration	RM3,440,000,000	RM3,190,300,000	RM2,132,025,000
Net Income (car park & other incomes)	RM205,577,304 ⁽¹⁾	RM203,326,000 ⁽²⁾	RM146,000,000
Year of Transaction	2012	2011	2010
Analysed Yield	5.98%	6.37%	6.85%
Source	Bursa Malaysia Securities Berhad / Circular dated 27 th August 2012 / Interim Financial Report FPE 31 st December 2012	Bursa Malaysia Securities Berhad / Prospectus dated 14 th November 2011	Bursa Malaysia Securities Berhad / Prospectus dated 15 th June 2010
Commentary	<p>We have considered Mid Valley Megamall as a dated sale and the transacted yield should have been compressed for improved market condition since year 2012; however, due to the current OPR increment implemented, no adjustment (off-set) is made for prevailing market condition.</p> <p>An upward adjustment of 25 basis point was considered as the Subject Property is a newly-established mall as compared to Mid Valley Megamall.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property conveys an interest in perpetuity.</p>	<p>We have considered Pavilion Kuala Lumpur Mall as a dated sale and the transacted yield should have been compressed for improved market condition since year 2011; however, due to the current OPR increment implemented, no adjustment (off-set) is made for prevailing market condition.</p> <p>An upward adjustment of 25 basis point was considered as the Subject Property is a newly-established mall as compared to Pavilion Kuala Lumpur Mall.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property conveys an interest in perpetuity.</p>	<p>We have considered Sunway Pyramid Shopping Mall as a dated sale and the transacted yield should have been compressed for improved market condition since year 2010; however, due to the current OPR increment implemented, no adjustment (off-set) is made for prevailing market condition.</p> <p>An upward adjustment of 25 basis point was considered as the Subject Property is a newly-established mall as compared to Sunway Pyramid Shopping Mall.</p> <p>A downward adjustment of 25 basis point was considered as the Subject Property conveys an interest in perpetuity.</p>
Adjusted Yield	5.98%	6.37%	6.85%
Adjusted Average Yield		6.40% (Adopt: 6.50%)	

Notes:

- (1) Annualised net property income (NPI) amounting RM57,499,000 for period 20th September 2012 -31st December 2012.
(2) NPI for Financial Year of 2010.



MARKET VALUE (CONT'D)

Income Approach by DCF Method (Cont'd)

Summary of Parameters – Income Approach by DCF Method

Common Parameters (Cont'd)

Discount Rate (Present Value)	8.50%. Our interpretation of discount rate is based on our perceived risk versus the return required, looking at the rates of return of similar asset classes. A general way of determining the discount rate is to adopt the ten (10)-year risk free interest (about 3%) (source: Bank Negara Malaysia) plus additional anticipated risk premium (4% - 6%) associated with the asset class. The anticipated risk perception involved, amongst others, include factors relating to perceived risk of market uncertainty and lack of liquidity associated with the property (typically relates to extra return demanded by market participants in an investment above the risk-free rate). With the recent increment of OPR, a discount rate of 8.50% is adopted for the Subject Property; which is about 2.00% higher than the expected rate of return. The discount rate is usually higher than the long-term capitalisation rate to reflect the additional risk premium of the asset. Discount rate is a risk-weighted factor used to calculate the net present value of the future cash flow from the asset till the time of exit. It is a measure of risk associated in the asset class and is determined typically by the market.
Discount Period	10 years.

Mall

NLA Including Own-Use Areas	1,822,041 square feet.
Projected Occupancy	Year 1: 86.46% to Year 10: 100.00%.
Projected Gross Rental Revenue (projected revenue generated from retail lots, kiosks and own-use areas)	Year 1: RM9.48 psf to Year 10: RM12.96 psf; over prevailing occupied NLA. The actual average concluded rental rate (base rental + service charge + promotion charge) currently stands at approximately RM9.24 psf per month over the occupied NLA excluding own-use areas (as per Tenancy Schedule dated 31 st October 2022) for the remaining unexpired term(s) as stipulated under the respective committed tenancy agreement(s). Based on the parameters above, the growth of gross rental represents a nine (9)-year compounded annual growth rate (CAGR) of 3.54% over the course of the holding period; which we deemed fair after having considered the current market condition (no increment in Year 1, 1.0% in Year 2, 2.0% in Year 3, 3.0% in Year 4 and Year 5, 3.5% in Year 6 onwards) coupled with the historical growth trend of gross revenue of other selected retail malls (7-year CAGR of about 2.53% to 3.93% during period of year 2012 to 2020; and 6-year CAGR of about 4.65% to 6.22% during period of year 2012 to 2019 before the COVID-19 pandemic). In view of the current average concluded rental rate (base rental + service charge + promotion charge) currently being at about RM9.24 psf, we have adopted the average fair market rental of RM9.48 psf for retail lots + kiosks + own-use areas at an estimated occupancy of 86.46% (Year 1). In our assessment, we anticipate the market rental growth to be flat in the immediate term for one (1) year due to the recent re-opening of national borders and resuming of economic activities. We expect the flat growth transition period to last for about a year from our material date of valuation after taking into account the various economic stimulus packages and measures previously announced by the Government of Malaysia to support market recovery pursuant to the COVID-19 pandemic. With the country's transition to endemic phase, the retail industry is expected to gradually recover simultaneously. Despite the challenging environment, online channel of distribution is strengthening in the country; as most of the brick and mortar retailers had already launched their online shopping facility.



MARKET VALUE (CONT'D)

Income Approach by
DCF Method (Cont'd)

Mall (Cont'd)

<p>Projected Other Income (projected revenue generated from storage areas, push carts, events and promotion areas, advertising and sales turnover rent)</p>	<p>Year 1: RM0.24 psf to Year 10: RM0.71 psf over total NLA.</p> <p>Other incomes referred herein comprises revenue generated from storage areas, push carts, events and promotion spaces, advertising and sales turnover rent. The average achieved revenue from other income of the Subject Property for period ending 30th September 2022 amounts to approximately RM0.19 psf per month over the total NLA including own-use areas.</p> <p>In our assessment, we have considered the current average committed rental and take-up for storage areas and push carts which we deemed fair in our assessment. As at the date of valuation, there are 28 storage areas and 42 push carts within the Subject Property, of which 12 storage areas and 18 push carts (both at approximately 43% respectively) have been let out. We have thus adopted the fair market rental for the storage area (RM3.00 psf in Year 1 at 50% take-up) and push cart (RM2,000 per unit in Year 1 at 50% take-up) respectively and considered a staggered period for the remaining areas to be fully taken up equally by Year 5. We expect the general growth projections in terms of rental income for storage areas and push carts to grow in tandem with the gross rental revenue projections of retail component as the revenue deriving from other income is solely dependent on the performance of the retail segment.</p> <p>For advertising + events and promotion spaces, we have projected a fair receivable revenue of about RM0.20 psf at Year 1 after having benchmarked against the actual receivable revenue of RM0.13 psf for the past three (3) months coupled with the average receivable advertising revenue of other selected comparative shopping malls; resulting in a projection ranging from 2.11% to 2.78% of projected retail revenue throughout Year 1 to Year 10. As for sales turnover rent, we have not projected any potential income for Year 1 in view of the establishment of the mall and the current market condition; and adopted a projection of 0.50% in Year 2, 1.00% in Year 3, 1.50% in Year 4, 1.75% in Year 5 and 2.0% of the projected retail rental revenue from Year 6 onwards. We have also benchmarked against the actual advertising income and sales turnover rent for other selected comparative shopping malls in Klang Valley.</p> <p>Thus, in overall, we have projected a total other income of RM0.24 psf / month over NLA including own-use areas in Year 1 up to RM0.71 psf / month in Year 10 as fair and adequate after benchmarking with the average total receivable for other income of other selected shopping malls in Klang Valley.</p>
<p>Provisional Rent Rebates</p>	<p>Year 1: 3.00%, Year 2: 2.50%, Year 3: 2.00%, Year 4: 1.50% and Year 5 to Year 10: 1.00%.</p> <p>Due to the establishment of the mall (being less than 1 year from its opening) and the recent market recovery, we have allocated staggered provisional rent abatements / rebates of 3.00% in Year 1, 2.50% in Year 2, 2.00% in Year 3, 1.50% in Year 4 and 1.00% of the projected revenue from Year 5 onwards over the course of the holding period, as fair representation.</p>
<p>Projected Outgoings</p>	<p>Year 1: RM3.50 psf to Year 10: RM4.88 psf, with a projected CAGR of 3.76%.</p> <p>In our assessment of estimated fair outgoings of Pavilion Bukit Jalil, we have primarily relied upon the historical outgoings of the retail mall which stands at RM61,081,032 over the period of 3rd December 2021 to 30th September 2022 (analysed to be at about RM3.35 psf per month over total NLA including own-use areas).</p> <p>In view of the above, we have adopted an estimated outgoings of about RM3.50 psf / month over NLA including own-use areas (including the potential payment of service charge and sinking fund to the Joint Management Body / Management Corporation in compliance to the Strata Management Act 2013) as fair for Year 1 and projected an increase of 10% at Year 2 upon expiry of defect liability period with provisional costs allocated for maintenance and repairs; after having considered the building features and services along with its design and concept of the development; and allowed the provisional expenses to increase at an underlying rate of inflation of about 3.0% from Year 3 onwards as fair and adequate.</p>


MARKET VALUE (CONT'D)
**Income Approach by
DCF Method (Cont'd)**

Car Park	
Total Number of Bays	4,800 bays.
Projected Gross Revenue	<p>Year 1: RM205 per bay / month to Year 10: RM350 per bay / month.</p> <p>In arriving at the projected car park revenue, we have generally adopted the current arrangement for the remaining unexpired term for the Car Park Operator Cum License Agreement and made reference to the existing car parking rates as well as the current average receivable revenue of other car parking bays of other selected retail malls located within Klang Valley ranging from RM248 per bay / month to RM414 per bay / month.</p> <p>In view of the above, we have adopted RM205 per bay / month being the expected license fee payable by the car park operator as fair for Year 1 and Year 2; whilst for Year 3 onwards (upon expiry of the Car Park Operator Cum License Agreement), we have projected on the basis that car parking services will be owner-operated, thus the car park revenue are projected at the expected gross collectable income by the operator starting at about RM278 per bay / month at Year 3 (Year 0: RM270 per bay / month with projected nine (9)-year CAGR of 2.94%). We expect the growth projections for car park revenue component to grow in tandem with the gross rental revenue projections of retail component as the income deriving from car park revenue component is solely dependent on the performance of the retail segment.</p>
Projected Operating Expenses	<p>Year 1 to Year 2: 5.00% of the projected gross revenue</p> <p>Year 3 to Year 10: 30.00% of the projected gross revenue.</p> <p>In our assessment for the car park operating expenses, we have allocated a sum equivalent to 5.00% of the projected gross revenue for the remaining unexpired term of the Car Park Operator Cum License Agreement to account for the owner's obligation (i.e.: maintenance of car park management system, provision of utilities, security and cleaning services). Upon the expiry of the abovementioned Car Park Operator Cum License Agreement, we have projected on the basis that the car park services are to be owner-operated. In our assessment for the estimated car park expenses, we have benchmarked against the average car park expenses (ratio ranging from 15% to 30% of gross revenue) located within other selected shopping malls in Klang Valley. We have thus adopted an estimated 30% of car park gross revenue as the fair operating expenses for the car park for Year 3 onwards.</p>

Summary of Projected Occupancy and Gross Revenue			
Year	Projected Occupancy	Retail Mall	Car Parking Bay
		Projected Monthly Gross Revenue (per month over prevailing occupied NLA) (including retail revenue and other incomes)	Projected Monthly Gross Revenue
Y1	86.46%	RM9.76 psf	RM205 per bay
Y2	92.29%	RM10.21 psf	RM205 per bay
Y3	95.47%	RM10.40 psf	RM278 per bay
Y4	94.44%	RM11.25 psf	RM286 per bay
Y5	100.00%	RM11.29 psf	RM295 per bay
Y6	100.00%	RM11.40 psf	RM305 per bay
Y7	100.00%	RM12.30 psf	RM316 per bay
Y8	100.00%	RM12.48 psf	RM327 per bay
Y9	100.00%	RM12.58 psf	RM339 per bay
Y10 / Terminal	100.00%	RM13.67 psf	RM350 per bay



MARKET VALUE (CONT'D)

Tenancies Expiry Date	Type	NLA (sq. ft.)	Projected Average Occupancy / Projected Average Gross Rental analysed over prevailing occupied area				
			Year 1 (FYE 31 Oct 2023)	Year 2 (FYE 31 Oct 2024)	Year 3 (FYE 31 Oct 2025)	Year 4 (FYE 31 Oct 2026)	Year 5 (FYE 31 Oct 2027)
Vacant Lots	Anchor / Mini Anchor	54,172	43.49% / RM7.61 psf	84.02% / RM9.78 psf	100.00% / RM9.21 psf	100.00% / RM9.41 psf	100.00% / RM9.81 psf
	F&B / Specialty / Services	328,971	34.30% / RM15.20 psf	59.94% / RM15.57 psf	77.17% / RM15.38 psf	100.00% / RM15.45 psf	100.00% / RM15.78 psf
	Sub-Total	383,143	35.60% / RM13.89 psf	63.35% / RM14.48 psf	80.39% / RM14.29 psf	100.00% / RM14.59 psf	100.00% / RM14.94 psf
Tenancies expiring in November 2023 – October 2023 (FYE 31 Oct 2023)	Anchor / Mini Anchor	9,673	100.00% / RM4.00 psf	100.00% / RM4.04 psf	100.00% / RM4.04 psf	100.00% / RM4.04 psf	100.00% / RM4.37 psf
	F&B / Specialty / Services ⁽⁶⁾	2,153	100.00% / RM6.56 psf	100.00% / RM5.92 psf	100.00% / RM5.92 psf	100.00% / RM5.92 psf	100.00% / RM6.41 psf
	Sub-Total	11,826	100.00% / RM4.47 psf	100.00% / RM4.38 psf	100.00% / RM4.38 psf	100.00% / RM4.38 psf	100.00% / RM4.74 psf
Tenancies expiring in November 2024 – October 2024 (FYE 31 Oct 2024)	Anchor / Mini Anchor	21,097	100.00% / RM5.00 psf	100.00% / RM5.00 psf	100.00% / RM5.15 psf	100.00% / RM5.15 psf	100.00% / RM5.15 psf
	F&B / Specialty / Services ^{(1) (6)}	24,973	100.00% / RM16.14 psf	100.00% / RM16.14 psf	70.00% / RM16.01 psf	85.00% / RM16.10 psf	100.00% / RM16.23 psf
	Sub-Total	46,070	100.00% / RM11.04 psf	100.00% / RM11.04 psf	83.74% / RM10.07 psf	91.87% / RM10.64 psf	100.00% / RM11.16 psf
Tenancies expiring in November 2024 – October 2025 (FYE 31 Oct 2025)	Anchor / Mini Anchor ^{(2) (6)}	738,254	100.00% / RM6.16 psf	100.00% / RM6.16 psf	100.00% / RM6.16 psf	90.30% / RM6.42 psf	100.00% / RM6.44 psf
	F&B / Specialty / Services ^{(3) (6)}	519,847	100.00% / RM14.04 psf	100.00% / RM14.04 psf	100.00% / RM14.04 psf	95.00% / RM15.02 psf	100.00% / RM15.05 psf
	Sub-Total	1,258,101	100.00% / RM9.41 psf	100.00% / RM9.41 psf	100.00% / RM9.41 psf	92.24% / RM10.08 psf	100.00% / RM10.00 psf
Tenancies expiring in November 2025 – October 2026 (FYE 31 Oct 2026) ⁽⁴⁾	F&B / Specialty / Services	2,594	⁽⁴⁾ 100.00% / RM11.31 psf	100.00% / RM22.63 psf	100.00% / RM22.63 psf	100.00% / RM23.32 psf	100.00% / RM24.01 psf
Tenancies expiring in November 2030 – October 2031 (FYE 31 Oct 2031)	Anchor / Mini Anchor	58,555	100.00% / RM7.20 psf	100.00% / RM7.20 psf	100.00% / RM7.20 psf	100.00% / RM7.20 psf	100.00% / RM7.20 psf
Own-Use Areas (Exhibition Hall, Function Room and Management Office) ⁽⁵⁾		61,752	100.00% / RM2.94 psf	100.00% / RM2.94 psf	100.00% / RM2.94 psf	100.00% / RM3.12 psf	100.00% / RM3.12 psf
Total		1,822,041	86.46% / RM9.48 psf	92.29% / RM9.86 psf	95.47% / RM9.97 psf	94.44% / RM10.73 psf	100.0% / RM10.73 psf

Notes:

- (1) Occupancy for F&B / Specialty / Services is projected to decrease to 70% in Year 3 (FYE 31 October 2025) due to potential non-renewal of tenancies which expires in Year 2 (FYE 31 October 2024); whilst the remaining balance shortfall in area(s) to be fully leased up equally by Year 4 and Year 5 respectively.
- (2) Occupancy for Anchor / Mini Anchor is projected to decrease to about 90% in Year 4 (FYE 31 October 2026) due to potential non-renewal of tenancies which expires in Year 3 (FYE 31 October 2025); whilst the remaining balance shortfall in area(s) to be fully leased up by Year 5.
- (3) Occupancy for F&B / Specialty / Services is projected to decrease to 95% in Year 4 (FYE 31 October 2026) due to potential non-renewal of tenancies which expires in Year 3 (FYE 31 October 2025); whilst the remaining balance shortfall in area(s) to be fully leased up by Year 5.
- (4) Actual committed rental in Year 1 for tenancies expiring in FYE 31 Oct 2026 averages up at RM11.31 psf due to rental commencement dates being around 2H of Year 1.
- (5) The own-use areas (save for management office) are currently being operated by the landlord (i.e., Regal Path Sdn Bhd); where income is generated from its business operation of the exhibition hall and function room. In our valuation, we have not considered any income and / or profit generated from its business operation (owner-operated model); instead approaching the valuation on such designated space by way of projecting a reasonable base rent over the potential lettable area (based on its specific use) to an alternative operator (an area which could be leased and operated for profit by another potential tenant / operator). In arriving at the base rent of the area, we have generally made reference to rents payable by other operators on selected space designated for exhibition and function use within a retail mall concept (in the region of RM2.50 psf to RM5.00 psf depending on location, mall establishment, lettable area and other relevant factors).



MARKET VALUE (CONT'D)

Notes (Cont'd):

- (6) Inclusive of rental receivable from non-approved NLA. The non-approved NLA (excluded from the total NLA of 1,822,041 square feet) includes common areas which are currently being occupied by existing tenants (measuring in total of about 17,023 square feet); of which 15,637 square feet of the total non-approved NLA are attributable by tenancy area presently occupied by a single tenant (occupying NLA and common areas measuring 58,969 square feet over a tenancy period of three (3) years) and the balance of the non-approved NLA are generally contributed by other tenancies, comprising areas occupied beyond the surveyed NLA. In our valuation assessment, we have generally considered income generated from such area during their respective tenancy terms (contractual signed tenancies) and upon expiry of these tenancies, we have reverted back to its surveyed NLA.

Comparison Approach This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, a property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Retail Mall We have identified and analysed the selected sales evidences of retail mall and summarised the details in the table below and overleaf.

Sales Comparison and Analysis of Retail Mall Transactions				
	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Name and Address	Empire Subang Gallery, Jalan SS16/1, SS 16, 47500 Subang Jaya, Selangor Darul Ehsan	Mid Valley Megamall, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	Pavilion Kuala Lumpur Mall, No. 168, Jalan Bukit Bintang, 55100 Kuala Lumpur	Sunway Pyramid Shopping Mall, No. 3, Jalan PJS 11/15, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan
Legal Description	Parent Lot 62011 held under Master Title No. Geran 238145, Bandar Subang Jaya, District of Petaling, Selangor Darul Ehsan	Parent Lot 80 Section 95A held under Master Title No. PN 37075, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Parent Lots 374 and 377, Section 63, held under Master Title Nos. Pajakan Negeri (WP) 45861 and Pajakan Negeri (WP) 43401 respectively (now known as Parent Lot PT 80 Section 63 held under Master Title No. HSD 120091), Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Lot Nos. 62059, 32, 51175, PT 891 and PT 1312 held under Title Nos. Pajakan Negeri 17414, Pajakan Negeri 9495, Pajakan Negeri 9500, HS(D) 233143 and HS(D) 259957 respectively, all within Town of Sunway, District of Petaling, Selangor Darul Ehsan
Type of Property	A five (5)-storey retail mall together with 4 basement car park (a total of 1,414 car parks)	A five (5)-level retail mall with one (1) mezzanine floor, two (2) levels of basement car park and four (4) levels of elevated car park (a total of 6,092 car parks)	A seven (7)-storey shopping mall [including four (4) split-level of car parking bays] together with a three (3)-storey retail office block sited atop and annexed with a four (4)-storey retail / entertainment connection block and three (3) levels of basement car parks (a total of 2,427 car parks)	A purpose-built 4-level retail and entertainment mega-mall together with 6 levels of elevated and 3 levels of basement car parks (a total of 3,804 car parks) plus a convention centre
Tenure	Interest in perpetuity	Leasehold interest for a term of 99 years, expiring on 6 th June 2103	Leasehold interest for a term of 99 years, expiring on 26 th October 2109	Leasehold interest for a term of 99 years, expiring on 1 st April 2097, 21 st February 2102 and 14 th August 2105
Age of Property	Approximately 7 years	Approximately 13 years	Approximately 4 years	Approximately 13 years



MARKET VALUE (CONT'D)				
Sales Comparison and Analysis of Retail Mall Transactions (Cont'd)				
	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Net Lettable Area	* 333,749 square feet	1,718,951 square feet	1,335,119 square feet	1,685,568 square feet
Consideration	RM571,900,000	RM3,440,000,000	RM3,190,300,000	RM2,132,025,000
Date of Announcement / Transaction	19 th January 2017	26 th July 2012	18 th October 2011	8 th July 2010
Analysis	RM1,714 per square foot	RM2,001 per square foot	RM2,390 per square foot	RM1,265 per square foot
Adjusted Analysis	RM1,565 per square foot (excluding car park value of approximately RM35,000 per bay)	RM1,824 per square foot (excluding car park value of approximately RM50,000 per bay)	RM2,294 per square foot (excluding car park value of approximately RM52,500 per bay)	RM1,208 per square foot (excluding car park value of approximately RM25,000 per bay)
Vendor	* Couture Homes Sdn Bhd	Mid Valley City Sdn Bhd, a wholly-owned subsidiary of KrisAssets Holdings Berhad	Urusharta Cemerlang Sdn Bhd	Sunway Pyramid Sdn Bhd
Purchaser	Pelaburan Hartanah Berhad (PHB)	AmTrustee Berhad (now known as MTrustee Berhad), as trustee of IGB Real Estate Investment Trust	AmTrustee Berhad (now known as MTrustee Berhad), as trustee of Pavilion REIT	OSK Trustees Berhad (now known as RHB Trustees Berhad); as the trustee of Sunway Real Estate Investment Trust
Source	News article dated 19 th January 2017 / PHB Website / Knight Frank Research	Bursa Malaysia Securities Berhad / Prospectus dated 27 th August 2012	Bursa Malaysia Securities Berhad / Prospectus dated 14 th November 2011	Bursa Malaysia Securities Berhad / Prospectus dated 15 th June 2010
Remarks	* Reported NLA of the shopping mall is extracted from PHB official website. The Vendor has been granted a call option to buy back the shopping mall on the fifth anniversary of the sale. It also has the right of first refusal to buy the shopping mall should PHB decide to dispose of it within the five years			
Adjustments	General adjustments are made for prevailing market condition, accessibility, occupancy, net lettable area, establishment of the mall and condition / age of building	General adjustments are made for prevailing market condition, location, accessibility, occupancy, tenure, establishment of the mall and condition / age of building	General adjustments are made for prevailing market condition, location, accessibility, occupancy, tenure, tenant mix / market positioning / store concept, establishment of the mall, building specifications / quality / design and condition / age of building	General adjustments are made for prevailing market condition, accessibility, occupancy, tenure, establishment of the mall, building specifications / quality / design, condition / age of building and individual strata / en bloc basis
Adjusted Value	RM1,150 per square foot	RM1,245 per square foot	RM1,084 per square foot	RM1,142 per square foot



MARKET VALUE (CONT'D)

Valuation Rationale (Retail Mall)

From the above adjusted values, we note that the derived values ranged between RM1,084 per square foot to RM1,245 per square foot. In view of limited recorded transactions of identical shopping malls in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly alike properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued.

Although total adjustments (in excess of 45%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as most of the selected comparable(s) are considered to have relatively similar attributes as compared to the Subject Property. Despite not being the least adjusted sale transaction, we are in the opinion that Comparable 4 is the most similar in terms of, amongst others, location, NLA and tenant mix / market positioning / store concept, coupled with the least effective adjustment being made, hence we have placed greater reliance on Comparable 4 as fair representation after having considered and made diligent adjustments for differences including but not limited to prevailing market condition, accessibility, occupancy, tenure, establishment of the mall, building specifications / quality / design, condition / age of building and individual strata / en bloc basis. We have thus adopted the value (excluding car park bays) of RM2,080,744,305 (analysed to be RM1,142 per square foot over NLA including own-use area) in our valuation as fair representation by using Comparison Approach.

Car Parking Bays

We have identified and analysed the selected sales evidences of car parking bays and summarised the details in the table below and overleaf.

Sales Comparison and Analysis of Car Parking Bay Transactions			
	Comparable 1	Comparable 2	Comparable 3
Type of Property	855 car parking bays located within The Pinnacle Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan	1,216 car parking bays located within Pacific Towers, Jalan 13/6, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan	1,638 designated car parking bays located within da:mén USJ Shopping Mall (currently known as Da Men Mall), No. 1, Persiaran Kewajipan, USJ 1, Subang Jaya, Selangor Darul Ehsan
Tenure	Leasehold interest for a term of 99 years, expiring on 1 st April 2097	Leasehold interest for a term of 99 years, expiring on 21 st May 2112	Interest in perpetuity
Date of Announcement / Transaction	29 th June 2020	14 th October 2019	17 th September 2015
Analysed Consideration	RM40,936 per bay	RM44,161 per bay	RM34,000 per bay
Vendor	Sunway Integrated Properties and Sunway Pinnacle, both of which are wholly-owned indirect subsidiaries of Sunway Berhad	JAKS Island Circle Sdn Bhd	Equine Park Country Resort Sdn Bhd
Purchaser	RHB Trustees Berhad, being the trustee of Sunway Real Estate Investment Trust	JAKS Sdn Bhd, a wholly-owned subsidiary of JAKS Resources Berhad	MTrustee Berhad, on behalf of Pavilion REIT

**MARKET VALUE (CONT'D)**

Sales Comparison and Analysis of Car Parking Bay Transactions (Cont'd)			
	Comparable 1	Comparable 2	Comparable 3
Source	Bursa Malaysia Securities Berhad	Bursa Malaysia Securities Berhad	Bursa Malaysia Securities Berhad / Circular dated 17 th September 2015 and 18 th March 2016
Adjustments	General adjustments are made for integrated development / establishment and tenure	General adjustments are made for integrated development / establishment and tenure	General adjustment is made for prevailing market condition
Adjusted Value	RM34,795 per bay	RM37,537 per bay	RM35,700 per bay

Valuation Rationale (Car Parking Bays)

From the above adjusted values, we note that the derived values ranged between RM34,795 per bay to RM37,537 per bay. In view of limited recorded transactions of identical car parking bay transactions in the immediate and surrounding localities, we have resorted to adopt the selected comparable(s) in our assessment by Comparison Approach; as it is not possible to identify exactly alike properties to make reference to, hence appropriate adjustments are made to reflect the differences of the comparable(s) and the property being valued.

Although total adjustments (in excess of 35%) were considered and made in our assessment, we are of the view that the selected comparable(s) adopted are still considered relevant as most of the selected comparable(s) are considered to have relatively similar attributes as compared to the Subject Property. With total effective adjustments made for all Comparable(s); we have placed greater reliance on Comparable 1 (being the most recent sale transaction) as fair representation after having considered and made diligent adjustments for various dissimilarities including but not limited to integrated development / establishment and tenure. Based on the foregoing, we have thus adopted the value for the car parking bays to be RM167,017,544 (analysed to be RM34,795 per bay) in our valuation as fair representation by using Comparison Approach.

Having regards to the foregoing, we have adopted the total rounded value of RM2,248,000,000 (retail mall + car parking bays) as fair representation of the Market Value derived from the Comparison Approach.

Reconciliation of Values

Valuation Methodology	Derivation of Values
Income Approach by DCF Method	RM2,210,000,000
Comparison Approach	RM2,248,000,000

Taking into consideration that the Subject Property is a new commercial and income generating property, we have thus adopted the Market Value as derived from the Income Approach by DCF Method as a fair representation supported by Comparison Approach.

The direct capitalisation or Investment Method (term and reversion) is best used for stable or mature asset where the benefit stream is expected to grow at a consistent rate into the future; whereas the DCF Method is most appropriate for asset with uneven growth in their future benefit streams with a lack of earnings history (typically adopted for newly completed investment assets).

**MARKET VALUE (CONT'D)****Reconciliation of Values (Cont'd)**

In a valuation of a homogeneous real estate such as vacant lands and residential homes, the Comparison Approach is the most appropriate method of valuation as there are less adjustments and analysis on comparable(s). However, in the case of more complex real estate such as commercial assets (including car parking bays) and other income generating or investment properties, qualitative and quantitative adjustments are more difficult to be computed or gauged to reflect the differences of the comparable(s) and the property being valued. Therefore, we have considered the Income Approach by DCF Method as the preferred method of valuation in our opinion of the Subject Property.

We wish to draw attention that the master title to the Subject Property carries a restriction-in-interest which stipulate that "Tanah ini tidak boleh dipindahmilik, dipajak, digadai atau diurusniagakan dalam apa-apa bentuk lain melainkan setelah mendapat persetujuan bertulis daripada Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur kecuali bagi pindahtanah pertama dan kedua". In this regard, our valuation is on the basis that written consent from the State Authority in respect of the aforesaid restriction in interest will not be unreasonably withheld.

Having regard to the foregoing, we are of the opinion that the **Market Value** of the legal interest in the Subject Property, as a five (5)-storey retail mall with two (2) basement car park levels known as Pavilion Bukit Jalil comprising relevant areas and components forming stratified parcels (retail and car park) + accessory parcels attached and appurtenant thereto with a combined approved strata floor area(s) of 669,456 square metres (7,205,964 square feet) together with all fixtures, fittings and equipment + systems affixed and installed therein and other supporting facilities and amenities attached thereto (including parts of the pedestrian link bridge(s) identified as Accessory Parcel Nos. A35 and A57 respectively); forming part of a commercial integrated development of Bukit Jalil City; sited on part of Parent Lot 101899 held under Master Title No. Geran 79550, Mukim Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur subject to the existing tenancies and the forthcoming strata title(s) when issued being free from all encumbrances, good, marketable and registrable, as at 31st October 2022 is **RM2,210,000,000 (Ringgit Malaysia Two Billion Two Hundred And Ten Million Only)**.

For and on behalf of
KNIGHT FRANK MALAYSIA SDN BHD
(signed and sealed by)

OOI HSIEN YU
Registered Valuer, V-692
MRISM, MRICS, FPEPS

Date: 22 NOV 2022

Notes: -

- i) Please note that this certificate shall only be valid provided always that a signature of our authorised signatory and an official seal have been affixed hereto.
- ii) The above valuation is peer reviewed by Knight Frank Malaysia Sdn Bhd (Head Office), Mr. Justin Chee (Registered Valuer, V-774).



FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

The Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

All information relating to Regal Path in this Circular was obtained from the management of Regal Path and the responsibility of the Board with respect to such information is limited to ensuring that such information is correctly extracted and reproduced in this Circular.

2. CONSENTS AND CONFLICT OF INTEREST

2.1 CIMB

CIMB, being the Joint Principal Adviser for the Proposals and Placement Agent for the Proposed Placements and Proposed Placement to EPF, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references to it in the form and context in which they appear in this Circular.

CIMB, its related and associated companies, as well as its holding company, CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company ("**CIMB Group**"), form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction services businesses.

CIMB Group has engaged and may in the future, engage in transactions with and perform services for Pavilion REIT, the Manager and/or any of their respective affiliates, in addition to the roles set out in this Circular.

In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with Pavilion REIT and/or the Manager, hold long or short positions in securities issued by Pavilion REIT and/or the Manager, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of Pavilion REIT, the Manager and/or any of their respective affiliates. This is a result of the businesses of the CIMB Group generally acting independently of each other and accordingly there may be situations where parts of the CIMB Group and/or its customers now or in the future, may have interest in or take actions that may conflict with the interests of Pavilion REIT and/or the Manager.

As at the LPD, the CIMB Group has in the ordinary course of its banking business, extended credit facilities to Pavilion REIT and Regal Path. Part of the Purchase Consideration will be satisfied by Pavilion REIT by way of settlement of the Redemption Sum and HP Purchase Payments (please refer to Section 2.1.2 of Part A of this Circular for further details of this settlement). Notwithstanding the foregoing, CIMB is of the opinion that the aforesaid lending relationships would not give rise to a conflict of interest situation which prevents it from acting in its capacity as the Joint Principal Adviser for the Proposals and Placement Agent for the Proposed Placements and Proposed Placement to EPF as:

- (i) the extension of credit facilities arose in the ordinary course of business of the CIMB Group;
- (ii) the corporate finance division of CIMB is required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of "Chinese Wall" policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations;

FURTHER INFORMATION (Cont'd)

- (iii) the conduct of the CIMB Group in its banking business is strictly regulated by the FSA and/or the IFSA and the CIMB Group's own internal controls and checks; and
- (iv) the total outstanding amount owed by Pavilion REIT is not material when compared to the audited net assets of the CIMB Group as at 31 December 2021 of approximately RM58.9 billion.

Accordingly, CIMB confirms that there is no conflict of interest which exists or is likely to exist in its capacity to act as the Joint Principal Adviser for the Proposals and Placement Agent for the Proposed Placements and Proposed Placement to EPF.

2.2 Maybank IB

Maybank IB, being the Joint Principal Adviser for the Proposals and Placement Agent for the Proposed Placements and Proposed Placement to EPF, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction service businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for Pavilion REIT and/or the Manager and/or any of its affiliates, in addition to the roles set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with Pavilion REIT and/or the Manager, the Unitholders and/or its affiliates and/or any other entity or person, hold long or short positions in securities issued by Pavilion REIT and/or its affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of any member of Pavilion REIT and/or the Manager and/or its affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now or in the future, may have interest or take actions that may conflict with the interest of Pavilion REIT and/or the Manager. Nonetheless, the Maybank Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and a Chinese wall between different business divisions.

As at the LPD, the Maybank Group has extended credit facilities to Pavilion REIT in its ordinary course of business. Notwithstanding this, Maybank IB is of the view that the aforesaid lending relationship will not give rise to a conflict of interest situation in its capacity as the Joint Principal Adviser for the Proposals and Placement Agent for the Proposed Placements and Proposed Placement to EPF as:

- (i) the extension of credit facilities arose in the ordinary course of business of the Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by the FSA, IFSA and the Maybank Group's internal controls and checks; and
- (iii) the total outstanding amount owed by Pavilion REIT to the Maybank Group is not material when compared to the audited net assets of the Maybank Group as at 31 December 2022 of approximately RM86.0 billion.

Save for the above, Maybank IB confirms that it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Joint Principal Adviser for the Proposals and Placement Agent for the Proposed Placements and Proposed Placement to EPF.

FURTHER INFORMATION (Cont'd)

2.3 Malacca Securities

Malacca Securities, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

Malacca Securities confirms that it is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest situation in relation to its role as the Independent Adviser for the Proposed Acquisition.

2.4 Knight Frank

Knight Frank, being the Valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Valuation Certificate, the Valuation Report and all references thereto in the form and context in which they appear in this Circular.

Knight Frank confirms that it is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest situation in relation to its role as the Valuer for the Proposed Acquisition.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**3.1 Material commitments**

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by Pavilion REIT which may have a material impact on the financial position of Pavilion REIT.

3.2 Contingent liabilities

As at the LPD, the Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of Pavilion REIT.

4. MATERIAL LITIGATION

As at the LPD, there is no material litigation, claim and/ or arbitration involving PBJ Mall. Further, as at the LPD, Pavilion REIT is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Board is not aware of any proceedings, pending or threatened, against Pavilion REIT or any facts likely to give rise to any proceedings which might materially and adversely affect the business or financial position of Pavilion REIT.

5. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the registered office of the Manager at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the Unitholders' Meeting:

- (i) the Trust Deed;
- (ii) the SPA;
- (iii) the Valuation Certificate referred to in **Appendix II** of this Circular, together with the Valuation Report;
- (iv) the audited financial statements of Pavilion REIT for the past 2 FYEs 31 December 2021 and 31 December 2022; and

FURTHER INFORMATION *(Cont'd)*

- (v) the letters of consent referred to in Section 2 of this Appendix of this Circular.

PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad (Registration No. 198701004362 (163032-V)) and Pavilion REIT Management Sdn Bhd (Registration No. 201101011359 (939490-H)), both companies incorporated in Malaysia)

NOTICE OF UNITHOLDERS' MEETING

NOTICE IS HEREBY GIVEN THAT the meeting of the unitholders of Pavilion Real Estate Investment Trust ("**Pavilion REIT**") ("**Unitholders**") ("**Unitholders' Meeting**") will be held at Pavilion Ballroom, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Wednesday, 22 March 2023 at 11.30 a.m. or immediately following the conclusion of the 11th Annual General Meeting of Pavilion REIT, whichever is later, or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following ordinary resolutions:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY MTRUSTEE BERHAD, ACTING AS THE TRUSTEE FOR AND ON BEHALF OF PAVILION REIT ("TRUSTEE"), OF PAVILION BUKIT JALIL ("PBJ MALL") TOGETHER WITH THE RELATED ASSETS AND RIGHTS FROM REGAL PATH SDN BHD ("REGAL PATH") FOR AN AGGREGATE PURCHASE CONSIDERATION OF RM2,200 MILLION ("PURCHASE CONSIDERATION") ("PROPOSED ACQUISITION")

"THAT subject to the passing of Ordinary Resolution 3, the fulfilment of all other conditions precedent under the conditional sale and purchase agreement dated 22 November 2022 between the Trustee and Regal Path ("**SPA**") and the approvals of all relevant authorities and/or parties (where required) being obtained, approval be and is hereby given to the Trustee, for and on behalf of Pavilion REIT, to acquire PBJ Mall together with the related assets and rights for the Purchase Consideration, in accordance with the terms and conditions of the SPA;

THAT subject to the fulfilment of the conditions precedent under the SPA, approval be and is hereby given to the Trustee, for and on behalf of Pavilion REIT, to also acquire additional movable assets required for the operations of PBJ Mall which include laptops, buggies and mobile elevating work platforms ("**Ancillary Purchases**") at a purchase consideration which will be based on the total net book value of the assets under the Ancillary Purchases as at the date of completion of the SPA;

THAT the board of directors of Pavilion REIT Management Sdn Bhd ("**Board**"), the management company of Pavilion REIT ("**Manager**"), be and is hereby authorised to allot and issue the new units in Pavilion REIT ("**Units**") to Regal Path as part settlement of the Purchase Consideration ("**Consideration Units**") at the price which shall be based on either (a) the issue price of the Placement Units (as defined in Ordinary Resolution 3) of the relevant placement tranche of the Proposed Placements (as defined in Ordinary Resolution 3) undertaken by Pavilion REIT or (b) in the event either tranche of the Proposed Placements (as defined in Ordinary Resolution 3) is not undertaken, the Consideration Units will be issued to Regal Path based on the 5-day volume weighted average market price of the Units up to and including the day preceding the date on which the Board decides to issue the Consideration Units as part settlement of the relevant amounts of the Purchase Consideration;

THAT the Board and the Trustee be and are hereby authorised to do all such acts, deeds and things and to execute, enter into, sign and deliver any arrangements, guarantees and/or documents as the Board and the Trustee deem fit, necessary, expedient and/or appropriate in order to implement, finalise and/or give full effect to and complete the Proposed Acquisition for and on behalf of Pavilion REIT and in the best interest of Pavilion REIT and where applicable, with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board and the Trustee may deem fit, necessary, expedient and/or appropriate to implement, finalise and/or give full effect to and complete the Proposed Acquisition;

AND THAT all previous acts made and/or done by the Board, officers of the Manager and/or the Trustee in connection with the Proposed Acquisition be and are hereby confirmed and ratified."

ORDINARY RESOLUTION 2

PROPOSED ISSUANCE OF UP TO 600,000,000 CONSIDERATION UNITS, REPRESENTING UP TO APPROXIMATELY 19.6% OF THE EXISTING TOTAL UNITS IN ISSUE, AT A PRICE TO BE DETERMINED LATER AS PART SETTLEMENT OF THE PURCHASE CONSIDERATION OF UP TO RM600 MILLION, TO REGAL PATH, BEING A PERSON CONNECTED TO CERTAIN MAJOR UNITHOLDERS, PURSUANT TO THE PROPOSED ACQUISITION (“PROPOSED ISSUANCE OF CONSIDERATION UNITS TO REGAL PATH”)

“**THAT** subject to the passing of Ordinary Resolution 1, and the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board to allot and issue up to 600,000,000 Consideration Units, representing up to approximately 19.6% of the existing total Units in issue, to Regal Path at a price to be determined later as part settlement of the Purchase Consideration of up to RM600 million. The Proposed Issuance of Consideration Units to Regal Path is not expected to trigger any mandatory offer obligation under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia with regard to the Units held by Tan Sri Lim Siew Choon, Puan Sri Tan Kewi Yong, Qatar Holding LLC and persons acting in concert with them including Regal Path;

THAT the Consideration Units shall, upon allotment and issue, rank equally in all respects with the then existing Units in issue, save and except that the Consideration Units shall not be entitled to the advance distribution of Pavilion REIT’s distributable income for the period commencing on the day immediately after the relevant distribution up to such date to be determined by the Board, which is before the date on which the Consideration Units (if any) are allotted to Regal Path, and also will not be entitled to any distributable income, rights, benefits, entitlements and/or any other distributions, unless the allotment of the Consideration Units were made on or prior to the entitlement date of such distributable income, rights, benefits, entitlements and/or any other distributions;

AND THAT the Board and the Trustee be and are hereby authorised to do all such acts, deeds and things and to execute, enter into, sign and deliver any arrangements, guarantees and/or documents as the Board and the Trustee deem fit, necessary, expedient and/or appropriate in order to implement, finalise and/or give full effect to and complete the Proposed Issuance of Consideration Units to Regal Path for and on behalf of Pavilion REIT and in the best interest of Pavilion REIT and where applicable, with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board and the Trustee may deem fit, necessary, expedient and/or appropriate to implement, finalise and/or give full effect to and complete the Proposed Issuance of Consideration Units to Regal Path.”

ORDINARY RESOLUTION 3

PROPOSED PLACEMENTS OF UP TO 1,270,000,000 NEW UNITS (“PLACEMENT UNITS”), REPRESENTING UP TO APPROXIMATELY 41.5% OF THE EXISTING TOTAL UNITS IN ISSUE, AT AN ISSUE PRICE TO BE DETERMINED LATER BY WAY OF BOOKBUILDING EXERCISE TO RAISE UP TO RM1,270 MILLION (“PROPOSED PLACEMENTS”)

“**THAT** subject to the passing of Ordinary Resolution 1, and the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board and the Trustee to implement the Proposed Placements which may be carried out in 2 tranches, and allot and issue up to 1,270,000,000 Placement Units, representing up to approximately 41.5% of the existing total Units in issue, at an issue price to be determined later by way of bookbuilding exercise to such investors to be identified later to raise up to RM1,270 million;

THAT the Placement Units shall, upon allotment and issue, rank equally in all respects with the then existing Units in issue, save and except that the Placement Units shall not be entitled to the advance distribution of Pavilion REIT’s distributable income for the period commencing on the day immediately after the relevant distribution up to such date to be determined by the Board, which is before the date on which the Placement Units are allotted to identified investors, and also will not be entitled to any distributable income, rights, benefits, entitlements and/or any other distributions, unless the allotment of the Placement Units were made on or prior to the entitlement date of such distributable income, rights, benefits, entitlements and/or any other distributions;

THAT approval be and is hereby given to the Board and the Trustee to utilise the proceeds of the Proposed Placements for the purposes as set out in the circular to Unitholders dated 7 March 2023, and the Board and the Trustee be and are hereby authorised with full powers to vary the manner and/or purpose of the utilisation of such proceeds in such manner as the Board and the Trustee shall in their absolute discretion deem fit, necessary, expedient and in the best interest of Pavilion REIT;

AND THAT the Board and the Trustee be and are hereby authorised to do all such acts and things as they may consider necessary or expedient and in the best interest of Pavilion REIT with full powers to assent to any conditions, modifications, variations and/or amendments that may be required, or that may be imposed by any regulatory authority, and to issue and execute all declarations, confirmations, agreements, instruments and such other documents and arrangements as may be necessary or expedient to give full effect to, implement and complete the Proposed Placements.”

ORDINARY RESOLUTION 4

PROPOSED PLACEMENT OF UP TO 341,000,000 PLACEMENT UNITS, REPRESENTING UP TO APPROXIMATELY 11.1% OF THE EXISTING TOTAL UNITS IN ISSUE, TO EMPLOYEES PROVIDENT FUND BOARD (“EPF”), BEING A MAJOR UNITHOLDER, AND/OR PERSONS CONNECTED TO IT PURSUANT TO THE PROPOSED PLACEMENTS (“PROPOSED PLACEMENT TO EPF”)

“**THAT** subject to the passing of Ordinary Resolutions 1 and 3, and the approvals of all relevant authorities being obtained, approval be and is hereby given to the Manager to place, and pursuant thereto for the Board to allot and issue up to 341,000,000 Placement Units, representing up to approximately 11.1% of the existing total Units in issue, to EPF and/or persons connected to EPF at an issue price to be determined later by way of a bookbuilding exercise;

THAT the Placement Units shall, upon allotment and issue, rank equally in all respects with the then existing Units in issue, save and except that the Placement Units shall not be entitled to the advance distribution of Pavilion REIT’s distributable income for the period commencing on the day immediately after the relevant distribution up to such date to be determined by the Board, which is before the date on which the Placement Units are allotted to EPF and/or persons connected to EPF, and also will not be entitled to any distributable income, rights, benefits, entitlements and/or any other distributions, unless the allotment of the Placement Units were made on or prior to the entitlement date of such distributable income, rights, benefits, entitlements and/or any other distributions;

AND THAT the Board and the Trustee be and are hereby authorised to do all such acts and things as they may consider necessary or expedient and in the best interest of Pavilion REIT with full powers to assent to any conditions, modifications, variations and/or amendments that may be required, or that may be imposed by any regulatory authority, and to issue and execute all declarations, confirmations, agreements, instruments and such other documents and arrangements as may be necessary or expedient to give full effect to, implement and complete the Proposed Placement to EPF.”

BY ORDER OF THE BOARD OF
PAVILION REIT MANAGEMENT SDN BHD
(as the Manager of Pavilion REIT)

LIM MEI YOONG (LS0002201)
(SSM PC No. 201908003397)
Company Secretary

Kuala Lumpur
7 March 2023

Notes:

1. A Unitholder who is entitled to attend the Unitholders' 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 the Unitholders' 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 holding (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 either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia not later than Monday, 20 March 2023 at 11.30 a.m., being 48 hours before the time appointed for holding the Unitholders' Meeting or any adjournment thereof.
6. Only Unitholders registered in the Record of Depositors as at 15 March 2023 shall be entitled to attend and vote at the Unitholders' 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 resolutions set out in the Notice of Unitholders' Meeting will be put to vote by way of poll.

PERSONAL DATA PRIVACY NOTICE

By submitting an instrument appointing a proxy(ies), attorney(s) and/or representative(s) to attend and vote at the Unitholders' Meeting and/or any adjournment thereof, a Unitholder:

- (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager (or its agents) for the purpose of the processing and administration by the Manager (or its agents) of proxy(ies), attorney(s) and/or representative(s) appointed for the Unitholders' Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Unitholders' Meeting (including any adjournment thereof), and in order for Pavilion REIT and the Manager (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"),
- (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies), attorney(s) and/or representative(s) to the Manager (or its agents), the Unitholder has obtained the prior consent of such proxy(ies), attorney(s) and/or representative(s) for the collection, use and disclosure by Manager (or its agents) of the personal data of such proxy(ies), attorney(s) and/or representative(s) for the Purposes, and
- (iii) agrees that the Unitholder will indemnify Pavilion REIT and/or the Manager in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad (Registration No. 198701004362 (163032-V)) and Pavilion REIT Management Sdn Bhd (Registration No. 201101011359 (939490-H)), both companies incorporated in Malaysia)

PROXY FORM

No. of Units Held	CDS Account No.

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	
		Number of Units	Percentage (%)
Address:	NRIC No./Passport No.		

and / or failing *him/her

2nd PROXY 'B'

Full Name:		Proportion of unitholdings represented	
		Number of Units	Percentage (%)
Address:	NRIC No./Passport No.		

or failing *him/her, the Chairman of the meeting of the unitholders of Pavilion REIT ("**Unitholders**") ("**Unitholders' Meeting**") as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Unitholders' Meeting to be held at Pavilion Ballroom, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Wednesday, 22 March 2023 at 11.30 a.m. or immediately following the conclusion of the 11th Annual General Meeting of Pavilion REIT, whichever is later, or any adjournment thereof.

*Strike out whichever is not applicable

Please indicate with an "X" in the space below how you wish your votes to be cast. If you do not do so, the proxy/proxies will vote or abstain from voting on the resolutions at his/her/their discretion.

Ordinary Resolution	FOR	AGAINST
Proposed Acquisition		
Proposed Issuance of Consideration Units to Regal Path		
Proposed Placements		
Proposed Placement to EPF		

Dated this day of, 2023.

.....
Signature of Unitholder / Common Seal



Notes:

1. A Unitholder who is entitled to attend the Unitholders' 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 the Unitholders' 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 either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia not later than Monday, 20 March 2023 at 11.30 a.m., being 48 hours before the time appointed for holding the Unitholders' Meeting or any adjournment thereof.
6. Only Unitholders registered in the Record of Depositors as at 15 March 2023 shall be entitled to attend and vote at the Unitholders' 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 resolutions set out in the Notice of Unitholders' Meeting will be put to vote by way of poll.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend and vote at the Unitholders' Meeting and/or any adjournment thereof, the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Unitholders' Meeting dated 7 March 2023.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Manager of Pavilion Real Estate Investment Trust

PAVILION REIT MANAGEMENT SDN BHD
(Registration No. (201101011359 (939490-H))
6-2, Level 6, East Wing
Menara Goldstone (Holiday Inn Express)
No. 84, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

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