Questions and Answers at the Unitholders' Meeting of Pavilion Real Estate Investment Trust ("Pavilion REIT") held on 7 May 2025 at 11.30 a.m.

No.		Comments/Questions Raised by Unitholders/Proxyholders	Responses/Answers from the Chairman/Chief Executive Officer
1.	(a)	Between Scenario 1 and Scenario 2, please advise whether Scenario 1 is more favourable to us, as the issuance of fewer units would lead to lesser dilution? It is also noted that our average cost of debt is approximately 4.8%, while our Distribution Income Per Unit ("**DPU**") yield is 6.5%. Given these points, are the Board and Management leaning towards Scenario 1?	We will evaluate the market with our advisors before proceeding. It is likely that a portion of the funding is through borrowings. Scenario 1 has lesser issuance of units as compared to Scenario 2. The units under Scenario 1 are issued to the vendors. We prefer the units to be distributed to the broader market.
	(b)	If the units are issued to the Vendors, the Vendors do not enjoy 10% discount. However, a placement bookbuilding exercise could potentially result in a 10% discount, which would be detrimental to existing unitholders. Therefore, Scenario 1 appears to be the optimal choice as it leads to less dilution. Additionally, based on the effect on the DPU as presented, it is expected to be accretive, rather than dilutive.	Any decision will entail a balancing act, and the DPU will still be positive. We will take that into consideration prior to the unit issuance. Significant considerations are the impact on the public spread and market liquidity. Units issued to Tan Sri Lim Siew Choon, Qatar Holding LLC and/or persons connected with them tend to be 'locked up' as they never trade on their units, significantly reducing market liquidity.
	(c)	But our public spread is well above 25%.	Yes, about 41.5%.
	(d)	Furthermore, more skin for the vendor and major unitholder in the units is generally better. It is often observed, as with certain REITs like YTL, that minority unitholders fare better when the major unitholder or controlling unitholder has more skin in the game, rather than when they cash out their unitholdings.	Indeed, the unwavering commitment of Tan Sri Lim Siew Choon and Qatar Holding LLC is evidenced by their retention of unitholdings of Pavilion REIT since its inception. Our preference is to issue units to the public, driven by the desire for enhanced market liquidity. We recognise that unit value is directly influenced by trading volume: higher volume tends to increase unit value, while lower volume diminishes it. A lack of trading activity will invariably lead to a decrease in unit value, whereas robust trading will contribute to its appreciation.

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	(e)	From my immediate perspective, Scenario 1 appears optimal. Banyan Tree Hotel Kuala Lumpur and Pavilion Hotel Kuala Lumpur ("**Subject Hotels**") are projected to constitute 5.5% of Pavilion REIT's enlarged total assets under management. This proportion is unlikely to materially affect trading volume. On this specific point, we acknowledge our differing perspectives.	
2.	(a)	Could you please provide the Net Property Income ("**NPI**") for the Subject Hotels for 2024? The circular to unitholders appears to present the NPI figures for the Subject Hotels for 2023 only i.e. approximately RM7 million for Banyan Tree Hotel Kuala Lumpur and RM9 million for Pavilion Hotel Kuala Lumpur. Kindly clarify whether the reported NPIs included the rental expenses in their calculations.	When the circular to unitholders was prepared, the audited results in respect of the Subject Hotels for the financial year 2024 were not completed yet. The latest audited financial statements available at that time was for the financial year 2023. The NPIs included the bank loan interests and others. Since we do not assume them upon our acquisition of the Subject Hotels, the NPI figures are anticipated to be better.
	(b)	Based on the illustrative issue price of RM1.43 per unit, the Proposals are expected to result in a DPU yield of 6.5%. This is not considered yield accretive.	The Lessor (MTrustee Berhad, acting as trustee for and on behalf of Pavilion REIT) will retain RM33.5 million as advance payment of the first-year lease rental by the Lessee (Harmoni Perkasa Sdn Bhd). By the end of this year, the Lessee should be able to achieve the second year's lease rental of RM33.5 million, which the Lessee will pay the Lessor one year ahead. We further anticipate that by year 2 or year 3, the Lessee would be able to contribute the Variable Rental of 40% of the Surplus Sum.

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	(c) Can the 2024 unaudited financial results of the Subject Hotels be shared? It appears that the pro forma effect on the DPU yield after the Proposals is flat. Furthermore, whether the Proposed Acquisitions will be DPU yield accretive is dependent on their potential future growth, particularly in terms of the Variable Rental income.	We regret to inform that we do not have the authority to share the 2024 unaudited financial results of the Subject Hotels.
3.	The original cost of Banyan Tree Hotel Kuala Lumpur to the Vendor was over RM200 million. However, the market value ascribed by the valuer has since dropped to RM140.0 million. Could you please explain the reasons for this significant decrease in valuation, and provide insights into whether this value is expected to continue falling? Was this decline a one-off event primarily attributable to the COVID-19 pandemic?	Banyan Tree Hotel Kuala Lumpur is built atop Banyan Tree Residence Apartments. The developer's original allocation of the construction costs for the hotel and apartments falls beyond our purview. Nevertheless, our purchase consideration of RM140 million aligns with the value ascribed by the professional independent valuer. The purchase consideration is notably lower than the developer's investment cost. We do not believe that the decline in value was due to the COVID-19 pandemic.
4.	While we recognise the upside of the Proposed Acquisitions, we also need to understand the downside. Specifically, can the Lessee terminate the Lease Agreements in the event of adverse market conditions?	Pursuant to the Lease Agreements, should the Lessee commit an early termination due to their default, they are obliged to pay the rentals for the entire remaining lease term (of 10 years). For instance, if the lease is terminated with 3 years remaining, the Lessee is required to pay us the rental for those 3 years.

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5.	Could you please explain the workings of the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Placement to EPF? Specifically, does the Proposed Issuance of Consideration Units negate the need for the Proposed Placement and the Proposed Placement to EPF? Do the latter two proposals serve as contingency plans?	The Proposed Issuance of Consideration Units is intended for unit issuance to the Vendors, in the event Pavilion REIT elects not to implement the Proposed Placement. In accordance with paragraph 6.06(1) of the Main Market Listing Requirements, the approval of the non-interested unitholders in a general meeting is required for the Proposed Issuance of Consideration Units as (i) the Vendors are deemed persons connected with certain Directors, major shareholders of the Manager and Major Unitholders and (ii) the Authorised Nominee(s) may be the Directors, major shareholders of the Manager, Major Unitholders and/or persons connected with them. The Proposed Placement of a minimum of 184 million new units is in the event we opt to raise cash from the public to pay for the Proposed Acquisitions. Should the share/unit market experience downturn and the unit price go so low down that we do not want to issue units any more to the public to raise cash, both Tan Sri Lim Siew Choon and Qatar Holding LLC shall then accept payment in units, despite without a discount (compared to placement bookbuilding exercise, as described by the unitholder earlier). The bookbuilding exercise for the Proposed Placement may involve the participation of EPF, a Major Unitholder, and/or persons connected with it. To facilitate this, the approval of the non-interested unitholders in general meeting is also required for the Proposed Placement to EPF in accordance with paragraph 6.06(1) of the Main Market Listing Requirements. If this proposal is not raised, EPF cannot take up units from the Proposed Placement and EPF's unitholdings will be diluted.

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6.		Why is the RM33.5 million advance lease rental integrated into the acquisition price? This approach raises the acquisition cost, and consequently increases the 1% acquisition fee payable to the Manager by unitholders.	The retention of the RM33.5 million advance rental from the purchase consideration neither affects the total purchase consideration nor the 1% acquisition fee payable to the Manager. The total purchase consideration remains fixed at RM480 million, regardless of any retained sum. The 1% acquisition fee is a standard industry rate, applicable across in Malaysia, Singapore, and worldwide.
7.		Is Pavilion Damansara Heights under Pavilion REIT?	No.
8.	(a)	Earlier, it was explained that Scenario 2 would improve market liquidity. The Management can consider bonus issue to resolve the market liquidity issue.	Bonus issue cannot raise cash for the purpose of the Proposed Acquisitions.
	(b)	While bonus issue does not generate cash, Scenario 1 provides adequate funding for the acquisition cost. To clarify, we can opt for Scenario 1 and upon the completion of Scenario 1, a bonus issue could be considered to boost market liquidity.	There is no precedent of a bonus issue in the history of REIT industry. Management will ascertain if this is permissible under applicable laws and the trust deed.