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 (Company Registration No. 198701004362 (163032-V)) and Pavilion REIT Management Sdn Bhd (Company Registration No. 201101011359 (939490-H)), both companies incorporated in Malaysia)

CIRCULAR TO UNITHOLDERS IN RELATION TO THE

PART A

(I) PROPOSED ACQUISITIONS BY MTRUSTEE BERHAD, ACTING AS THE TRUSTEE FOR AND ON BEHALF OF PAVILION REAL ESTATE INVESTMENT TRUST ("PAVILION REIT"), OF BANYAN TREE KUALA LUMPUR ("BTKL") FROM LUMAYAN INDAH SDN BHD ("LISB") AND PAVILION HOTEL KUALA LUMPUR ("PHKL") FROM HARMONI PERKASA SDN BHD ("HPSB") (LISB AND HPSB ARE COLLECTIVELY REFERRED TO AS "VENDORS") FOR A TOTAL PURCHASE CONSIDERATION OF RM480.00 MILLION ("PURCHASE CONSIDERATION");

(II) PROPOSED ISSUANCE OF UP TO 172,377,600 NEW UNITS IN PAVILION REIT ("UNITS"), REPRESENTING UP TO APPROXIMATELY 4.7% OF THE EXISTING TOTAL UNITS IN ISSUE, AT AN ISSUE PRICE TO BE DETERMINED LATER TO THE VENDORS AND/OR THEIR AUTHORISED NOMINEE(S) TO PART SETTLE UP TO RM246.50 MILLION OF THE PURCHASE CONSIDERATION;

(III) PROPOSED PLACEMENT OF A MINIMUM OF 184,615,400 NEW UNITS AND A MAXIMUM OF 386,014,000 NEW UNITS, REPRESENTING APPROXIMATELY 5.0% AND APPROXIMATELY 10.5% OF THE EXISTING TOTAL UNITS IN ISSUE, RESPECTIVELY AT AN ISSUE PRICE TO BE DETERMINED LATER BY WAY OF BOOKBUILDING TO RAISE GROSS PROCEEDS OF A MINIMUM OF RM264.00 MILLION AND A MAXIMUM OF RM552.00 MILLION ("PROPOSED PLACEMENT");

(IV) PROPOSED PLACEMENT OF UP TO 162,877,200 NEW UNITS, REPRESENTING UP TO APPROXIMATELY 4.4% OF THE EXISTING TOTAL UNITS IN ISSUE, TO EMPLOYEES PROVIDENT FUND BOARD, BEING A MAJOR UNITHOLDER OF PAVILION REIT, AND/OR PERSONS CONNECTED WITH IT IN CONJUNCTION WITH THE PROPOSED PLACEMENT; AND

(V) PROPOSED LEASES OF BTKL AND PHKL TO HPSB

(COLLECTIVELY REFERRED TO AS "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER FROM INTER-PACIFIC SECURITIES SDN BHD TO THE NON-INTERESTED UNITHOLDERS OF PAVILION REIT IN RELATION TO THE PROPOSALS

AND

NOTICE OF UNITHOLDERS' MEETING

Joint Principal Advisers and Placement Agents

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

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

Independent Adviser

Inter-Pacific Securities Sdn Bhd
(Company Registration No. 197201001092 (12738-U))
(A Participating Organisation of Bursa Securities)

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 (2) 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, 7 May 2025 at 11.30 a.m. or immediately following the conclusion of the 13th 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, 5 May 2025 at 11.30 a.m. or any adjournment thereof

This Circular is dated 17 April 2025

DEFINITIONS

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

Act	:	Companies Act 2016
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 or the Consideration Units (if any) are allotted to the Vendors and/or their Authorised Nominee(s)
Announcement	:	The announcement dated 5 December 2024 in relation to the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases
Authorised Nominee(s)	:	Any person who is (i) a direct or indirect shareholder of the Vendors, which may include TSLSC, PSTKY, QH, SOSB and UCSB; or (ii) a person connected with TSLSC, PSTKY and QH, being the Interested Major Unitholders, as shall be notified by the Vendors to the Trustee in writing in accordance with the terms of the SPAs
Balance Cash Consideration	:	Balance of the Cash Consideration less the Redemption Sum. For the avoidance of doubt, in respect of the proposed acquisition of the PHKL Property, Pavilion REIT shall retain from the Balance Cash Consideration an amount equivalent to the First Year Lease Rental, in accordance with the terms of the PHKL SPA
Banyan Tree Holdings	:	Banyan Tree Holdings Limited
Banyan Tree Hotels & Resorts	:	Banyan Tree Hotels & Resorts Pte Ltd
Beneficial Ownership Transfer Date	:	The last date of the following being completed: (a) receipt of the Redemption Sum by the Vendors' financiers; (b) receipt by the Vendors of the Balance Cash Consideration less the First Year Lease Rental; and/or (c) the issuance of the Consideration Units by Pavilion REIT favouring the Vendors and/or their Authorised Nominee(s) and the Consideration Units credited into the Vendors' CDS Account/the CDS Account of the Authorised Nominee(s), as the case may be
Board	:	Board of Directors of the Manager
BTKL	:	Banyan Tree Kuala Lumpur
BTKL Fixtures and Fittings	:	Collectively, (i) all furniture, furnishings, fixtures and equipment in the BTKL Strata Parcel; and (ii) the BTKL Major Equipment, all owned by LISB and used in the operation and running of the business of LISB as at the date of the BTKL SPA

BTKL Lease Agreement	:	Lease agreement in respect of BTKL to be entered into between Pavilion REIT (as the Lessor) and the Lessee on the Beneficial Ownership Transfer Date
BTKL Major Equipment	:	The fixtures and equipment in the BTKL Strata Parcel that: (i) has a useful life of 10 years or more from the date when it was first acquired; (ii) has a value of RM100,000 or more as at the date when it was first acquired; and (iii) by its description is an equipment and does not include architectural features such as fountains
BTKL Property	:	BTKL Strata Parcel together with the BTKL Fixtures and Fittings
BTKL SPA	:	Conditional sale and purchase agreement dated 5 December 2024 between the Trustee and LISB in relation to the proposed acquisition of the BTKL Property
BTKL Strata Parcel	:	The BTKL Strata Title, measuring approximately 10,212 square metres (approximately 109,921 square feet) in parcel area, within the building, together with 91 accessory parcels lot nos. A1 to A8, A11, A26 to A30, A35 to A42, A44 to A56, A59 to A88, A90 to A101, A107 to A116, A646 to A649, forming part of the development bearing postal address Banyan Tree Hotel, Banyan Tree Signatures Pavilion Kuala Lumpur, Jalan Conlay, 50450 Wilayah Persekutuan Kuala Lumpur
BTKL Strata Title	:	All that parcel of property held under Hakmilik Strata No. Geran 34208, No. Bangunan M1, No. Tingkat B2, No. Petak 1, Lot 383 Seksyen 57, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur
Bursa Securities	:	Bursa Malaysia Securities Berhad
Cash Consideration	:	The portion of the Purchase Consideration that is to be settled by Pavilion REIT by way of cash settlement, which shall not be less than the Minimum Cash Consideration
CBRE | WTW or Valuer	:	CBRE WTW Valuation & Advisory Sdn Bhd, being the valuer appointed by the Trustee, for and on behalf of Pavilion REIT, to value the BTKL Property and the PHKL Property
CDS Account	:	The relevant securities account opened and maintained with Bursa Malaysia Depository Sdn Bhd
CIMB	:	CIMB Investment Bank Berhad
Circular	:	This circular to the Unitholders in relation to the Proposals dated 17 April 2025
CMSA	:	Capital Markets and Services Act 2007
Conditions Precedent	:	The conditions precedent which are to be fulfilled in accordance with the terms of the SPAs as set out in Section 2.1.3 of Part A of this Circular

Consideration Units	:	Up to 172,377,600 new Units, representing up to approximately 4.7% of the existing total Units in issue, to be issued by Pavilion REIT at an issue price to be determined later to the Vendors and/or their Authorised Nominee(s) to part settle up to RM246.50 million of the Purchase Consideration, pursuant to the terms and conditions of the Proposed Acquisitions
DCF	:	Discounted cash flow
Determination Date	:	The date which is within seven (7) business days from the Unconditional Date
Director	:	Director of the Manager
DLTF	:	Dato' Lee Tuck Fook
DPU	:	Distribution income per Unit
EPF	:	Employees Provident Fund Board
EPU	:	Earnings per Unit
Erinford Injunction Motion	:	Has the meaning as prescribed under Section 4, **Appendix VI** of this Circular
Estimated Expenses	:	The estimated fees and expenses incurred or to be incurred in relation to the Proposals as detailed in Section 2.1.8 of Part A of this Circular
Existing Securities	:	The existing securities over the Subject Hotels created by the Vendors to secure their financing facilities
Extended Settlement Date	:	A date to be determined by Pavilion REIT and notified in writing by Pavilion REIT to the Vendors provided always that the date shall be a pre-determined specific date falling no earlier than five (5) business days after the Settlement Date and no later than 20 business days after the Settlement Date (both dates inclusive)
First Year Lease Rental	:	RM33.50 million, being the fixed rental for the first year of the Proposed Leases payable by the Lessee to the Lessor
Fixed Rental	:	The fixed annual rental payments for the Subject Hotels
FSA	:	Financial Services Act 2013
FYE	:	Financial year ended/ending, as the case may be
HPSB	:	Harmoni Perkasa Sdn Bhd
IAL	:	The independent advice letter from the Independent Adviser to the non-interested Unitholders in relation to the Proposals dated 17 April 2025, as contained in Part B of this Circular
IFSA	:	Islamic Financial Services Act 2013
Independent Adviser or Interpac	:	Inter-Pacific Securities Sdn Bhd
Interested Directors	:	TSLSC, PSTKY, DLTF, Ahmad Mohammed F Q Al-Khanji, Fahad Abdulla S A Al-Mana and Navid Chamdia, being the Directors who are interested or deemed interested in the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases

Interested Major Unitholders	:	TSLSC and PSTKY (both being the ultimate shareholders of the Manager through their indirect shareholdings of 51.0% in the Manager), as well as QH (which indirectly holds the remaining 49.0% in the Manager), being the Major Unitholders who are interested or deemed interested in the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases
Joint Principal Advisers	:	Collectively, CIMB and Maybank IB
KWAP	:	Kumpulan Wang Persaraan (Diperbadankan)
Lease Agreements	:	Collectively, the BTKL Lease Agreement and the PHKL Lease Agreement
Lease Rental	:	Collectively, the Fixed Rental and the Variable Rental as detailed in Section 2.5 of Part A of this Circular
Lessee	:	HPSB
Lessor	:	The Trustee, for and on behalf of Pavilion REIT
LISB	:	Lumayan Indah Sdn Bhd
Listed REIT Guidelines	:	Guidelines on Listed Real Estate Investment Trusts issued by the SC
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	21 March 2025, being the latest practicable date prior to the date of this Circular
LSW	:	Lim Shoo Wenn
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
Manager	:	Pavilion REIT Management Sdn Bhd, the management company of Pavilion REIT
Mareva Injunction Appeal	:	Has the meaning as prescribed under Section 4, **Appendix VI** of this Circular
Master Valuation Certificate	:	Master valuation certificate dated 29 November 2024 prepared by the Valuer in respect of the BTKL Property and the PHKL Property which is enclosed in **Appendix V** of this Circular
Maximum Placement	:	Proposed placement of a maximum of 386,014,000 Placement Units, representing approximately 10.5% of the existing total Units in issue, at the Placement Issue Price to raise gross proceeds of RM552.00 million
Maybank IB	:	Maybank Investment Bank Berhad
Minimum Cash Consideration	:	The cash sum of not lesser than RM233.50 million in aggregate
Minimum Placement	:	Proposed placement of a minimum of 184,615,400 Placement Units, representing approximately 5.0% of the existing total Units in issue, at the Placement Issue Price to raise gross proceeds of RM264.00 million

NAV : Net asset value

NBV : Net book value

Net Purchase Consideration : Purchase Consideration less the First Year Lease Rental, being RM446.50 million

Pavilion KL : Pavilion Kuala Lumpur

Pavilion REIT : Pavilion Real Estate Investment Trust, a real estate investment trust established in Malaysia and constituted by the Trust Deed

PHKL : Pavilion Hotel Kuala Lumpur

PHKL Fixtures and Fittings : Collectively,

(i) all furniture, furnishings, fixtures and equipment in the PHKL Strata Parcels; and

(ii) PHKL Major Equipment,

all owned by HPSB and used in the operation and running of the business of HPSB as at the date of the PHKL SPA

PHKL Lease Agreement : Lease agreement in respect of PHKL to be entered into between Pavilion REIT (as the Lessor) and the Lessee on the Beneficial Ownership Transfer Date

PHKL Major Equipment : The fixtures and equipment in the PHKL Strata Parcels that:

(i) has a useful life of 10 years or more from the date when it was first acquired;

(ii) has a value of RM100,000 or more as at the date when it was first acquired; and

(iii) by its description is an equipment and does not include architectural features such as fountains

PHKL Petak 3 Strata Title : Hakmilik Strata No. Pajakan Negeri 53757, No. Bangunan M1, No. Tingkat B3, No. Petak 3, Lot 20020 Seksyen 63, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

PHKL Petak 4 Strata Title : Hakmilik Strata No. Pajakan Negeri 53757, No. Bangunan M1, No. Tingkat 1, No. Petak 4, Lot 20020 Seksyen 63, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

PHKL Property : PHKL Strata Parcels together with the PHKL Fixtures and Fittings

PHKL SPA : Conditional sale and purchase agreement dated 5 December 2024 between the Trustee and HPSB in relation to the proposed acquisition of the PHKL Property and which also includes the agreed form of the Lease Agreements

PHKL Strata Parcels : (i) PHKL Petak 3 Strata Title, measuring approximately 31,612 square metres (approximately 340,269 square feet) in parcel area, together with 99 accessory parcels lot nos. A10 to A14, A264 to A266, A525 to A559, A563, A566 to A571, A668 to A672, A693 to A697, A702 to A706, A726, A727, A730, A747, A748, A758, A782, A786, A870 to A895 as shown in the strata plans attached to the PHKL Petak 3 Strata Title (collectively, "**Accessory Parcels**"); and

		(ii) PHKL Petak 4 Strata Title, measuring approximately 199 square metres (approximately 2,142 square feet) in parcel area with no accessory parcels, both within the building together with the Accessory Parcels, forming part of the development bearing postal address Pavilion Hotel, Jalan Bukit Bintang, 50200 Wilayah Persekutuan Kuala Lumpur
PHKL Strata Titles	:	Collectively, the PHKL Petak 3 Strata Title and the PHKL Petak 4 Strata Title
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 issue price of the Placement Units which can only be determined upon the completion of the bookbuilding exercise for the Proposed Placement
Placement Units	:	The new Units to be issued pursuant to the Proposed Placement
Pre-Agreed Rate of Increase	:	A pre-agreed rate of increase in the Fixed Rental of between 5% to 10% as mutually agreed between the Lessor and the Lessee
Proposals	:	Collectively, the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement, the Proposed Placement to EPF and the Proposed Leases
Proposed Acquisitions	:	Proposed acquisitions by the Trustee, for and on behalf of Pavilion REIT, of the BTKL Property and the PHKL Property from the Vendors for the Purchase Consideration based on the terms and conditions of the SPAs
Proposed Issuance of Consideration Units	:	Proposed issuance of the Consideration Units to the Vendors and/or their Authorised Nominee(s) pursuant to the terms and conditions of the Proposed Acquisitions
Proposed Leases	:	Proposed leases of the Subject Hotels by Pavilion REIT as the Lessor to HPSB as the Lessee, pursuant to the terms and conditions of the Lease Agreements
Proposed Placement	:	Proposed placement of the Minimum Placement and up to the Maximum Placement at the Placement Issue Price to raise gross proceeds of a minimum of RM264.00 million and a maximum of RM552.00 million, respectively
Proposed Placement to EPF	:	Proposed placement of up to 162,877,200 Placement Units, representing up to approximately 4.4% of the existing total Units in issue, to EPF, being a Major Unitholder, and/or persons connected with it in conjunction with the Proposed Placement
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:

  (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	:	Total purchase consideration of RM480.00 million for the Proposed Acquisitions
QFC	:	Qatar Financial Centre
QH	:	Qatar Holding LLC, licensed by the QFC Authority under QFC Authority Licence No. 00004
Redemption Amount Shortfall	:	The difference between the Redemption Sum and the Cash Consideration, where the Redemption Sum exceeds the Cash Consideration
Redemption Sum	:	The total amount payable to the Vendors' financiers for the purpose of redeeming the Subject Hotels from the Vendors' financiers, absolutely releasing and discharging the Subject Hotels from the Existing Securities and to procure the relevant transaction documents from the Vendors' financiers
SC	:	Securities Commission Malaysia
Settlement Date	:	The date falling on the 30th business day following the Unconditional Date
SOSB	:	Serantau Optima Sdn Bhd
SPAs	:	Collectively, the BTKL SPA and the PHKL SPA
Subject Hotels	:	Collectively, BTKL and PHKL
Surplus Sum	:	The difference between the Subject Hotels' net operating income and the Fixed Rental in the event that the net operating income of the Subject Hotels is higher than the Fixed Rental
Term	:	A term of 10 years in respect of the Proposed Leases
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 the trustee for and on behalf of Pavilion REIT
TSLSC	:	Tan Sri Lim Siew Choon
UCSB	:	Urusharta Cemerlang Sdn Bhd
Unconditional Date	:	The date on which the last of the Conditions Precedent is fulfilled in accordance with the provisions of the SPAs

Unit	:	Undivided interest in Pavilion REIT as constituted by the Trust Deed
Unitholder	:	Holder of the Units
Unitholders' Meeting	:	The meeting of the Unitholders to be convened for the Proposals
US	:	United States of America
Valuation Reports	:	Valuation reports dated 29 November 2024 prepared by the Valuer in respect of the BTKL Property and the PHKL Property
Variable Rental	:	40% of the Surplus Sum
Vendors	:	Collectively, LISB and HPSB
Vendors' Financiers' Undertaking	:	The undertaking from the Vendors' financiers addressed to Pavilion REIT or to Pavilion REIT's financier, as the case may be, (a) confirming the Redemption Sum payable; (b) to deliver the transaction documents to Pavilion REIT's financier, the solicitors for Pavilion REIT's financier or Pavilion REIT's solicitors, as the case may be, after receipt of the Redemption Sum; and (c) to refund the Redemption Sum, free of interest, to Pavilion REIT's financier or Pavilion REIT, as the case may be, if the discharge of existing securities are not registered and/or perfected and/or completed provided that the transaction documents are returned to the Vendors' Financiers with the existing securities remaining intact
Vendors' Undertaking	:	The undertaking from the Vendors addressed to Pavilion REIT's financier to refund to Pavilion REIT's financier, free of interest, the loan sum released to the Vendors and/or the Vendors' financiers for the Vendors' benefit towards account of the Purchase Consideration if the transfers of the titles to the Subject Hotels are not registered for any reason whatsoever
VWAP	:	Volume weighted average market price

CURRENCY

RM and sen	:	Ringgit Malaysia and sen
USD	:	United States Dollar

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.

CONTENTS

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.

<table>
<tr><th>Key information</th><th>Description</th><th>Reference to Part A of this Circular</th></tr>
<tr><td>Details of the Proposed Acquisitions and method of settlement</td><td>The Proposed Acquisitions entail the acquisition of the BTKL Property and the PHKL Property which are both (5)-star hotels located in close proximity to Pavilion KL and are operated and managed by Banyan Tree Hotels & Resorts. The Purchase Consideration is to be settled in the following manner:
<table>
<tr><th>Proposed Acquisition</th><th>Vendor</th><th>Purchase consideration and settlement method</th></tr>
<tr><td>BTKL Property</td><td>LISB</td><td>RM140.00 million, of which:
• RM65.00 million is to be satisfied via cash or issuance of the Consideration Units to LISB and/or its Authorised Nominee(s); and
• RM75.00 million to be satisfied wholly in cash.</td></tr>
<tr><td>PHKL Property</td><td>HPSB</td><td>RM340.00 million, of which:
• RM33.50 million is to be retained by Pavilion REIT as advance payment of the First Year Lease Rental;
• RM181.50 million is to be satisfied via cash or issuance of the Consideration Units to HPSB and/or its Authorised Nominee(s); and
• RM125.00 million to be satisfied wholly in cash.</td></tr>
</table></td><td>Sections 2.1.1, 2.1.2 and 2.1.4</td></tr>
<tr><td>Purchase Consideration</td><td>Pavilion REIT shall, on the Determination Date, make the election as to whether to settle the Net Purchase Consideration (i) wholly in cash or (ii) via a combination of cash and the Consideration Units. No deposit is payable by Pavilion REIT to the Vendors in accordance with the terms of the SPAs.

In either scenario, Pavilion REIT will settle the Net Purchase Consideration on the Settlement Date or the Extended Settlement Date (where applicable), as follows:</td><td>Section 2.1.2</td></tr>
</table>

<table>
<tr><th>Key information</th><th>Description</th><th>Reference to Part A of this Circular</th></tr>
<tr><td></td><td>
<table>
<tr><th>Settlement approach</th><th>Details</th></tr>
<tr><td>Wholly in cash</td><td>Pavilion REIT will:
(i) pay the Redemption Sum to the Vendors' financiers; and
(ii) pay the remainder of the Net Purchase Consideration, if any, to the Vendors.</td></tr>
<tr><td>Cash and Consideration Units</td><td>Pavilion REIT will:
(i) pay the Redemption Sum to the Vendors' financiers;
(ii) pay the Balance Cash Consideration, if any, to the Vendors; and/or
(iii) issue the Consideration Units to the Vendors and/or their Authorised Nominee(s) to pay up to RM246.50 million of the Purchase Consideration.</td></tr>
</table>
The beneficial ownership of the BTKL Property and the PHKL Property shall be deemed transferred to Pavilion REIT upon full settlement of the Purchase Consideration i.e. on the Beneficial Ownership Transfer Date.</td><td></td></tr>
<tr><td>Description of the Subject Hotels</td><td>(i) BTKL is a five (5)-star hotel operated and managed by Banyan Tree Hotels & Resorts which comprises 55 well-appointed rooms (having all necessary equipment and comfortable and attractive furniture) with an average size starting from 51 square metres (approximately 549 square feet), together with 81 parking bays on level 1 and two (2) levels of basement parking within a 59-storey integrated commercial building and bearing the postal address of Banyan Tree Hotel, Banyan Tree Signatures Pavilion Kuala Lumpur, Jalan Conlay, 50450 Wilayah Persekutuan Kuala Lumpur.
(ii) PHKL is a five (5)-star hotel operated and managed by Banyan Tree Hotels & Resorts which comprises 325 well-appointed rooms (having all necessary equipment and comfortable and attractive furniture) with an average size starting from 32 square metres (approximately 345 square feet), together with 147 parking bays on two (2) levels of basement parking within a 13-storey hotel block erected on Pavilion KL and bearing the postal address of Pavilion Hotel, Jalan Bukit Bintang, 50200 Wilayah Persekutuan Kuala Lumpur.
Banyan Tree Hotels & Resorts has been the hotel manager of the Subject Hotels since their respective openings in 2018 and 2019, with its tenure as hotel manager for the BTKL Property set to expire in 2038, and for the PHKL Property set to expire in 2039.</td><td>Section 2.1.4</td></tr>
</table>

<table>
<tr><th>Key information</th><th>Description</th><th>Reference to Part A of this Circular</th></tr>
<tr><td>Basis and justification for the Purchase Consideration</td><td>The Purchase Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the market values of the BTKL Property and the PHKL Property as appraised by CBRE | WTW of RM140.00 million and RM350.00 million, respectively, as at the date of valuation of 25 November 2024.

The purchase consideration for the BTKL Property is equivalent to its market value as appraised by the Valuer. The purchase consideration for the PHKL Property represents a discount of approximately 2.9% to its market value as appraised by the Valuer.

The Valuer has adopted the income approach – profits method (DCF) as the primary approach, supported by the comparison approach in arriving at the market values of the BTKL Property and the PHKL Property.</td><td>Section 2.1.6</td></tr>
<tr><td>Source of funding</td><td>A summary of the breakdown of the source of funding for the Net Purchase Consideration and the Estimated Expenses is as follows:
<table>
<tr><th>Settlement approach</th><th>Source of funding</th></tr>
<tr><td>Wholly in cash</td><td>The total amount shall be funded by way of a combination of borrowings, internally generated funds and/or the proceeds from the Proposed Placement</td></tr>
<tr><td>Cash and Consideration Units</td><td>• Minimum Cash Consideration (excluding the First Year Lease Rental) and the Estimated Expenses will be funded by way of borrowings and/or internally generated funds

• Up to RM246.50 million of the Purchase Consideration shall be funded through the issuance of the Consideration Units</td></tr>
</table></td><td>Section 2.1.8</td></tr>
<tr><td>Proposed Issuance of Consideration Units</td><td>In the event Pavilion REIT elects to settle the Net Purchase Consideration by way of a combination of cash and the Consideration Units, the Consideration Units shall be issued to the Vendors and/or their Authorised Nominee(s) to part settle up to RM246.50 million of the Purchase Consideration.

The issue price of the Consideration Units shall be based on the five (5)-day VWAP of the Units up to and including the market day preceding the Determination Date.

To facilitate this, the approval of the non-interested Unitholders for the Proposed Issuance of Consideration Units will be sought at the forthcoming Unitholders' Meeting in accordance with Paragraph 6.06(1) of the Listing Requirements as (i) the Vendors are deemed persons connected with certain Directors, major shareholders of the Manager and the 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.</td><td>Section 2.4</td></tr>
</table>

<table>
<tr><th>Key information</th><th>Description</th><th>Reference to Part A of this Circular</th></tr>
<tr><td>Proposed Placement</td><td>The Proposed Placement is intended to raise gross proceeds of a minimum of RM264.00 million and a maximum of RM552.00 million, by way of bookbuilding in the event Pavilion REIT elects to settle the Net Purchase Consideration wholly in cash.

Pavilion REIT's decision on whether to implement the Proposed Placement will be based on, among others, the equity market conditions, the optimal debt to equity ratio and the expected effects on the EPU and DPU.

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 Placement.

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

<table>
<tr><th>Description of use of proceeds</th><th>Minimum Placement (RM million)</th><th>Maximum Placement (RM million)</th><th>Estimated timeframe</th></tr>
<tr><td>Net Purchase Consideration</td><td>(2)246.50</td><td>446.50</td><td>On or before the Settlement Date (or the Extended Settlement Date, where applicable)</td></tr>
<tr><td>Repayment of existing borrowings(1)</td><td>-</td><td>80.00</td><td>Within three (3) months from the date of listing of the Placement Units</td></tr>
<tr><td>Estimated Expenses</td><td>17.50</td><td>25.50</td><td>Progressive over the course of the Proposals</td></tr>
<tr><td>Total</td><td>264.00</td><td>552.00</td><td></td></tr>
</table>

<i>Notes:</i>

<i>(1) As at the LPD, Pavilion REIT has total borrowings of approximately RM3.40 billion. The Manager intends to repay some of its existing borrowings amounting to RM80.00 million. The aforesaid repayment is expected to result in interest savings of approximately RM3.84 million per annum.</i>
<i>(2) The remaining Net Purchase Consideration is to be funded via borrowings and/or internally generated funds.</i>

If the proceeds raised are more than the amount to be raised under the Minimum Placement but less than RM472.00 million (being the aggregate of the Net Purchase Consideration and Estimated Expenses under the Maximum Placement), the shortfall will be covered by borrowings and/or internally generated funds. If more than RM472.00 million is raised, the excess will be used to repay existing borrowings as set out above. The Proposed Placement will not be undertaken in the event the gross proceeds to be raised are less than the amount to be raised under the Minimum Placement.</td><td>Sections 2.2.1 and 2.2.4</td></tr>
</table>

Key information	**Description**	**Reference to Part A of this Circular**
Allocation to placees	The Proposed Placement will not be implemented in stages over a period of time and 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, that may include EPF and/or persons connected with it. Such investors will be identified at a later date. The Proposed Placement will not be an offer of securities for sale into the US.	Section 2.2.2
Basis and justification for the Placement Issue Price	The Placement Issue Price will be based on the bookbuilding exercise and 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 five (5)-day VWAP of the Units immediately prior to the price-fixing date, to be announced at a later date.	Section 2.2.3
Proposed Placement to EPF	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 for the Proposed Placement to EPF will be sought at the forthcoming Unitholders' Meeting in accordance with Paragraph 6.06(1) of the Listing Requirements. In determining the maximum number of Placement Units to be issued to EPF for the purposes of seeking the approval of the non-interested Unitholders, the maximum number of 162,877,200 Placement Units has been determined on the basis that should such number of Placement Units be successfully allotted and issued to EPF and/or persons connected with it under the Maximum Placement, EPF's direct and/or indirect unitholdings in Pavilion REIT will not be more than 15.0% of the enlarged Units in issue based on EPF's unitholding as at the LPD in order for EPF to remain as a Public Unitholder under the Listing Requirements. The Placement Issue Price and the actual number of Placement Units to be allotted and issued to EPF and/or persons connected with 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 Placement.	Section 2.3
Proposed Leases	The Proposed Leases are for a Term of 10 years starting from the Beneficial Ownership Transfer Date with options to renew for two (2) further Terms, whereby: • The Fixed Rental is RM33.50 million annually in aggregate for the first five (5) years of the first Term, and approximately RM35.18 million annually in aggregate for the next five (5) years of the first Term.	Section 2.5

Key information	Description	Reference to Part A of this Circular
	• Upon renewal of the first Term, the Fixed Rental will increase based on the Pre-Agreed Rate of Increase of between 5% to 10% as mutually agreed between the Lessor and the Lessee at every five (5)-year period. • In the event the net operating income of the Subject Hotels is higher than the Fixed Rental, Pavilion REIT will receive the Fixed Rental as well as the Variable Rental, being 40% of the Surplus Sum, with the remaining 60% allocated to the Lessee.	
Rationale and benefits of the Proposals	The Proposed Acquisitions are expected to: (i) be accretive to Pavilion REIT's future DPU; (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. The Proposed Placement primarily provides Pavilion REIT with the flexibility to tap into the equity capital markets, subject to market conditions, to fund the Proposed Acquisitions and reduce borrowings (subject to the final proceeds raised) which will allow Pavilion REIT to optimally manage its gearing and debt headroom as well as to attract a wider base of investors into Pavilion REIT. The Proposed Placement to EPF will allow EPF, generally being a well-regarded institutional investor and a significant participant in the Malaysian equity market, the opportunity to participate in the Proposed Placement. The Proposed Issuance of Consideration Units is an alternative settlement approach which is provided for under the terms and conditions of the SPAs, that provides transaction certainty to Pavilion REIT as it mitigates risks associated with market volatility and changes in investor sentiment, which may affect the amount of funding to be raised to settle the Net Purchase Consideration. The Proposed Leases are expected to be accretive to Pavilion REIT's future distributable income and DPU after taking into consideration, among others, the Lease Rental. Further, the Proposed Leases provide Pavilion REIT with stable and secure cash flows with the Pre-Agreed Rate of Increase.	Section 3
Risk factors	The following are some non-exhaustive risk factors that may be inherent to Pavilion REIT in relation to the Proposals: (i) Risk of non-completion of the Proposed Acquisitions; (ii) Risk associated with financing the Proposed Acquisitions; (iii) Risk of non-registration of transfer of the strata titles of the Subject Hotels;	Section 5

Key information	Description	Reference to Part A of this Circular
	(iv) Risk relating to the fixed rental nature of the Lease Agreements and the ability of the Lessee to make timely rental payments; (v) Risk associated with the due diligence on the Subject Hotels which could result in unpredictable business interruption; (vi) Risk of under-insuring the Subject Hotels; and (vii) Risk associated with changes in governmental rules and regulations which may result in unplanned renovations and higher future capital expenditure.	
Interests of the Directors, major shareholders and chief executive of the Manager, Major Unitholders and/or persons connected with them	The Proposed Acquisitions, the Proposed Issuance of Consideration Units and the Proposed Leases are related party transactions 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 with them as set out in Section 9 of Part A of this Circular. As the proceeds to be raised from the Proposed Placement will be used to partly or fully settle the Purchase Consideration, the Interested Directors, the Interested Major Unitholders, interested major shareholders of the Manager and persons connected with them are also deemed interested in the Proposed Placement. The Interested Directors have abstained and will continue to abstain from all deliberations and voting on the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases at the relevant meetings of the Board. The Interested Directors and the Interested Major Unitholders will abstain from voting in respect of their direct and/or indirect unitholdings in Pavilion REIT (if any) on the resolutions pertaining to the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases to be tabled at the forthcoming Unitholders' Meeting. They have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect unitholdings in Pavilion REIT (if any) on the resolutions pertaining to the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases 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 pertaining to the Proposals to be tabled at the forthcoming Unitholders' Meeting.	Section 9

Key information	**Description**	**Reference to Part A of this Circular**
	EPF is a Major Unitholder and accordingly, EPF and persons connected with it are interested in the Proposed Placement to EPF. In addition, EPF and persons connected with it are also deemed interested in the outcome of the Proposed Placement. As such, EPF will be required to abstain from voting in respect of its direct and/or indirect unitholdings in Pavilion REIT on the resolutions pertaining to the Proposed Placement to EPF and the Proposed Placement to be tabled at the forthcoming Unitholders' Meeting. EPF will also be required to ensure that persons connected with it will abstain from voting in respect of their direct and/or indirect unitholdings in Pavilion REIT (if any) on the resolutions pertaining to the Proposed Placement to EPF and the Proposed Placement to be tabled at the forthcoming Unitholders' Meeting.	
Directors' statement/ recommendation	The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the rationale and benefits, effects and risk factors of the Proposals, prospects of the Subject Hotels, salient terms of the SPAs and the Lease Agreements, the Lease Rental, basis and justification for the Purchase Consideration (including the basis of determining the issue price for the Placement Units and the Consideration Units), the manner of funding the Proposed Acquisitions as well as the evaluation of the Independent Adviser, is of the opinion that the Proposals are in the best interest of Pavilion REIT. 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.	Section 11
Audit Committee's statement	The Audit Committee of the Manager (save for Navid Chamdia, who is an Interested Director and who has abstained and will continue to abstain from deliberation and voting on the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases), after taking into consideration the Manager's investment objectives, and having considered all aspects of the Proposals, including but not limited to the rationale and benefits, effects and risk factors of the Proposals, prospects of the Subject Hotels, salient terms of the SPAs and the Lease Agreements, the Lease Rental, basis and justification for the Purchase Consideration (including the basis of determining the issue price for the Placement Units and the Consideration Units), the manner of funding the Proposed Acquisitions as well as the evaluation of the Independent Adviser, is of the opinion that the Proposals are: (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.	Section 12

<table>
<tr><th>Key information</th><th>Description</th><th>Reference to Part A of this Circular</th></tr>
<tr><td>Tentative timetable</td><td>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:
<table>
<tr><th>Event</th><th>Tentative timing</th></tr>
<tr><td>Unitholders' Meeting to consider the Proposals</td><td>7 May 2025</td></tr>
<tr><td>Fulfilment of the Conditions Precedent</td><td>7 May 2025</td></tr>
<tr><td>Completion of the Proposed Placement (if elected)</td><td>By July 2025</td></tr>
<tr><td>Completion of the Proposed Acquisitions / Beneficial Ownership Transfer Date</td><td>By July 2025</td></tr>
</table></td><td>Section 17</td></tr>
</table>

PART A

LETTER TO THE UNITHOLDERS IN RELATION TO THE PROPOSALS

PAVILION
REAL ESTATE INVESTMENT TRUST

PAVILION REIT MANAGEMENT SDN BHD
(Company Registration No. 201101011359 (939490-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

17 April 2025

Board of Directors

Tan Sri Lim Siew Choon	*(Chairman and Non-Independent Executive Director)*
Puan Sri Tan Kewi Yong	*(Non-Independent Executive Director)*
Dato' Lee Tuck Fook	*(Non-Independent Executive Director)*
Ahmad Mohammed F Q Al-Khanji	*(Non-Independent Non-Executive Director)*
Fahad Abdulla S A Al-Mana	*(Non-Independent Non-Executive Director)*
Navid Chamdia	*(Non-Independent Non-Executive Director)*
Baljeet Kaur Grewal A/P Jaswant Singh	*(Independent Non-Executive Director)*
Dato' Seri Mohamed Azahari bin Mohamed Kamil	*(Independent Non-Executive Director)*
Dato' Mearia @ Massahariah binti Hamzah	*(Independent Non-Executive Director)*
Nor Rejina binti Abdul Rahim	*(Independent Non-Executive Director)*
Ang Ah Leck	*(Independent Non-Executive Director)*

To: Unitholders

Dear Sir/Madam,

(I) PROPOSED ACQUISITIONS;
(II) PROPOSED ISSUANCE OF CONSIDERATION UNITS;
(III) PROPOSED PLACEMENT;
(IV) PROPOSED PLACEMENT TO EPF; AND
(V) PROPOSED LEASES

1. INTRODUCTION

On 5 December 2024, the Joint Principal Advisers announced, on behalf of the Board, that the Trustee had, on the same date, entered into the SPAs with the Vendors.

In conjunction with the Proposed Acquisitions and pursuant to the terms and conditions of the PHKL SPA, the Trustee, for and on behalf of Pavilion REIT (being the Lessor) and HPSB (being the Lessee) have agreed to enter into the Lease Agreements. It was also announced on the same date that under the terms and conditions of the Proposed Acquisitions, the Board has the option to undertake the Proposed Placement as an election to, among others, raise cash to partly or fully settle the Purchase Consideration or to part settle up to RM246.50 million of the Purchase Consideration by way of the Proposed Issuance of Consideration Units.

On 16 December 2024, the Joint Principal Advisers announced, on behalf of the Board, that the Valuation Reports had, on the same date, been submitted to Bursa Securities.

On 27 January 2025, the Joint Principal Advisers announced, on behalf of the Board, that Bursa Securities had, vide its letter dated 27 January 2025, approved the application for an extension of time that was made pursuant to Paragraph 9.33(1)(a) of the Listing Requirements until 18 February 2025 to submit the draft circular to the Unitholders in relation to the Proposals to Bursa Securities.

On 28 March 2025, the Joint Principal Advisers announced, on behalf of the Board, that Bursa Securities had, vide its letter dated 27 March 2025, approved the listing of and quotation for up to 386,014,000 Placement Units (including up to 162,877,200 Placement Units issued under the Proposed Placement to EPF) and up to 172,377,600 Consideration Units, subject to the conditions set out in Section 7 of Part A of this Circular.

The Proposed Acquisitions, the Proposed Issuance of Consideration Units and the Proposed Leases are related party transactions 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 with them as set out in Section 9 of Part A of this Circular. Further, in view that the proceeds to be raised from the Proposed Placement will be used to partly or fully settle the Purchase Consideration, the Interested Directors, the Interested Major Unitholders, interested major shareholders of the Manager and persons connected with them are also deemed interested in the Proposed Placement. In accordance with Paragraph 6.06(2) of the Listing Requirements, EPF and persons connected with it are interested in the Proposed Placement to EPF. In addition, EPF and persons connected with it are also deemed interested in the outcome of the Proposed Placement. Accordingly, Interpac has been appointed on 24 June 2024 as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders on the Proposals.

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 Acquisitions

2.1.1 Details of the Proposed Acquisitions

The Proposed Acquisitions entail the following:

(i) the acquisition by the Trustee, for and on behalf of Pavilion REIT, of the BTKL Property, free from all charges and encumbrances from LISB for a purchase consideration of RM140.00 million, of which RM65.00 million is to be satisfied via cash from the proceeds raised from the Proposed Placement or the issuance of the Consideration Units to LISB and/or its Authorised Nominee(s) at an issue price to be determined at a later date, with the remainder RM75.00 million to be satisfied wholly in cash; and

(ii) the acquisition by the Trustee, for and on behalf of Pavilion REIT, of the PHKL Property, free from all charges and encumbrances from HPSB for a purchase consideration of RM340.00 million, of which RM181.50 million is to be satisfied via cash from the proceeds raised from the Proposed Placement or the issuance of the Consideration Units to HPSB and/or its Authorised Nominee(s) at an issue price to be determined at a later date, RM125.00 million is to be satisfied wholly in cash, and the remainder RM33.50 million to be retained by Pavilion REIT as advance payment of the First Year Lease Rental by HPSB.

2.1.2 Settlement of the Purchase Consideration

Pavilion REIT shall, on the Determination Date, by a notice in writing to the Vendors:

(i) make the election as to whether to settle the Purchase Consideration wholly in cash or via a combination of cash and the Consideration Units; and

(ii) notify the Vendors the amount of Cash Consideration to be paid.

If Pavilion REIT elects to satisfy the Purchase Consideration wholly in cash, the Purchase Consideration shall be settled by Pavilion REIT on the Settlement Date (or the Extended Settlement Date, where applicable), in the following manner:

(a) by paying the Redemption Sum to the Vendors' financiers, provided that Pavilion REIT's financier/Pavilion REIT, as the case may be, has received the Vendors' Financiers' Undertaking and the Vendors' Undertaking; and

(b) by paying the balance of the cash consideration less the Redemption Sum, if any, to the Vendors. For the avoidance of doubt, in respect of the proposed acquisition of the PHKL Property, Pavilion REIT shall retain from the Balance Cash Consideration an amount equivalent to the First Year Lease Rental.

If Pavilion REIT elects to satisfy the Purchase Consideration by a combination of cash and the Consideration Units, the Purchase Consideration shall be settled by Pavilion REIT on the Settlement Date (or the Extended Settlement Date, where applicable), in the following manner:

(a) by paying the Redemption Sum to the Vendors' financiers, provided that Pavilion REIT's financier/Pavilion REIT, as the case may be, has received the Vendors' Financiers' Undertaking and the Vendors' Undertaking;

(b) by paying the Balance Cash Consideration, if any, to the Vendors. For the avoidance of doubt, in respect of the proposed acquisition of the PHKL Property, Pavilion REIT shall retain from the Balance Cash Consideration an amount equivalent to the First Year Lease Rental; and/or

(c) towards the settlement of the remaining balance of the Purchase Consideration, by issuing the Consideration Units to the Vendors and/or their Authorised Nominee(s) to enable the Consideration Units to be credited into the relevant CDS Account of the Vendors and/or the CDS Account of their Authorised Nominee(s).

If the Redemption Sum is higher than the Cash Consideration, the Vendors shall, upon receipt of a written demand made by Pavilion REIT, pay to the Vendors' solicitors as stakeholders, for remittance to the Vendors' financiers, the Redemption Amount Shortfall. No deposit is payable by Pavilion REIT to the Vendors in accordance with the terms of the SPAs.

Under the provisions of the SPAs, the beneficial ownership of the BTKL Property and the PHKL Property shall be deemed transferred from the Vendors to Pavilion REIT on the Beneficial Ownership Transfer Date.

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

2.1.3 Conditions Precedent

The sale, purchase and transfer of the BTKL Property and the PHKL Property are conditional upon:

Details of condition	**Tentative timing for fulfilment**
<u>BTKL SPA</u>	
(a) Pavilion REIT obtaining: (i) the approval from Bursa Securities in respect of (A) in the event Pavilion REIT proposes to undertake the Proposed Placement, the issuance and listing of the Placement Units; and/or (B) in the event Pavilion REIT elects to issue the Consideration Units, the issuance and listing of the Consideration Units; and (ii) all other requisite approvals (if applicable) from Bursa Securities as may be communicated by Bursa Securities to Pavilion REIT, in each case in relation to the proposed acquisition of the BTKL Property, and which Pavilion REIT shall, in turn, promptly notify LISB in writing.	Fulfilled
(b) Pavilion REIT obtaining the approval of the Unitholders in respect of (i) the proposed acquisition of the BTKL Property from LISB; (ii) the proposed acquisition of the PHKL Property under the PHKL SPA; (iii) the Proposed Placement if so undertaken by Pavilion REIT; and (iv) the issuance of the Consideration Units (if required).	7 May 2025, subject to the Unitholders' approval
(c) LISB depositing with Pavilion REIT: (i) a letter of no objection issued by the hotel manager of BTKL confirming that the hotel manager of BTKL has no objections to the disposal and transfer of the BTKL Property by LISB to Pavilion REIT; or (ii) a novation agreement executed between the hotel manager of BTKL, LISB and HPSB relating to a hotel management agreement relating to BTKL; or (iii) a new hotel management agreement executed between HPSB and the hotel manager of BTKL relating to BTKL.	Fulfilled via a letter of no objection dated 27 January 2025 to provide comfort that the hotel manager of BTKL will continue to act as the hotel manager under the same arrangement with the Lessee following the completion of the BTKL SPA

Details of condition	**Tentative timing for fulfilment**
<u>PHKL SPA</u>	
(a) Pavilion REIT obtaining: (i) the approval from Bursa Securities in respect of (A) in the event Pavilion REIT proposes to undertake the Proposed Placement, the issuance and listing of the Placement Units; and/or (B) in the event Pavilion REIT elects to issue the Consideration Units, the issuance and listing of the Consideration Units; and (ii) all other requisite approvals (if applicable) from Bursa Securities as may be communicated by Bursa Securities to Pavilion REIT, in each case in relation to the proposed acquisition of the PHKL Property, and which Pavilion REIT shall, in turn, promptly notify HPSB in writing.	Fulfilled
(b) Pavilion REIT obtaining the approval of the Unitholders in respect of (i) the proposed acquisition of the PHKL Property from HPSB; (ii) the proposed acquisition of the BTKL Property under the BTKL SPA; (iii) the Proposed Placement if so undertaken by Pavilion REIT; and (iv) the issuance of the Consideration Units (if required).	7 May 2025, subject to the Unitholders' approval
(c) HPSB depositing with Pavilion REIT: (i) a letter of no objection issued by the hotel manager of PHKL confirming that the hotel manager of PHKL has no objections to the disposal and transfer of the PHKL Property by HPSB to Pavilion REIT; or (ii) a supplemental agreement executed between the hotel manager of PHKL and HPSB relating to a hotel management agreement relating to PHKL.	Fulfilled via a letter of no objection dated 27 January 2025 to provide comfort that the hotel manager of PHKL will continue to act as the hotel manager under the same arrangement with the Lessee following the completion of the PHKL SPA

If any of the Conditions Precedent is not fulfilled by the date falling on the expiry of six (6) months from the date of the SPAs (i.e. 5 June 2025) or such other extended period which may be mutually agreed in writing between the Vendors and Pavilion REIT, either the Vendors or Pavilion REIT may terminate the SPAs by a notice in writing to the other party, whereupon the SPAs shall cease to be of any further effect and thereafter, neither party shall have any right or claim against the other under the SPAs, save and except for antecedent breaches.

The salient terms of the BTKL SPA and the PHKL SPA are set out in **Appendix I** and **Appendix II** of this Circular, respectively.

2.1.4 Key information on the Subject Hotels

(i) BTKL

BTKL is a five (5)-star hotel operated and managed by Banyan Tree Hotels & Resorts which comprises 55 well-appointed rooms (having all necessary equipment and comfortable and attractive furniture) with an average size starting from 51 square metres (approximately 549 square feet), together with 81 parking bays on level 1 and two (2) levels of basement parking within a 59-storey integrated commercial building and bearing the postal address of Banyan Tree Hotel, Banyan Tree Signatures Pavilion Kuala Lumpur, Jalan Conlay, 50450 Wilayah Persekutuan Kuala Lumpur.

Having opened in July 2018, BTKL has won several awards both locally and internationally and is home to several high-end dining experiences such as one of Kuala Lumpur's highest rooftop bars, Vertigo TOO, and the brasserie-style Horizon Grill with indoor seating and an open-air terrace, where guests can enjoy unrestricted views of the Kuala Lumpur skyline. BTKL also offers a 'sanctuary for the senses' via its award-winning Banyan Tree Spa, renowned for its traditional Asian healing therapies and personalised treatments, a 24-hour fitness centre, and two (2) spacious and fully equipped boardrooms.

A brief summary of the information on BTKL is as follows:

	Description
Registered proprietor	LISB
Strata Title No. / Town / District / State	Hakmilik Strata No. Geran 34208, No. Bangunan M1, No. Tingkat B2, No. Petak 1, Lot 383 Seksyen 57, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur
Land tenure	Freehold
Strata floor area	10,212 square metres (approximately 109,921 square feet)
Category of land use	Building⁽¹⁾
Existing use	Hotel
Age of building	Approximately six (6) years
Express condition	Hotel
Restriction-in-interest	None
Encumbrances	Charge amounting to RM76.00 million registered in favour of Affin Bank Berhad on 24 August 2021 vide Presentation No. PDSC24997/2021 (Outstanding amount of RM65.00 million as at the LPD)
Endorsements	None
Occupancy rate	82.1% (average for the FYE 31 December 2024)
Latest available audited NBV	RM158.05 million (as at 31 December 2023)
Independent registered valuer	CBRE | WTW
Date of valuation	25 November 2024

	Description
Valuation approach	Income approach – profits method (DCF), supported by comparison approach
Market value ascribed[(2)]	RM140.00 million based on the income approach – profits method (DCF) (For information, as a check, the Valuer adopted the comparison approach that derived a market value of RM140.00 million)

Notes:

(1) The certificate of completion and compliance for BTKL was obtained on 27 April 2018. Following this, BTKL had undergone a renovation at Level 59, Level 59M and roof for a new viewing deck, lift motor room, new toilet and glass box as outlined in the Master Valuation Certificate, and the building plan was subsequently approved on 18 February 2025. The certificate of completion and compliance in respect of the aforesaid renovation is expected to be issued by the relevant authorities upon inspection by the Fire and Rescue Department of Malaysia.

(2) The latest available audited NBV of BTKL of RM158.05 million is based on LISB's historical cost which includes the land cost, building construction cost, renovation cost, hotel operating equipment, office equipment, fixture and fittings, and accumulated depreciation as at 31 December 2023. The market value of BTKL ascribed by the Valuer is different from BTKL's historical NBV as such market value has been derived based on the income approach – profits method (DCF) which takes into account BTKL's current market conditions and projected net annual income.

(ii) PHKL

PHKL is a five (5)-star hotel operated and managed by Banyan Tree Hotels & Resorts which comprises 325 well-appointed rooms (having all necessary equipment and comfortable and attractive furniture) with an average size starting from 32 square metres (approximately 345 square feet), together with 147 parking bays on two (2) levels of basement parking within a 13-storey hotel block erected on Pavilion KL and bearing the postal address of Pavilion Hotel, Jalan Bukit Bintang, 50200 Wilayah Persekutuan Kuala Lumpur.

Having opened in January 2019, PHKL has won several awards both locally and internationally and is home to restaurants such as The Courtyard which serves authentic Malaysian cuisine, Jade Pavilion for halal Cantonese dining and The Cove, a cocktail bar. PHKL also has facilities and amenities such as a sky gymnasium, rooftop infinity pool, club lounge, ample meeting space with seven (7) meeting venues, banquet and conference facilities that can accommodate up to 1,180 people.

A brief summary of the information on PHKL is as follows:

	Description
Registered proprietor	UCSB[(1)]
Strata Title No. / Town / District / State[(1)]	(i) Hakmilik Strata No. Pajakan Negeri 53757, No. Bangunan M1, No. Tingkat B3, No. Petak 3, Lot 20020 Seksyen 63, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur (ii) Hakmilik Strata No. Pajakan Negeri 53757, No. Bangunan M1, No. Tingkat 1, No. Petak 4, Lot 20020 Seksyen 63, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Land tenure	99 years expiring on 26 October 2109
Strata floor area	(i) 31,612 square metres (approximately 340,269 square feet) (ii) 199 square metres (approximately 2,142 square feet)
Category of land use	Building
Existing use	Hotel
Age of building	Approximately six (6) years
Express condition	Hotel
Restriction-in-interest	None
Encumbrances	None
Endorsements	None
Occupancy rate	81.5% (average for the FYE 31 December 2024)
Latest available audited NBV	RM328.08 million (as at 31 December 2023)
Independent registered valuer	CBRE | WTW
Date of valuation	25 November 2024
Valuation approach	Income approach – profits method (DCF), supported by comparison approach
Market value ascribed	RM350.00 million based on the income approach – profits method (DCF) (For information, as a check, the Valuer adopted the comparison approach that derived a market value of RM360.00 million)

Note:

(1) UCSB is the developer of the master land on which PHKL is constructed. The PHKL Strata Titles were issued on 14 August 2024, but HPSB has yet to effect the transfer of the PHKL Strata Titles into its own name. Under the terms and conditions of the PHKL SPA, HPSB and Pavilion REIT have mutually agreed to facilitate a direct transfer of the PHKL Strata Titles from UCSB to Pavilion REIT.

Please refer to Section 2.1.6 of Part A of this Circular for further details on the valuation approach adopted by the Valuer in arriving at the market values of the BTKL Property and the PHKL Property.

Banyan Tree Hotels & Resorts has been the hotel manager of the Subject Hotels since their respective openings in 2018 and 2019, with its tenure as hotel manager for the BTKL Property set to expire in 2038, and for the PHKL Property set to expire in 2039. It is part of Banyan Tree Holdings, a company that is listed on the Mainboard of Singapore Exchange Securities Trading Limited. Founded in 1994, Banyan Tree Holdings is a leading independent, multi-branded hospitality group with a diversified portfolio of hotels, resorts, spas, galleries, golf and residences centered around brands such as Banyan Tree, Angsana, Cassia, Dhawa and Laguna. By end of 2024, Banyan Tree Holdings has grown its footprint to 22 countries across the world, operating 91 resorts/hotels, 73 spas, 68 galleries and 22 branded residences.

Commencing from the Beneficial Ownership Transfer Date, Banyan Tree Hotels & Resorts will continue to operate the Subject Hotels via the following arrangements:

(a) for the BTKL Property, its hotel management agreement shall accordingly be novated by LISB to the Lessee, with its primary terms and conditions continuing to be in effect, which, among others, are as set out below:

    (i) Banyan Tree Hotels & Resorts must operate and manage BTKL during the tenure as a world-class international branded five (5)-star hotel, and in any case no less than the standards of Banyan Tree Hotels & Resorts. This includes marketing, planning and executing proper maintenance and repair works for the hotel as well as ensuring adequate coverage for certain insurance;

    (ii) Banyan Tree Hotels & Resorts will have control and discretion in the operation of BTKL including, among others, charges for rooms, food and beverages etc, wage rates and hiring and discharging of employees and maintenance of bank accounts and holding funds in the hotel name. The appointment of general manager and financial controller will be subject to the Lessee's prior approval;

    (iii) Banyan Tree Hotels & Resorts shall consult with the Lessee on any exercise of its discretion that would materially impact BTKL such as any transaction that exceeds USD60,000 or RM250,000 in value; and

    (iv) For the services provided by Banyan Tree Hotels & Resorts, Banyan Tree Hotels & Resorts is compensated through a base management fee and an incentive fee that is paid monthly. The base management fee is computed based on an agreed upon formula derived as a percentage of BTKL's monthly revenue while the incentive fee is computed based on an agreed upon formula as a percentage of BTKL's monthly gross operating profit subject to meeting certain conditions. The incentive fee is not payable in the event that BTKL's monthly gross operating profit does not meet certain thresholds; and

(b) for the PHKL Property, its hotel management agreement of which the Lessee is already a party to, the primary terms and conditions shall continue to be in effect, which, among others, are as set out below:

    (i) Banyan Tree Hotels & Resorts must operate and manage PHKL during the tenure as a world-class international branded five (5)-star hotel, and in any case no less than the standards of Banyan Tree Hotels & Resorts. This includes marketing, planning and executing proper maintenance and repair works for the hotel as well as ensuring adequate coverage for certain insurance;

(ii) Banyan Tree Hotels & Resorts will have control and discretion in the operation of PHKL including, among others, charges for rooms, food and beverages etc, wage rates and hiring and discharging of employees and maintenance of bank accounts and holding funds in the hotel name. The appointment of general manager and financial controller will be subject to the Lessee's prior approval;

(iii) Banyan Tree Hotels & Resorts shall consult with the Lessee on any exercise of its discretion that would materially impact PHKL such as any transaction that exceeds USD60,000 or RM250,000 in value; and

(iv) For the services provided by Banyan Tree Hotels & Resorts, Banyan Tree Hotels & Resorts is compensated through a base management fee and an incentive fee that is paid monthly. The base management fee is computed based on an agreed upon formula derived as a percentage of PHKL's monthly revenue while the incentive fee is computed based on an agreed upon formula as a percentage of PHKL's monthly gross operating profit subject to meeting certain conditions. The incentive fee is not payable in the event that PHKL's monthly gross operating profit does not meet certain thresholds.

As such, the Proposals are not expected to affect the hotel operations of the Subject Hotels.

2.1.5 Background information on the Vendors and the Lessee

(i) LISB (Vendor)

LISB was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 31 January 2007 under its present name and is deemed registered under the Act.

LISB is principally involved in property development including the development of hotel for own intended use.

As at the LPD, LISB has an issued share capital of RM12,000,000 comprising 12,000,000 ordinary shares.

The shareholders of LISB and their respective shareholding in LISB as at the LPD are as follows:

		Direct		**Indirect**	
Name	**Nationality / Place of incorporation**	**No. of ordinary shares (‘000)**	**%**	**No. of ordinary shares (‘000)**	**%**
SOSB	Malaysia	12,000	100.0	-	-
TSLSC	Malaysian	-	-	(1)12,000	100.0
QH	Qatar	-	-	(1)12,000	100.0

Note:

(1) Deemed interested by virtue of their interests in SOSB pursuant to Section 8(4) of the Act.

The directors of LISB are Mejar Dato’ Ismail bin Ahmad (Retired), Datuk Lee Whay Hoong, Irazeqh bin Zainol, Navid Chamdia, Ahmad Mohammed F Q Al-Khanji and Mohd Abdulrazzaq A A Al-Hashmi. None of the directors of LISB hold any ordinary shares in LISB.

(ii) HPSB (Vendor and Lessee)

HPSB was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 15 April 1996 under its present name and is deemed registered under the Act.

HPSB is principally involved in hotel operations.

As at the LPD, HPSB has an issued share capital of RM20,600,000 comprising 20,600,000 ordinary shares.

The shareholders of HPSB and their respective shareholding in HPSB as at the LPD are as follows:

		Direct		Indirect	
Name	**Nationality / Place of incorporation**	**No. of ordinary shares ('000)**	**%**	**No. of ordinary shares ('000)**	**%**
UCSB	Malaysia	20,600	100.0	-	-
TSLSC	Malaysian	-	-	(1)20,600	100.0
PSTKY	Malaysian	-	-	(1)20,600	100.0
QH	Qatar	-	-	(1)20,600	100.0

Note:

(1) Deemed interested by virtue of their interests in UCSB pursuant to Section 8(4) of the Act.

The directors of HPSB are PSTKY, LSW, DLTF, Navid Chamdia, Ahmad Mohammed F Q Al-Khanji, Fahad Abdulla S A Al-Mana and Datuk Lee Whay Hoong (as alternate director of DLTF). Save for PSTKY who has an indirect interest in HPSB, none of the directors of HPSB hold any ordinary shares in HPSB.

2.1.6 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the market values of the BTKL Property and the PHKL Property as appraised by CBRE | WTW via the Master Valuation Certificate of RM140.00 million and RM350.00 million, respectively.

The purchase consideration for the BTKL Property is equivalent to its market value as appraised by the Valuer. The purchase consideration for the PHKL Property represents a discount of approximately 2.9% to its market value as appraised by the Valuer.

The market value is 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.

The Valuer has adopted the income approach – profits method (DCF) as the primary approach, supported by the comparison approach in arriving at the market values of the BTKL Property and the PHKL Property. Details of the methodologies adopted are as follows:

Valuation approach	Methodology approach
Income approach – profits method (DCF)	This approach entails estimating the gross annual income that can be derived from the running of the property as a business concern. The net annual income is then arrived at by deducting therefrom the operating costs and outgoings incidental to the running of the business and ownership of the property and allowing a margin of profit for the running of the business. The net annual income so arrived at is then capitalised at a suitable rate of return consistent with the type and quality of investment to arrive at the market value.
Comparison approach	This approach entails analysing recent transactions and asking prices of similar property in the locality for comparison purposes with adjustments made for differences in location, accessibility, age and condition of the building, design and quality, tenure, size, title restrictions if any and other relevant characteristics to arrive at the market value.

2.1.7 Original cost and date of investment

The original cost and date of investment by the Vendors in the Subject Hotels are as follows:

Date of investment	Name of Subject Hotel	Cost of investment (RM)
1 July 2018	BTKL	226.80 million
1 January 2019	PHKL	377.20 million

2.1.8 Source of funding

Under the terms of the PHKL SPA, Pavilion REIT will retain the First Year Lease Rental from the purchase consideration for PHKL of RM340.00 million. As a result, the Net Purchase Consideration payable shall be RM446.50 million. The estimated total cost to be incurred in relation to the Proposals is as follows:

Details	Settlement in cash and the Consideration Units	Settlement wholly in cash
	(RM million)	(RM million)
Net Purchase Consideration	446.50	446.50
Estimated Expenses	(1)9.60	(2)17.50 - (2)25.50
Estimated total cost	**456.10**	**464.00 - 472.00**

Notes:

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

Description	***Amount (RM million)***	***%***
*Manager's fee in relation to the Proposed Acquisitions**	*4.80*	*50.0*
Professional fees	*3.00*	*31.3*
Miscellaneous expenses (such as issuance cost of the Consideration Units, fees payable to the relevant authorities, and expenses in relation to convening the forthcoming Unitholders' Meeting, printing and despatch of this Circular, advertisement and other ancillary expenses)	*1.80*	*18.7*
Total	***9.60***	***100.0***

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

	Minimum Placement		***Maximum Placement***	
Description	***Amount (RM million)***	***%***	***Amount (RM million)***	***%***
*Manager's fee in relation to the Proposed Acquisitions**	*4.80*	*27.4*	*4.80*	*18.8*
*Placement fees***	*8.50*	*48.6*	*16.50*	*64.7*
Professional fees	*3.00*	*17.1*	*3.00*	*11.8*
Miscellaneous expenses (such as fees payable to the relevant authorities, and expenses in relation to convening the forthcoming Unitholders' Meeting, printing and despatch of this Circular, advertisement and other ancillary expenses)	*1.20*	*6.9*	*1.20*	*4.7*
Total	***17.50***	***100.0***	***25.50***	***100.0***

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

** *Based on an estimated placement fee of approximately 3.0%. The actual placement fees and expenses to be incurred will depend on the actual placement size, and if the Proposed Placement is not implemented, such expenses will not be incurred.*

In the event Pavilion REIT elects to part settle the Net Purchase Consideration in cash and the Consideration Units, the Minimum Cash Consideration (excluding the First Year Lease Rental) and the Estimated Expenses will be funded by way of borrowings and/or internally generated funds while up to RM246.50 million of the Purchase Consideration shall be funded through the issuance of the Consideration Units. In this scenario, the Proposed Placement will not be undertaken by Pavilion REIT.

In the event Pavilion REIT elects to settle the Net Purchase Consideration wholly in cash, the Net Purchase Consideration and the Estimated Expenses shall be funded by way of a combination of borrowings and/or internally generated funds and/or the proceeds from the Proposed Placement.

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 Acquisitions as the BTKL Property and the PHKL Property will be acquired free from all charges and encumbrances.

2.1.10 Additional financial commitment

Save for the financing to be secured to fund the Net Purchase Consideration and the Estimated Expenses as set out in Section 2.1.8 of Part A of this Circular, Pavilion REIT does not expect to incur any other financial commitment to operationalise the Subject Hotels.

2.2 Proposed Placement

2.2.1 Details of the Proposed Placement

The Proposed Placement entails the issuance of the Placement Units to raise gross proceeds of a minimum of RM264.00 million under the Minimum Placement and a maximum of RM552.00 million under the Maximum Placement, 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 Placement. Pavilion REIT's decision on whether to implement the Proposed Placement will be based on, among others, the equity market conditions, the optimal debt to equity ratio and the expected effects on the EPU and DPU.

For the Proposed Placement, the Manager is proposing to allot, issue and place out a minimum of 184,615,400 Placement Units under the Minimum Placement and a maximum of 386,014,000 Placement Units under the Maximum Placement, based on an illustrative issue price of RM1.43 per Placement Unit. For the avoidance of doubt, the actual price of each Placement Unit will be determined later by way of bookbuilding and may be higher or lower than the illustrative issue price of RM1.43 per Placement Unit.

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

As at the LPD, there is no underwriting arrangement for the Proposed Placement.

2.2.2 Allocation to placees

The Proposed Placement will not be implemented in stages over a period of time and 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, that may include EPF and/or persons connected with it. Such investors will be identified at a later date.

Please refer to Section 2.3 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.

The Proposed Placement 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 United States Securities Act of 1933 ("**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.

Based on the unitholdings of TSLSC, PSTKY, QH 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 Maximum Placement, as illustrated below:

	As at the LPD(3)				**After the Maximum Placement(3)**			
	Direct		**Indirect**		**Direct**		**Indirect**	
Name	**No. of Units ('000)**	**(%)**	**No. of Units ('000)**	**(%)**	**No. of Units ('000)**	**(%)**	**No. of Units ('000)**	**(%)**
QH	1,008,900	27.5	-	-	1,008,900	24.9	-	-
TSLSC	845,425	23.1	-	-	845,425	20.9	-	-
PSTKY	281,875	7.7	-	-	281,875	7.0	-	-
Other non-Public Unitholders(1)	6,931	0.2	-	-	6,931	0.2	-	-
Public(2)	1,521,259	41.5	-	-	1,907,273	47.1	-	-

***Notes**:*

(1) Include the Manager and the Directors who hold Units, namely DLTF and Navid Chamdia.

(2) As defined under the definitions section of this Circular and in accordance with the Listing Requirements.

(3) Calculated based on the total 3,664.39 million Units in issue as at the LPD and the total enlarged 4,050.40 million Units in issue after the Proposals.

Pavilion REIT will ensure that the implementation of the Proposed Placement to EPF and the issuance of the Placement Units pursuant to the Proposed Placement will not result in non-compliance with the public unitholding spread requirement under Paragraph 8.02(1) of the Listing Requirements.

2.2.3 Basis and justification for the Placement Issue Price

The Placement Issue Price will be based on the results of the bookbuilding exercise. 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 five (5)-day VWAP of the Units immediately prior to the price-fixing date, to be announced at a later date in the event Pavilion REIT elects to implement the Proposed Placement.

The illustrative issue price of RM1.43 per Placement Unit adopted in this Circular represented a discount of approximately 3.4% to the five (5)-day VWAP of the Units prior to the Announcement of RM1.48.

2.2.4 Use of proceeds

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

Description of use of proceeds	Minimum Placement (RM million)	Maximum Placement (RM million)	Estimated timeframe
Net Purchase Consideration	(2)246.50	446.50	On or before the Settlement Date (or the Extended Settlement Date, where applicable)
Repayment of existing borrowings(1)	-	80.00	Within three (3) months from the date of listing of the Placement Units
Estimated Expenses	17.50	25.50	Progressive over the course of the Proposals
Total	**264.00**	**552.00**	

Notes:

(1) As at the LPD, Pavilion REIT has total borrowings of approximately RM3.40 billion. The Manager intends to repay some of its existing borrowings amounting to RM80.00 million. The aforesaid repayment is expected to result in interest savings of approximately RM3.84 million per annum.

(2) The remaining Net Purchase Consideration is to be funded via borrowings and/or internally generated funds.

In the event the Proposed Placement raises gross proceeds of more than the amount to be raised under the Minimum Placement but less than RM472.00 million, being the aggregate of the Net Purchase Consideration and Estimated Expenses under the Maximum Placement, the shortfall to fully settle the Net Purchase Consideration and Estimated Expenses will be funded via borrowings and/or internally generated funds. Conversely, if the Proposed Placement raises gross proceeds in excess of RM472.00 million, the excess will be used for the repayment of Pavilion REIT's existing borrowings as set out above. For the avoidance of doubt, the Proposed Placement will not be undertaken in the event the gross proceeds to be raised are less than the amount to be raised under the Minimum Placement.

Pending the use of the proceeds from the Proposed Placement for the purposes set out above, the proceeds will be placed in profit /interest-bearing accounts with licensed financial institutions and/or money market instruments/funds as the Manager deems fit. The profit/interest derived from such deposits and/or instruments/funds will be used for the working capital of Pavilion REIT.

2.2.5 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 any distributable income (including the Advance Distribution), rights, benefits, entitlements and/or any other distributions, unless the allotment of the Placement Units are made on or prior to the entitlement date of such distributable income, rights, benefits, entitlements and/or any other distributions.

2.2.6 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 27 March 2025, approved the listing of and quotation for up to 386,014,000 Placement Units (which include up to 162,877,200 Placement Units issued under the Proposed Placement to EPF) on the Main Market of Bursa Securities.

In the event the Proposed Placement is not fully implemented within six (6) months from the date of Bursa Securities' approval for the listing of and quotation for the Placement Units, where necessary and as the case may be, (i) 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 Placement or (ii) a new application for the listing of and quotation for the Placement Units may be submitted to seek the approval of Bursa Securities.

2.2.7 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 an Advance Distribution for the Advance Distribution Period.

The holders of the Placement Units or the Consideration Units 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 or the Consideration Units. 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.

The next distribution after the Advance Distribution will comprise Pavilion REIT’s distributable income for the period from the day immediately after the Advance Distribution Period until the end of the relevant period determined by the Board. Semi-annual distributions will resume thereafter.

2.3 Proposed Placement to EPF

The bookbuilding exercise for the Proposed Placement may involve the participation of EPF, a Major Unitholder, and/or persons connected with it. As such, the Manager proposes to seek the approval of the non-interested Unitholders for the Proposed Placement to EPF at the forthcoming Unitholders’ Meeting in accordance with Paragraph 6.06(1) of the Listing Requirements.

The maximum number of 162,877,200 Placement Units for the purposes of seeking the approval of the non-interested Unitholders for the Proposed Placement to EPF has been determined on the basis that should such number of Placement Units be successfully allotted and issued to EPF and/or persons connected with it under the Maximum Placement, EPF’s direct and/or indirect unitholdings in Pavilion REIT will not be more than 15.0% of the enlarged Units in issue based on EPF’s unitholding as at the LPD in order for EPF to remain as a Public Unitholder under the Listing Requirements.

Assuming that the entire 162,877,200 Placement Units are allotted and issued to EPF and/or persons connected with it pursuant to the Proposed Placement to EPF in conjunction with the Proposed Placement, 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 Placement to EPF.

The Placement Issue Price and the actual number of Placement Units to be allotted and issued to EPF and/or persons connected with 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 Placement.

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

	Direct		**Indirect**	
	No. of Units (‘000)	**(%)**	**No. of Units (‘000)**	**(%)**
EPF	408,101	11.1	-	-

2.4 Proposed Issuance of Consideration Units

In the event Pavilion REIT elects not to implement the Proposed Placement, the Consideration Units shall be issued to the Vendors and/or their Authorised Nominee(s) to part settle up to RM246.50 million of the Purchase Consideration. The issue price of the Consideration Units shall be based on the five (5)-day VWAP of the Units up to and including the market day preceding the Determination Date. For illustrative purposes only, the five (5)-day VWAP of the Units up to and including the LPD is RM1.46.

In relation to the Proposed Issuance of Consideration Units, the Manager will seek the approval of the non-interested Unitholders at the forthcoming Unitholders' Meeting in accordance with Paragraph 6.06(1) of the Listing Requirements 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.

Based on the unitholdings of TSLSC, PSTKY, QH 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, as illustrated below:

	As at the LPD(3)				**After the Proposed Issuance of Consideration Units(3)(4)**			
	Direct		**Indirect**		**Direct**		**Indirect**	
Name	**No. of Units (‘000)**	**(%)**	**No. of Units (‘000)**	**(%)**	**No. of Units (‘000)**	**(%)**	**No. of Units (‘000)**	**(%)**
QH	1,008,900	27.5	-	-	1,008,900	26.3	(5)172,378	4.5
TSLSC	845,425	23.1	-	-	845,425	22.0	(6)172,378	4.5
PSTKY	281,875	7.7	-	-	281,875	7.3	(7)126,923	3.3
Other non-Public Unitholders	(2)6,931	(2)0.2	-	-	(8)179,309	(8)4.8	-	-
Public(1)	1,521,259	41.5	-	-	1,521,259	39.6	-	-

***Notes**:*

(1) As defined under the definitions section of this Circular and in accordance with the Listing Requirements.

(2) Include the Manager and the Directors who hold Units, namely DLTF and Navid Chamdia.

(3) Assuming the Proposed Placement is not implemented.

(4) Calculated based on the total 3,664.39 million Units in issue as at the LPD and the total enlarged 3,836.77 million Units in issue after the Proposals.

(5) Deemed interested by virtue of its indirect shareholdings in the Vendors pursuant to Section 4 of the CMSA.

(6) Deemed interested by virtue of his indirect shareholdings in the Vendors pursuant to Section 4 of the CMSA.

(7) Deemed interested by virtue of her indirect shareholding in HPSB pursuant to Section 4 of the CMSA.

(8) Include the Manager, the Vendors and the Directors who hold Units, namely DLTF and Navid Chamdia.

Pavilion REIT will ensure that the implementation and issuance of the Consideration Units pursuant to the Proposed Issuance of Consideration Units will not result in non-compliance with the public unitholding spread requirement under Paragraph 8.02(1) of the Listing Requirements.

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 any distributable income (including the Advance Distribution), rights, benefits, entitlements and/or any other distributions, unless the allotment of the Consideration Units are 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 27 March 2025, approved the listing of and quotation for up to 172,377,600 Consideration Units on the Main Market of Bursa Securities.

In the event the Proposed Issuance of Consideration Units is not fully implemented within six (6) months from the date of Bursa Securities' approval for the listing of and quotation for the Consideration Units, where necessary and as the case may be, (i) 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 or (ii) a new application for the listing of and quotation for the Consideration Units may be submitted to seek the approval of Bursa Securities.

2.5 Proposed Leases

The Proposed Leases are for a Term of 10 years which will commence upon the Beneficial Ownership Transfer Date, with an option to renew for a Term after the expiration of the first Term ("**First Renewal**") and a further option to renew for a subsequent Term after the expiration of the First Renewal ("**Second Renewal**"). Save for strata parcel rent, assessment rates, sinking funds, maintenance charges, fire insurance, plate glass insurance and all other dues and charges payable to the joint management body (where applicable) or management corporation of the Subject Hotels, the Lessee shall bear all costs and expenses including but not limited to all taxes, insurance, utilities payments and all other related costs and expenses to operate the Subject Hotels during each Term of the Proposed Leases.

The Fixed Rental is RM33.50 million annually in aggregate for the first five (5)-year period of the first Term, and approximately RM35.18 million annually in aggregate for the remaining five (5)-year period of the first Term. For the First Renewal, the Fixed Rental shall be increased at every five (5)-year period of the First Renewal at the Pre-Agreed Rate of Increase from the immediately preceding Fixed Rental. For the Second Renewal, the Fixed Rental shall be increased at every five (5)-year period of the Second Renewal at the Pre-Agreed Rate of Increase from the immediately preceding Fixed Rental. A table setting out the Fixed Rental of the Subject Hotels is as follows:

	Amount per year (RM)		
Period	BTKL	PHKL	Remarks
Year 1 to 5	10,000,000	23,500,000	5.00% increase every five (5) years
Year 6 to 10	10,500,000	24,675,000	
Year 11 onwards (First Renewal)	Increase at every five (5)-year period at the Pre-Agreed Rate of Increase		

The Fixed Rental was negotiated with the Lessee based on a gross yield on cost taking into consideration Pavilion REIT's leverage, current capital structure and cost of debt as well as similar lease terms of a comparable Malaysian hospitality real estate investment trust. The Manager believes that the rental rates under the Proposed Leases are based on prevailing commercial rates.

In the event there is a Surplus Sum, the Lessor will be entitled to the Variable Rental, being 40% of the Surplus Sum, with the remaining 60% of the Surplus Sum allocated to the Lessee. The Manager ensures that, in addition to the fixed Pre-Agreed Rate of Increase every five (5) years, Pavilion REIT would have the opportunity to participate in the performance improvements of the Subject Hotels. The rate of 40% was negotiated between the Manager and the Lessee to strike a balance between the Manager's goal of securing yield-accretive and fixed returns, while still allowing Pavilion REIT to benefit from any upside in the performance of the Subject Hotels. By allocating the majority of the Surplus Sum to the Lessee, there remains a strong incentive for the Lessee to improve the performance of the Subject Hotels. For the avoidance of doubt, the Variable Rental will be paid in addition to the Fixed Rental.

The Fixed Rental for the first Term of the Proposed Leases and the Pre-Agreed Rate of Increase were arrived at after taking into consideration, among others, the rental yields of comparable properties, the tenure of the Proposed Leases, the double net arrangement of the Lease Agreements and the current market increment rate for hospitality properties under long term lease arrangements. The Variable Rental provides an increase in the total rental to be received by the Lessor based on the financial performance of the Subject Hotels.

The salient terms of the BTKL Lease Agreement and the PHKL Lease Agreement are set out in **Appendix III** and **Appendix IV** of this Circular, respectively.

3. RATIONALE AND BENEFITS OF THE PROPOSALS

3.1 Proposed Acquisitions

PHKL is part of the Pavilion integrated development while BTKL is linked to Pavilion KL via a sky (pedestrian) bridge. The Manager views such direct and seamless access between the Subject Hotels and Pavilion KL as advantageous for the sharing of customer base and synergistic marketing strategies. Ownership of both assets would enable Pavilion REIT to make strategic decisions and implement coordinated marketing strategies, enhancing the overall experience that could attract additional visitors and potentially increasing occupancy rates for the Subject Hotels and footfall for Pavilion KL. Such efforts and activities are expected to further solidify the Pavilion integrated development as a premier shopping and tourist precinct in Kuala Lumpur.

The Proposed Acquisitions are aligned with the Manager's acquisition strategy to acquire and invest in properties that are able to generate stable and sustainable income distributions for the Unitholders and contribute to the long-term growth in Pavilion REIT's NAV per Unit.

After taking into consideration the Purchase Consideration, the source of funding and the Lease Rental, the Proposed Acquisitions are expected to:

(i) be accretive to Pavilion REIT’s future DPU;

(ii) enhance diversification of Pavilion REIT’s portfolio of investment properties, whereby upon the Beneficial Ownership Transfer Date, the Subject Hotels will represent 5.5% of Pavilion REIT’s enlarged total assets under management, and a 5.8% increase over the total assets under management as at 31 December 2024. The addition of the Subject Hotels will improve the diversity of Pavilion REIT’s overall property mix via exposure to hotel assets and will further reduce the dependence on Pavilion KL’s contribution to Pavilion REIT’s total asset value from 61.8% to 58.5% based on the latest market appraised value as disclosed in Pavilion REIT’s annual report for the FYE 31 December 2024; and

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

3.2 Proposed Placement

After due consideration of Pavilion REIT’s capital structure and the available fund-raising options for the Proposed Acquisitions, the Board is of the opinion that the Proposed Placement provides the flexibility to tap on the equity capital markets, subject to market conditions, to fund the Proposed Acquisitions and reduce borrowings (subject to the final proceeds raised) which will allow Pavilion REIT to maintain its gearing at a healthy level as well as maintaining sufficient headroom for future cash acquisitions. This approach is in line with the capital management and growth strategy of Pavilion REIT.

Additionally, the Proposed Placement will allow Pavilion REIT to potentially attract a wider investor base, including local and/or foreign investors to invest in Pavilion REIT, and potentially enhancing the liquidity and trading of its Units.

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

3.3 Proposed Placement to EPF

Generally, EPF is a well-regarded institutional investor and a significant participant in the Malaysian equity market. As such, the Board wishes to provide EPF with the opportunity to participate in the Proposed Placement.

3.4 Proposed Issuance of Consideration Units

The Proposed Issuance of Consideration Units is an alternative settlement approach which is provided for under the terms and conditions of the SPAs, that provides transaction certainty to Pavilion REIT as it mitigates risks associated with market volatility and changes in investor sentiment, which may affect the amount of funding to be raised to settle the Net Purchase Consideration.

3.5 Proposed Leases

The Proposed Leases are expected to be accretive to Pavilion REIT’s future distributable income and DPU after taking into consideration, among others, the Lease Rental. Further, the Proposed Leases provide Pavilion REIT with stable and secure cash flows with the Pre-Agreed Rate of Increase.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 5% in the fourth quarter (“**4Q**”) of 2024 (third quarter (“**3Q**”) of 2024: 5.4%), driven mainly by domestic demand. The strong investment activity was underpinned by the continued realisation of new and existing projects. Household spending was sustained amid positive labour market conditions and continued policy support. In the external sector, exports of goods and services continued to expand while capital and intermediate imports growth moderated. On the supply side, growth was mainly accounted for by expansion in the services sector, with increased support from both consumer-related and business-related subsectors. The manufacturing sector was supported by the electrical and electronics industry and primary-related clusters. The construction sector continued to record double-digit growth with robust activities in the residential, non-residential and special trade subsectors. However, growth was weighed down by contraction in the commodities sector following lower oil palm output as well as the continued decline in oil production. On a quarter-on-quarter, seasonally-adjusted basis, growth declined by 1.1% (3Q 2024: 1.9%).

For the year as a whole, the Malaysian economy grew by 5.1% in 2024 (2023: 3.6%), due to continued expansion in domestic demand and a rebound in exports. On the domestic front, growth was mainly driven by stronger household spending reflecting favourable labour market conditions, policy measures to support households and healthy household balance sheets. In addition, strong investment approvals and further progress of multi-year projects by the private and public sectors, which includes catalytic initiatives under national master plans (i.e. New Industrial Master Plan, National Energy Transition Roadmap, and National Semiconductor Strategy) provided further impetus to investment growth. On the external front, exports recovered amid steady global growth, continued tech upcycle as well as higher tourist arrivals and spending. This provided support to the current account, leading to a continued surplus of 1.7% of gross domestic product in 2024 (1.5% in 2023).

Going forward, while the global environment could be challenging, growth of the Malaysian economy will be driven by robust expansion in investment activity, resilient household spending and expansion in exports supported by Malaysia’s strong economic fundamentals. On the domestic front, investment activities will be driven by the favourable progress of multi-year projects in both the private and public sectors and further lifted by the realisation of approved investments. Household spending will benefit from the continued support from employment and wage growth as well as government policy measures. This includes the upward revision of the minimum wage and civil servant salaries. On the external front, the ongoing global tech upcycle, continued growth in non-electrical and electronic goods and higher tourist spending are expected to lift exports. The growth outlook remains subject to downside risks. Such risks include an economic slowdown in major trading partners amid the heightening risk of trade and investment restrictions and lower-than-expected commodity production. Nevertheless, potential upside to growth includes greater spillovers from the tech upcycle, more robust tourism activities and faster implementation of investment projects.

Moving ahead, inflation is expected to remain manageable in 2025 amid easing global cost conditions and the absence of excessive domestic demand pressures. While the recently-announced domestic policy reforms would contribute to some upward pressure on prices, the overall impact on inflation is expected to be contained. Nevertheless, upside risks could arise from larger cascading effects from policies to broader consumer price index prices.

(Source: Economic and Financial Developments in Malaysia in 4Q 2024, Bank Negara Malaysia)

Malaysia’s economy continued its growth momentum, supported by favourable economic performance amid persistent challenges in the external environment. During the first half of 2024 (“**1H 2024**”), the economy posted a commendable growth of 5.1% driven by robust domestic demand, combined with further expansion in exports as well as positive growth in all economic sectors. Growth is forecast to continue its momentum in the second half of 2024 (“**2H 2024**”), albeit at a moderate pace. Overall, real gross domestic product in 2024 is revised upward, ranging between 4.8% and 5.3%, surpassing the initial target of 4% to 5%. The services sector grew by 5.4% in 1H 2024 and is poised to remain stable in 2H 2024, driven by robust household spending coupled with vibrant tourism- and travel-related activities. Overall, the sector is projected to expand by 5.3% in 2024, with all subsectors recording positive growth. This signifies the country’s strong fundamentals and diversified economic activities as well as investor confidence in the domestic market, anchored by sound government policies. Furthermore, the Ekonomi MADANI framework, which focuses on restructuring and reforming Malaysia's economic agenda, coupled with the implementation of key policy plans such as the National Energy Transition Roadmap and New Industrial Master Plan 2030, have started to yield positive results.

For 2025, the Malaysian economy is projected to grow between 4.5% and 5.5%. On the supply side, the services sector continues to uphold its position as the main driver of growth contributed by tourism activities, sustained exports, and acceleration of information and communication technology-related activities. On the demand side, growth will be buoyed by strong private sector expenditure and stable global trade. Accounting for about 60% of the economy, private consumption is projected to continue spearheading growth, backed by firm labour market conditions and income growth amid manageable inflation. Gross fixed capital formation or total investment remains high, underpinned by the realisation of private investment, acceleration of public sector strategic projects and initiatives under the government-linked Enterprises Activation and Reform Programme as well as new and ongoing multi-year projects in the services and manufacturing sectors.

With the full recovery of the travel and tourism industry globally, Malaysia is poised to benefit from the anticipated influx of tourists. Budget 2025 will focus on upgrading facilities and systems at all entry ports in enhancing Malaysia’s readiness to leverage the hosting of numerous nationwide meetings, incentives, conferences and exhibitions (“**MICE**”) at both international and regional scales including Malaysia’s chairmanship of the Association of Southeast Asian Nations in 2025 and various 2025 visit state year programmes. The Malaysian government will also intensify efforts to promote Visit Malaysia Year 2026 through strategic advertising and promotional activities. This will restore international tourist arrivals to the pre-pandemic period and reaffirm Malaysia’s status as one of the top tourism destinations globally.

(Source: Economic Outlook 2025, Ministry of Finance Malaysia)

4.2 Overview and outlook of the Malaysian tourism and hospitality industry

Malaysia's tourism industry saw a strong recovery in 2023, with international tourist arrivals doubling to 20.1 million, compared to 10.1 million in 2022. Tourist receipts also saw a significant rise, reaching RM71.3 billion, up from RM28.2 billion in 2022. The majority of these tourists came from Singapore (8.3 million), Indonesia (3.1 million), Thailand (1.6 million), China (1.5 million), and Brunei (0.8 million).

In the first half of 2024, around 11.8 million international tourists visited Malaysia, up from 9.2 million in the same period in 2023, indicating consistent growth. This performance has been supported by initiatives like visa facilitation, improved accessibility and enhanced flight connectivity. Notable measures include the 30-day visa exemption for Chinese and Indian tourists, the introduction of new flight routes to cities like Shenzhen and Chengdu, and increased flight frequencies to destinations in India, Australia, and Japan. Malaysia is targeting 27.3 million international tourist arrivals in 2024, with a goal of generating over RM102.7 billion in tourism receipts. Looking ahead to Visit Malaysia 2026, the country aims to welcome 35.6 million visitors and achieve target receipts of RM147.1 billion. These goals are in line with Malaysia’s Tourism Strategy 2020-2030, which emphasises enhancing the country's competitiveness as a leading travel destination for international visitors.

Hotel room supply in central Kuala Lumpur has shown a fluctuating trend from 2019 to the third quarter ("**3Q**") of 2024, reflecting the impact of various economic and market conditions. From 2019 to 2021, the number of hotel rooms decreased from 29,236 to 28,460 keys. In 2022, supply began to recover, increasing to 29,777 keys as travel restrictions eased and the tourism sector began to rebound. By 2023, hotel room supply had risen to 31,775 keys, continuing to grow to 32,644 keys by 3Q 2024. This increase indicates a strong recovery and expansion in the hospitality industry in central Kuala Lumpur, driven by a return of travellers and new hotel developments.

Looking ahead, Kuala Lumpur's hotel market is well-positioned for continued growth given the rise in both international tourist arrivals and domestic visitors. International and business travellers are expected to continue driving the city's hotel performance, contributing to higher demand for accommodations, events and meetings. Kuala Lumpur's good connectivity to mass transportation, along with its ample food & beverage options and MICE facilities, will further enhance its appeal. The introduction of high-end hotels together with the current competitive currency is likely to attract both high-end travellers and those seeking extended stays, reinforcing the city's position as a premier destination in the regional hospitality sector.

(Sources: Ministry of Tourism Malaysia, CBRE | *WTW Research and Consulting, November 2024)*

4.3 Prospects of the Subject Hotels

The Golden Triangle of Kuala Lumpur ("**Golden Triangle**") typically refers to an area bordered by Jalan Ampang, and to the west by Chinatown and Sungai Klang, and southeasterly the area of Bukit Bintang, Kuala Lumpur ("**Bukit Bintang**"). At the present juncture, Bukit Bintang is a Shopping Tourist Zone and in future is proposed to be a Primary Shopping Zone promoting urban tourism, gazetted under the Kuala Lumpur Structure Plan 2040.

The Subject Hotels are situated in the 'heart' of Bukit Bintang, within the prime commercial centre of the Golden Triangle, which is predominantly characterised by modern high-rise office buildings, international hotels, commercial/shopping complexes and luxury condominiums/serviced apartments. It is also home to iconic landmarks such as the Petronas Twin Towers and Menara Kuala Lumpur, further joined by new skyscrapers such as The Exchange 106 and Merdeka 118 in the mixed developments of Tun Razak Exchange and the Merdeka 118 precinct, respectively.

The Golden Triangle holds immense appeal for tourists and travellers, highlighted in the variety of attractions in the non-exhaustive list below:

Culture & Arts
- Dataran Merdeka
- Masjid Negara
- Tugu Negara
- Muzium Negara
- National Museum
- Islamic Arts Museum

Leisure & Recreational
- KLCC Park
- KL Forest Eco Park
- Perdana Botanical Gardens
- Aquaria KLCC
- Petronas Philharmonic Hall

Shopping
- Pavilion KL
- Suria KLCC
- Starhill Gallery
- Fahrenheit 88
- Lot 10
- Plaza Low Yat
- Sungei Wang Plaza

Vibrant Night Life
- Jalan Bukit Bintang
- Changkat Bukit Bintang

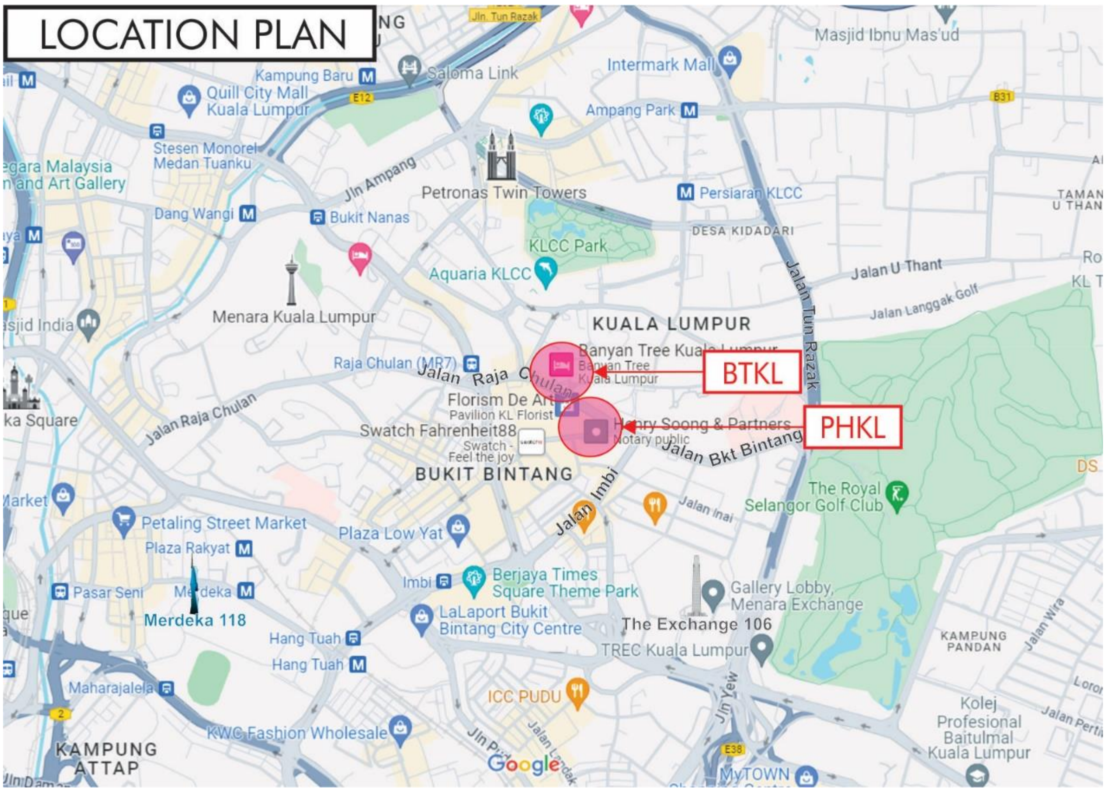
Accessibility
- KLCC – Bukit Bintang Pedestrian Walkway
- Pavilion Bukit Bintang Mass Rapid Transit ("**MRT**") station
- Bukit Bintang Monorail station
- KLCC Light Rail Transit station
- Go KL Free Bus

Accommodations (Five (5)-star)
- The Subject Hotels
- JW Marriott Kuala Lumpur
- The Westin Kuala Lumpur
- EQ Kuala Lumpur
- Shangri-La Kuala Lumpur
- Mandarin Oriental Kuala Lumpur
- Four Seasons Kuala Lumpur
- W Kuala Lumpur

BTKL

PHKL

Map of notable landmarks nearby the Subject Hotels



Pavilion KL’s recent recognition as a top attraction in Kuala Lumpur through the TripAdvisor Travelers’ Choice Award 2024 has cemented its status as a prime shopping destination. The Subject Hotels’ convenient connectivity to Pavilion KL presents a potential for synergistic business opportunities which can be offered to brand and business owners, marketers, corporate community, hotel guests, mall shoppers and more.

Given the strategic location of Bukit Bintang, the synchronicity of the Subject Hotels and Pavilion REIT’s other assets within the Pavilion integrated development, namely Pavilion KL and Elite Pavilion Mall, the anticipated rise in both international tourist arrivals and domestic visitors, and the positive outlook of the tourism and hospitality industry, the Manager believes that the Subject Hotels will stand to benefit from the consequential and spillover effects of the aforementioned. This bodes well for Pavilion REIT as it will increase the appeal of the Pavilion integrated development, which will help boost the real estate value in the highly coveted area of Bukit Bintang.

5. RISK FACTORS

The following are some non-exhaustive risk factors that may be inherent to Pavilion REIT in relation to the Proposals:

5.1 Risks relating to the Proposed Acquisitions

5.1.1 Non-completion of the Proposed Acquisitions

The completion of the Proposed Acquisitions is conditional upon the Conditions Precedent being fulfilled. The non-fulfilment of the Conditions Precedent or any breach of the terms of the SPAs may result in the SPAs being terminated.

In addition, there can be no assurance that the Proposed Acquisitions can be completed within the time period permitted under the SPAs. For instance, if the Mareva Injunction Appeal and/or the Erinford Injunction Motion was granted by the Court of Appeal, this may result in a delay in the completion or a non-completion of the BTKL SPA and in turn, the non-completion of the PHKL SPA. In this case, Pavilion REIT shall be entitled to exercise its rights under the SPAs, including the termination of the SPAs. However, Pavilion REIT will have to bear the transaction costs and expenses incurred in connection with the Proposals.

Nevertheless, the Manager and the Trustee will take the necessary steps to facilitate the fulfilment of the Conditions Precedent and to remedy any breach of the terms of the SPAs which are within their control within the timeframe stipulated under the SPAs.

5.1.2 Financing risk

Due to market risks which are beyond the control of Pavilion REIT, Pavilion REIT may not be able to raise sufficient external funds to part finance the Net Purchase Consideration and/or on terms acceptable to Pavilion REIT. In the event Pavilion REIT is unable to raise the required funds, the Proposed Acquisitions may not be completed. Additionally, 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. Nevertheless, Pavilion REIT will actively monitor its debt portfolio, which includes gearing level, interest costs and cash flows to ensure that its debt portfolio remains at a sustainable and optimal level.

5.1.3 Non-registration of transfer of the strata titles

There is a risk that the transfer of the BTKL Strata Title and the PHKL Strata Titles cannot be registered in favour of the Trustee. In such case, the Trustee will not be the legal owner and will only possess the beneficial interest in the said strata titles. Pursuant to the terms of the SPAs, the Trustee shall be the appointed attorney of the Vendors to deal with the Subject Hotels as if the Trustee is holding the legal title to the Subject Hotels and the Vendors will hold legal title to the Subject Hotels as bare trustee for and on behalf of the Trustee and ensure that the Trustee’s rights, title and interests in the Subject Hotels are protected.

5.2 Risks relating to the Proposed Leases

5.2.1 The Lease Agreements are on a long term basis with fixed rental payments

In view that the rental payments pursuant to the Lease Agreements are fixed, Pavilion REIT will not be able to receive the full benefit from any increase in market rental rates and room rates for the Subject Hotels, if such rates increase more than the incremental rate pursuant to the Lease Agreements. Additionally, the Lease Agreements may be renewed for two (2) further Terms at the option of the Lessee, subject to mutual consent of the Lessor and the Lessee, at the agreed rental rates as stipulated in the Lease Agreements. Nevertheless, any improvement in the performance of the Subject Hotels will be captured via the Variable Rental. The Fixed Rental would protect Pavilion REIT from any downside risk in market rental rates and provide Pavilion REIT with stable and sustainable cash flows.

5.2.2 Dependence on the Lessee

The financial performance of Pavilion REIT is dependent on, among others, the ability of the Lessee to make timely rental payments of one (1) year in advance under the Lease Agreements. Pavilion REIT will also be adversely affected in the event of insolvency, bankruptcy or downturn in the business of the Lessee. The ability of the Lessee to meet its payment obligation may be affected by factors beyond its control, including the performance of the hotel manager of the Subject Hotels i.e., Banyan Tree Hotels & Resorts and other factors relating to the hospitality industry such as competition from other hospitality properties, regional and global economic conditions, tourism trends, changes to the star rating of the Subject Hotels, threats of terrorism and natural disasters which may result in reduced occupancy and revenue.

Notwithstanding, pursuant to the Lease Agreements, the Lessee is obliged to compensate Pavilion REIT for the whole of the Fixed Rental payable for the unexpired portion of the then current Term of the Proposed Leases in the event of early termination of the Lease Agreements due to the default of the Lessee. The Lessee will also provide the Manager with periodic financial information on the performance of the Subject Hotels. In addition, the Lessee is not dependent on one (1) single hotel manager. In the event Banyan Tree Hotels & Resorts ceases to be the hotel manager of the Subject Hotels, the Lessee shall, in accordance with the Lease Agreements and subject to consultation with Pavilion REIT, enter into a new hotel management agreement with another hotel manager of similar or higher standing than Banyan Tree Hotels & Resorts.

5.3 Risks relating to the Subject Hotels

5.3.1 The due diligence on the Subject Hotels may not have identified all material defects, breaches of laws and regulations as well as other deficiencies

While the Manager has conducted due diligence and multiple inspections throughout the period between July 2024 and October 2024, together with the technical consultations engaged by the Manager, on the Subject Hotels, the Manager may not have identified all material defects, deficiencies, breaches and/or non-compliances with the relevant laws and regulations, which could result in unpredictable business interruption. In respect of the renovation works carried out on the BTKL Property, and notwithstanding that the building plan was approved by the relevant local authorities on 18 February 2025, the issuance of the certificate of completion and compliance in respect of such renovation works is subject to further inspection by the Fire and Rescue Department of Malaysia. In the event that the certificate of completion and compliance for the renovation works is not granted, LISB shall be responsible for carrying out, and bearing all costs associated with, any required rectification works.

In addition, the representations, warranties and indemnities made in favour of Pavilion REIT by the Vendors may not offer sufficient protection for the costs and liabilities arising from any defects or deficiencies. Pursuant to the SPAs, the risk of loss or damage of the Subject Hotels shall remain with the Vendors prior to the Beneficial Ownership Transfer Date.

5.3.2 The Subject Hotels may suffer material losses in excess of insurance proceeds

The Subject Hotels may suffer physical damage caused by fire, flood, earthquakes or public liability claim which may result in potential losses 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 the Subject Hotels to ensure that the Subject Hotels are adequately insured.

5.3.3 Changes in laws and regulations

The Subject Hotels are 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 them undergoing extensive renovation and incurring unplanned renovation costs, which will result in higher future capital expenditure. Notwithstanding, the Lessee is responsible for bearing such costs through the replacement reserve that is maintained by the Lessee. The Lessor will be responsible for the entire repair cost for any BTKL Major Equipment and PHKL Major Equipment only if the repair cost for any of such equipment exceeds 50% of the replacement cost. Alternatively, if the Lessor elects to replace such equipment, the full replacement cost will be borne by the Lessor. 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

The pro forma effects of the Proposals will be based on the following two (2) scenarios ("**Scenarios**"):

(i) Scenario 1: Without the Proposed Placement

Pavilion REIT elects not to implement the Proposed Placement and issues the Consideration Units to the Vendors and/or their Authorised Nominee(s) to part settle RM246.50 million of the Purchase Consideration. The remaining Net Purchase Consideration and the Estimated Expenses will be funded via borrowings.

(ii) Scenario 2: Maximum Placement

Pavilion REIT elects to implement the Maximum Placement to fully settle the Net Purchase Consideration and the Estimated Expenses, and to repay existing borrowings. No Consideration Units will be issued to the Vendors and/or their Authorised Nominee(s) and no borrowings will be procured for the Proposed Acquisitions.

Based on the Scenarios, the assumed parameters are as follows:

	Scenario 1: Without the Proposed Placement	**Scenario 2: Maximum Placement**
Size of issuance	RM246.50 million	RM552.00 million
No. of new Units to be issued	172,377,600 Consideration Units	386,014,000 Placement Units
Illustrative issue price of the new Units	RM1.43	RM1.43
New borrowings to be raised	RM209.00 million	Nil

6.1 Unitholders' capital

For illustrative purposes and based on the Scenarios and assumptions, the pro forma effect of the Proposals on the Unitholders' capital of Pavilion REIT is as follows:

Scenario 1	**No. of Units ‘000**	**RM ‘000**
As at the LPD	3,664,390	3,678,621
Consideration Units to be issued to the Vendors and/or their Authorised Nominee(s)	172,378	(1)245,900
Enlarged number of Units and Unitholders' capital	**3,836,768**	**3,924,521**

Note:

(1) *After taking into account the estimated cost of approximately RM0.60 million in relation to the issuance of the Consideration Units which will be set-off against the Unitholders' capital.*

Scenario 2	**No. of Units ‘000**	**RM ‘000**
As at the LPD	3,664,390	3,678,621
Placement Units to be issued	386,014	(1)535,500
Enlarged number of Units and Unitholders' capital	**4,050,404**	**4,214,121**

Note:

(1) *After taking into account the estimated cost of approximately RM16.50 million in relation to the placement of the new Units which will be set-off against the Unitholders' capital.*

6.2 Substantial Unitholders' unitholdings

For illustrative purposes and based on the Scenarios and assumptions, the pro forma effect of the Proposals on the unitholdings of the substantial Unitholders is as follows:

Scenario 1

	As at the LPD(1)				**After the Proposals(1)**			
	Direct		**Indirect**		**Direct**		**Indirect**	
Name	**No. of Units (‘000)**	**(%)**	**No. of Units (‘000)**	**(%)**	**No. of Units (‘000)**	**(%)**	**No. of Units (‘000)**	**(%)**
QH	1,008,900	27.5	-	-	1,008,900	26.3	(3)172,378	4.5
TSLSC	845,425	23.1	-	-	845,425	22.0	(4)172,378	4.5
PSTKY	281,875	7.7	-	-	281,875	7.3	(5)126,923	3.3
EPF	408,101	11.1	-	-	408,101	10.6	-	-
KWAP	172,315	4.7	(2)38,749	(2)1.1	172,315	4.5	(2)38,749	(2)1.0
LISB	-	-	-	-	45,455	1.2	-	-
HPSB	-	-	-	-	126,923	3.3	-	-

***Notes**:*

(1) *Calculated based on the total 3,664.39 million Units in issue as at the LPD and the total enlarged 3,836.77 million Units in issue after the Proposals.*

(2) *Held by its fund managers.*

(3) *Deemed interested by virtue of its indirect shareholdings in the Vendors pursuant to Section 4 of the CMSA.*

(4) *Deemed interested by virtue of his indirect shareholdings in the Vendors pursuant to Section 4 of the CMSA.*

(5) *Deemed interested by virtue of her indirect shareholding in HPSB pursuant to Section 4 of the CMSA.*

Scenario 2

	As at the LPD[2]				**After the Proposals[2]**			
	Direct		**Indirect**		**Direct**		**Indirect**	
Name	**No. of Units (‘000)**	**(%)**	**No. of Units (‘000)**	**(%)**	**No. of Units (‘000)**	**(%)**	**No. of Units (‘000)**	**(%)**
QH	1,008,900	27.5	-	-	1,008,900	24.9	-	-
TSLSC	845,425	23.1	-	-	845,425	20.9	-	-
PSTKY	281,875	7.7	-	-	281,875	7.0	-	-
EPF[1]	408,101	11.1	-	-	570,978	14.1	-	-
KWAP	172,315	4.7	[3]38,749	[3]1.1	172,315	4.3	[3]38,749	[3]1.0

***Notes**:*

(1) *For illustrative purposes only, EPF is assumed to subscribe for 162,877,200 Placement Units under the Proposed Placement at the illustrative issue price of RM1.43 per Placement Unit which would increase its unitholding in Pavilion REIT to a total of 570,977,947 Units, representing approximately 14.1% of the enlarged Units in issue after the completion of the Proposed Placement (assuming the Maximum Placement). 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 Placement. There can be no assurance that the assumptions used by the Manager to illustrate the effects of the Proposed Placement on the substantial Unitholders' unitholdings will materialise and they do not represent a commitment by EPF to subscribe for the Placement Units.*

(2) *Calculated based on the total 3,664.39 million Units in issue as at the LPD and the total enlarged 4,050.40 million Units in issue after the Proposals.*

(3) *Held by its fund managers.*

6.3 Earnings, EPU and DPU

The Proposals are expected to contribute positively to the earnings of Pavilion REIT and result in an increase to the EPU and DPU of Pavilion REIT moving forward after taking into consideration the contribution from the Proposed Leases. Notwithstanding the aforesaid, the actual performance of the EPU and DPU of Pavilion REIT for the FYE 31 December 2025 will depend on, among others, the issue price of the Consideration Units, the Placement Issue Price and the final number of new Units to be issued pursuant to the Proposed Issuance of Consideration Units or the Proposed Placement (which includes the Proposed Placement to EPF) as well as the financial performance of the enlarged property portfolio of Pavilion REIT. The Manager will ensure that the number of new Units issued pursuant to the Proposed Issuance of Consideration Units or the Proposed Placement (which includes the Proposed Placement to EPF) will not result in a dilution to the DPU of Pavilion REIT.

For illustrative purposes only, and taking into account Pavilion REIT's latest audited statement of profit or loss and other comprehensive income for the FYE 31 December 2024, the pro forma effects of the Proposals on the distributable income and DPU of Pavilion REIT assuming that the Proposals were completed on 1 January 2024, being the beginning of the FYE 31 December 2024, and based on the Scenarios and the assumptions detailed in the notes below, are as follows:

	Audited FYE 31 December 2024	**After the Proposals**	
		Scenario 1	**Scenario 2**
	RM '000	**RM '000**	**RM '000**
Distributable income	341,685	341,685	341,685
Interest savings	-	-	[(2)]3,840
Annual incremental net income contribution of the Subject Hotels[(1)]	-	18,338	28,788
Pro forma distributable income	**341,685**	**360,023**	**374,313**
Number of Units in issue ('000)	3,660,689	3,833,067	4,046,703
DPU (sen)	9.34	9.39	9.25

Notes:

(1) *Details of the calculation are as follows:*

Item	***Assumption / Basis***	***Scenario 1 RM '000***	***Scenario 2 RM '000***
Fixed Rental	*Based on the Fixed Rental.*	*33,500*	*33,500*
Less:			
- Manager's fees & Trustee's fee	*a) Base fee of 0.3% per annum of the incremental total asset value contributed by the Subject Hotels;* *b) Performance fee of 3.0% of the incremental net property income contributed by the Subject Hotels; and* *c) Annual trusteeship fee of 0.05% per annum of the incremental NAV (being capped at RM100,000).*	*(2,478)*	*(2,478)*
- Cost of financing	*Based on an interest rate of 5.0% per annum which is around the average cost of financing currently borne by Pavilion REIT.*	*(10,450)*	*-*
- Owner's expenses	*Comprise the actual historical costs of the Subject Hotels incurred in respect of the following:* *a) maintenance charges;* *b) sinking fund for the maintenance charges;* *c) assessment rates;* *d) quit rent; and* *e) fire insurance and plate glass insurance.*	*(2,234)*	*(2,234)*
Total		***18,338***	***28,788***

(2) *After taking into account the repayment of existing borrowings amounting to RM80.00 million under the Maximum Placement.*

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 the historical financial statements of Pavilion REIT and 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 future financial results of Pavilion REIT and the operations of the Subject Hotels and will be subject to change.

6.4 NAV, NAV per Unit and gearing

For illustrative purposes only, and taking into account the latest audited statement of financial position as at 31 December 2024, the pro forma effects of the Proposals on the NAV, NAV per Unit and gearing of Pavilion REIT on the assumption that the Proposals had been effected on that date based on the Scenarios and the assumptions detailed in the notes below are as follows:

Scenario 1

	As at 31 December 2024	**After the Proposals**
	RM '000	**RM '000**
Unitholders' capital	3,673,129	(3)3,919,029
Accumulated income	1,345,335	1,345,335
NAV	**5,018,464**	**5,264,364**
Number of Units in issue ('000)	3,660,689	3,833,067
NAV per Unit (RM)		
- Before income distribution	1.3709	1.3734
- After income distribution(1)	1.3228	1.3275
Total borrowings	(2)3,785,231	(4)3,993,813
Total asset value	9,130,854	(5)9,628,836
Gearing (%)	41.5	41.5

Notes:

(1) *After the final income distribution of 4.81 sen per Unit paid on 28 February 2025.*

(2) *Including the total borrowings of Pavilion REIT as at 31 December 2024 of approximately RM3,392.66 million and the deferred payment amounting to approximately RM392.57 million in relation to the acquisition of Pavilion Bukit Jalil pursuant to Paragraph 8.32 of the Listed REIT Guidelines, which states that deferred payment arrangements in relation to the acquisition of real estate must be included as borrowings.*

(3) *After taking into account the estimated cost of approximately RM0.60 million in relation to the issuance of the Consideration Units which will be set-off against the Unitholders' capital.*

(4) *The increase of total borrowings amounting to approximately RM208.58 million is assuming the remaining RM200.00 million of the Net Purchase Consideration and RM9.00 million of the Estimated Expenses which will be funded via borrowings less the estimated cost associated with the new borrowings of approximately RM0.42 million (assumed at 0.2% of the new borrowings).*

(5) *Calculated by adding the Purchase Consideration and the difference in the fair value of the Subject Hotels and the Purchase Consideration amounting to RM10.00 million after taking into account the RM9.00 million of the Estimated Expenses which will be capitalised as part of investment properties, less (i) estimated cost associated with the new borrowings of approximately RM0.42 million (assumed at 0.2% of the new borrowings) and (ii) the estimated cost of approximately RM0.60 million in relation to the issuance of the Consideration Units.*

Scenario 2

	As at 31 December 2024	After the Proposals
	RM '000	**RM '000**
Unitholders' capital	3,673,129	(3)4,208,629
Accumulated income	1,345,335	1,345,335
NAV	**5,018,464**	**5,553,964**
Number of Units in issue ('000)	3,660,689	4,046,703
NAV per Unit (RM)		
- Before income distribution	1.3709	1.3725
- After income distribution(1)	1.3228	1.3290
Total borrowings	(2)3,785,231	(4)3,705,231
Total asset value	9,130,854	(5)9,629,854
Gearing (%)	41.5	38.5

Notes:

(1) After the final income distribution of 4.81 sen per Unit paid on 28 February 2025.

(2) Including the total borrowings of Pavilion REIT as at 31 December 2024 of approximately RM3,392.66 million and the deferred payment amounting to approximately RM392.57 million in relation to the acquisition of Pavilion Bukit Jalil pursuant to Paragraph 8.32 of the Listed REIT Guidelines, which states that deferred payment arrangements in relation to the acquisition of real estate must be included as borrowings.

(3) After taking into account the estimated cost of approximately RM16.50 million in relation to the placement of the new Units which will be set-off against the Unitholders' capital.

(4) The decrease of total borrowings amounting to RM80.00 million takes into account the repayment of existing borrowings from the use of proceeds raised from the Maximum Placement.

(5) Calculated by adding the Purchase Consideration and the difference in the fair value of the Subject Hotels and the Purchase Consideration amounting to RM10.00 million after taking into account RM9.00 million of the Estimated Expenses which will be capitalised as part of investment properties.

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 being obtained:

(i) 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 27 March 2025, subject to the following conditions:

Details of condition imposed	Status of compliance
(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 and the Proposed Placement;	To be complied

Details of condition imposed	Status of compliance
(b) The Joint Principal Advisers to inform Bursa Securities upon the completion of the Proposed Issuance of Consideration Units and the Proposed Placement;	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 the Placement Units:	To be complied
(A) Confirmation from the Joint Principal Advisers that Pavilion REIT complies fully with 25% public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Listing Requirements; and	To be complied
(B) A certificate true copy of the resolution passed by the unitholders approving the Proposed Acquisitions, Proposed Issuance of Consideration Units, Proposed Placement and Proposed Placement to EPF;	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 and the Proposed Placement are completed; and	To be complied
(e) Payment of outstanding additional listing fees based on the market value of Consideration Units and the 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

(ii) approval of the non-interested Unitholders for the Proposals at the forthcoming Unitholders’ Meeting; and

(iii) any other approvals and/or consents that may be required from any relevant regulatory authority or third party.

The proposed acquisitions of the BTKL Property and the PHKL Property are conditional upon each other. The completion of the Proposed Placement or the Proposed Issuance of Consideration Units are conditional upon the Proposed Acquisitions becoming unconditional. However, the completion of the Proposed Acquisitions is not conditional upon the implementation of the Proposed Placement. The Proposed Placement to EPF is conditional upon the Proposed Placement. The Proposed Leases are conditional upon the completion of the Proposed Acquisitions.

The Proposals are not conditional upon any other corporate exercise/scheme of Pavilion REIT.

8. HIGHEST PERCENTAGE RATIO

The aggregate highest percentage ratio applicable to the Proposed Acquisitions and the Proposed Leases pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 16.7%, calculated based on the aggregate value of the consideration paid and received compared with the audited NAV of Pavilion REIT as at 31 December 2023, being the latest available audited financial statements of Pavilion REIT when the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases were first announced.

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

The Proposed Acquisitions, the Proposed Issuance of Consideration Units and the Proposed Leases are related party transactions under Paragraph 10.08 of the Listing Requirements in view of the interests of the following directors and major shareholders of the Manager, Major Unitholders and/or persons connected with 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. He is also an indirect major shareholder of the Vendors;

(ii) PSTKY is the spouse of TSLSC. She is a Major Unitholder, one of the ultimate shareholders of the Manager and a Non-Independent Executive Director of the Manager. She is also an indirect major shareholder and a director of HPSB;

(iii) QH is a Major Unitholder and one of the ultimate shareholders of the Manager. QH has nominated Ahmad Mohammed F Q Al-Khanji, Fahad Abdulla S A Al-Mana and Navid Chamdia (who are currently Non-Independent Non-Executive Directors of the Manager) as its nominees to the Board.

QH is also an indirect major shareholder of the Vendors. QH has nominated Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia as the directors of LISB, and Ahmad Mohammed F Q Al-Khanji, Fahad Abdulla S A Al-Mana and Navid Chamdia as the directors of HPSB;

(iv) DLTF is a Non-Independent Executive Director of the Manager and a director of HPSB; and

(v) LSW is a person connected with TSLSC and PSTKY by virtue of her being the daughter of TSLSC and PSTKY. She is also a director of HPSB.

As the proceeds to be raised from the Proposed Placement will be used to partly or fully settle the Purchase Consideration, the Interested Directors, the Interested Major Unitholders, interested major shareholders of the Manager and persons connected with them are also deemed interested in the Proposed Placement.

The Manager directly holds 6,730,955 Units or approximately 0.2% of the total Units in issue as at the LPD.

TSLSC, PSTKY and QH collectively hold 58.3% of the total Units in issue as at the LPD.

As at the LPD, the unitholdings of the Interested Directors, the Interested Major Unitholders, interested major shareholders of the Manager and persons connected with them in Pavilion REIT are as follows:

	Direct		**Indirect**	
	No. of Units (‘000)	**(%)**	**No. of Units (‘000)**	**(%)**
TSLSC	845,425	23.1	-	-
PSTKY	281,875	7.7	-	-
QH	1,008,900	27.5	-	-
Ahmad Mohammed F Q Al-Khanji	-	-	-	-
Fahad Abdulla S A Al-Mana**	-	-	-	-
Navid Chamdia	100	*	-	-
DLTF	100	*	-	-
LSW	-	-	-	-

***Notes**:*

* *Negligible.*

** *Appointed as a Director with effect from 25 March 2025.*

The Interested Directors have abstained and will continue to abstain from all deliberations and voting on the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases at the relevant meetings of the Board.

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

The Manager is prohibited under Paragraph 13.26 of 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 pertaining to the Proposals to be tabled at the forthcoming Unitholders’ Meeting.

EPF is a Major Unitholder and accordingly, EPF and persons connected with it are interested in the Proposed Placement to EPF. In addition, EPF and persons connected with it are also deemed interested in the outcome of the Proposed Placement. As such, EPF will be required to abstain from voting in respect of its direct and/or indirect unitholdings in Pavilion REIT on the resolutions pertaining to the Proposed Placement to EPF and the Proposed Placement to be tabled at the forthcoming Unitholders’ Meeting in accordance with Paragraph 6.06(2) of the Listing Requirements. EPF will also be required to ensure that persons connected with it will abstain from voting in respect of their direct and/or indirect unitholdings in Pavilion REIT (if any) on the resolutions pertaining to the Proposed Placement to EPF and the Proposed Placement to be tabled at the forthcoming Unitholders’ Meeting.

In the event the resolution pertaining to the Proposed Placement to EPF is not passed by the non-interested Unitholders at the forthcoming Unitholders’ Meeting, EPF and persons connected with it will not be able to participate in the Proposed Placement.

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

10. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS

Save for the rental income and electricity supply to Pavilion Suites and PHKL amounting to approximately RM10.0 million, the procurement of hotel related services, marketing vouchers, reimbursement of MRT station naming right fee and rental expense amounting to approximately RM2.4 million, and the payment of the Manager's management fees of approximately RM43.4 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 for the past 12 months preceding the date of this Circular.

11. DIRECTORS' STATEMENT/RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects of the Proposals, including but not limited to the rationale and benefits, effects and risk factors of the Proposals, prospects of the Subject Hotels, salient terms of the SPAs and the Lease Agreements, the Lease Rental, basis and justification for the Purchase Consideration (including the basis of determining the issue price for the Placement Units and the Consideration Units), the manner of funding the Proposed Acquisitions as well as the evaluation of the Independent Adviser, is of the opinion that the Proposals are in the best interest of Pavilion REIT.

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 (save for Navid Chamdia, who is an Interested Director and who has abstained and will continue to abstain from deliberation and voting on the Proposed Acquisitions, the Proposed Issuance of Consideration Units, the Proposed Placement and the Proposed Leases), after taking into consideration the Manager's investment objectives, and having considered all aspects of the Proposals, including but not limited to the rationale and benefits, effects and risk factors of the Proposals, prospects of the Subject Hotels, salient terms of the SPAs and the Lease Agreements, the Lease Rental, basis and justification for the Purchase Consideration (including the basis of determining the issue price for the Placement Units and the Consideration Units), the manner of funding the Proposed Acquisitions as well as the evaluation of the Independent Adviser, is of the opinion that the Proposals are:

(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. TRUSTEE'S CONFIRMATION

The Trustee is of the opinion that the Proposed Acquisitions are in accordance with the Trust Deed and the relevant guidelines governing the duties of the Trustee.

14. ADVISERS

14.1 Joint Principal Advisers

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

14.2 Independent Adviser

In view that the Proposed Acquisitions, the Proposed Issuance of Consideration Units and the Proposed Leases are related party transactions, the deemed interests of the Interested Directors, the Interested Major Unitholders, interested major shareholders of the Manager and persons connected with them in the Proposed Placement as set out in Section 9 of Part A of this Circular, and the interests of EPF and persons connected with it in the Proposed Placement to EPF as well as the outcome of the Proposed Placement, Interpac has been appointed to act as Independent Adviser to undertake the following:

(i) comment as to whether the Proposals are:

  (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 Proposals; 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.

15. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

There is no other corporate exercise/scheme which has been announced by Pavilion REIT but pending completion as at the LPD, save for the Proposals and the second tranche of the proposed placement by Pavilion REIT of new Units to settle the balance consideration for Pavilion REIT's acquisition of Pavilion Bukit Jalil ("**PBJ Mall**") together with the related assets and rights from Regal Path Sdn Bhd ("**Regal Path**") ("**PBJ Acquisition**"), which is expected to be completed by the end of the third quarter of 2025 ("**Tranche 2 Placement**"). Details of the PBJ Acquisition are set out in Pavilion REIT's circular to the Unitholders dated 7 March 2023.

In accordance with the conditional sale and purchase agreement in relation to the PBJ Acquisition, the sum of RM400.00 million is to be paid to Regal Path subject to PBJ Mall having achieved the targeted net property income ("**NPI**") of RM146.00 million within the NPI determination period which will be expiring on 31 May 2025 ("**Final Balance Payment**").

The Manager will give due consideration to the various methods of fund-raising available to Pavilion REIT, as well as the prevailing market conditions, interest rate environment and the capital structure of Pavilion REIT for the settlement of the Final Balance Payment. The Final Balance Payment may be settled either by cash (via debt, internal funds or proceeds from the Tranche 2 Placement), issuance of new Units to Regal Path ("**PBJ Consideration Units**") or a combination of both. The Manager will decide on an optimal fundraising structure which will allow Pavilion REIT to maintain its gearing at a healthy level as well as maintain sufficient headroom to make future cash acquisitions. Such approach is in line with the capital management and growth strategy of Pavilion REIT.

Should the Manager decide to implement the Tranche 2 Placement and/or allot and issue the PBJ Consideration Units, Pavilion REIT will be required to seek Bursa Securities' approval for the listing of and quotation for the new Units to be issued under the Tranche 2 Placement as well as the PBJ Consideration Units on the Main Market of Bursa Securities.

16. 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)
2025		
March	1.55	1.43
February	1.56	1.47
January	1.59	1.48
2024		
December	1.57	1.46
November	1.56	1.46
October	1.59	1.43
September	1.46	1.40
August	1.41	1.27
July	1.45	1.34
June	1.45	1.37
May	1.45	1.30
April	1.33	1.26
Last transacted market price of the Units on 4 December 2024, being the last full trading day prior to the Announcement		1.49
Last transacted market price of the Units as at the LPD		1.44

(Source: Bloomberg)

17. 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	7 May 2025
Fulfilment of the Conditions Precedent	7 May 2025
Announcement of the price-fixing date for the Placement Units	By July 2025
Allotment and issuance of the Placement Units	By July 2025
Listing of and quotation for the Placement Units or the Consideration Units on the Main Market of Bursa Securities	By July 2025
Completion of the Proposed Placement (if elected)	By July 2025
Completion of the Proposed Acquisitions / Beneficial Ownership Transfer Date	By July 2025

18. 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, 7 May 2025 at 11.30 a.m. or immediately following the conclusion of the 13th 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.

19. 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)

Baljeet Kaur Grewal A/P Jaswant Singh
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM INTERPAC TO THE NON-INTERESTED UNITHOLDERS IN RELATION TO THE PROPOSALS

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 Interpac, being the Independent Adviser for the Proposals.

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 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 Proposals.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolutions to give effect to the Proposals 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 5 December 2024, the Joint Principal Advisers announced, on behalf of the Board, that the Trustee had, on the same date, entered into the SPAs with the Vendors.

In conjunction with the Proposed Acquisitions and pursuant to the terms and conditions of the PHKL SPA, the Trustee, for and on behalf of Pavilion REIT (being the Lessor), and HPSB (being the Lessee) have agreed to enter into the Lease Agreements. It was also announced on the same date that under the terms and conditions of the Proposed Acquisitions, the Board has the option to undertake the Proposed Placement as an election to, among others, raise cash to partly or fully settle the Purchase Consideration or to part settle up to RM246.50 million of the Purchase Consideration by way of the Proposed Issuance of Consideration Units.

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 with them as set out in Section 9, Part A of the Circular, the Proposed Acquisitions, Proposed Issuance of Consideration Units and Proposed Leases are related party transactions under Paragraph 10.08 of the Listing Requirements. Further, in view that the proceeds to be raised from the Proposed Placement will be used to partly or fully settle the Purchase Consideration, the Interested Directors, Interested Major Unitholders, interested major shareholders of the Manager and persons connected with them are also deemed interested in the Proposed Placement. In accordance with Paragraph 6.06(2) of the Listing Requirements, EPF and persons connected with it are interested in the Proposed Placement to EPF. In addition, EPF and persons connected with it are also deemed interested in the outcome of the Proposed Placement. Accordingly, Interpac has been appointed on 24 June 2024 to act as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders on the Proposals.

The purpose of this IAL is to provide the non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposals, and whether the Proposals are detrimental to the non-interested Unitholders, together with our recommendation on whether the non-interested Unitholders should vote in favour of the Proposals.

Nonetheless, the non-interested Unitholders should rely on their own evaluation of the merits and demerits of the Proposals 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 Proposals and should not be used or relied upon by any other party for any other purposes whatsoever.

2. EVALUATION OF THE PROPOSALS

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

Reference in IAL / Consideration factors	Our evaluation
Section 3.1 Rationale and benefits of the Proposals	The rationale and benefits of the Proposals are fair and reasonable. **Proposed Acquisitions** The Proposed Acquisitions, which entail the acquisition of the BTKL Property and PHKL Property, are expected to be beneficial to Pavilion REIT in view of the following:- **(i) Quality assets at a prime location.** The Subject Hotels are award-winning 5-star hotels strategically situated in the 'heart' of Bukit Bintang, within the prime commercial centre of the Golden Triangle of Kuala Lumpur, as further elaborated below:- (a) BTKL is situated along Jalan Conlay, Kuala Lumpur. It forms part of an integrated commercial development located in the 'heart' of Bukit Bintang, Kuala Lumpur. BTKL is linked to Pavilion KL via a sky (pedestrian) bridge. Having opened in July 2018, BTKL has won several awards both locally and internationally and is home to several high-end dining experiences and other facilities and amenities. (b) PHKL is situated at the intersection of Jalan Bukit Bintang and Jalan Raja Chulan, Kuala Lumpur. It forms part of the integrated commercial development which comprises PHKL, shopping mall known as Pavilion KL, an office building known as Pavilion Tower and Pavilion Residences. Having opened in January 2019, PHKL has won several awards both locally and internationally and is home to several restaurants and other facilities and amenities. The Subject Hotels are located within the prime commercial centre of the Golden Triangle which is predominantly characterised by modern high-rise office buildings, international class hotels, commercial / shopping complexes, and luxury condominiums / serviced apartments. The Golden Triangle is also home to iconic landmarks such as the Petronas Twin Towers, Menara Kuala Lumpur, The Exchange 106 and Merdeka 118 and holds immense appeal for both international tourists and domestic visitors given the variety of attractions as highlighted in Section 4.3, Part A of the Circular. Considering the overall perspective, the Subject Hotels will stand to benefit in terms of hotel patronage as its strategic location in Bukit Bintang and convenient access and connectivity to Pavilion KL enhance their appeal to both international tourists and domestic visitors. The convenient access and connectivity between the Subject Hotels and Pavilion KL are advantageous for the sharing of customer base and synergistic marketing strategies and could attract additional visitors and potentially increasing occupancy rates for the Subject Hotels and footfall for Pavilion KL.

Reference in IAL / Consideration factors	Our evaluation
	(ii) Enhancement to current portfolio. The Proposed Acquisitions are 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) Yield accretive - The Proposed Leases will provide Pavilion REIT with a stable stream of income and cash flows over the next 30 years commencing from the Beneficial Ownership Transfer Date, provided that the Proposed Leases are renewed for the 2 successive Terms of 10 years each after the initial 10-year Term. The Fixed Rental provides certainty to Pavilion REIT on the minimum annual rental to be derived from the Subject Hotels, mitigating risks of unfavourable performance of the Subject Hotels and/or hospitality industry in Malaysia as a whole. On the other hand, the Variable Rental allows Pavilion REIT to further benefit from the profitability of the Subject Hotels in the event there is Surplus Sum. For the avoidance of doubt, the Variable Rental will be paid in addition to the Fixed Rental. The Fixed Rental of RM33.50 million annually in aggregate for the first 5-year period of the initial Term, after deducting estimated owner's expenses of RM2.23 million (as set out in Section 6.3, Part A of the Circular), represents an annual net yield from the Subject Hotels of about 6.5%(1) over the Purchase Consideration of RM480.00 million. The Proposed Acquisitions are expected to contribute positively and to be earnings accretive to Pavilion REIT's distributable income moving forward. *Note:-* *(1) The yield will be higher when factoring in the Variable Rental, if any, which is based on the financial performance of the Subject Hotels and subsequent increases in the Fixed Rental after the first 5-year period of the initial Term.* (b) Diversification of Pavilion REIT's portfolio of investment properties - After the transfer of beneficial ownership of the Subject Hotels to Pavilion REIT, Pavilion REIT's portfolio of investment properties will expand, whereby:- (aa) the total assets under management will increase by 5.8% from RM8,490 million as at 31 December 2024 to RM8,980 million; and (bb) the Subject Hotels will represent 5.5% of Pavilion REIT's enlarged total assets under management. The addition of the Subject Hotels will improve the diversity of Pavilion REIT's overall property mix and will reduce Pavilion REIT's dependence on Pavilion KL's contribution from 61.8% to 58.5% of total assets under management.

Reference in IAL / Consideration factors	**Our evaluation**
	(c) Improvement in Pavilion REIT's EPU, DPU and Unitholders' returns – The Manager believes that upon completion of the Proposals and after taking into consideration the contribution from the Proposed Leases, the Proposals are expected to result in an increase to the EPU and DPU of Pavilion REIT moving forward. The Variable Rental, if any, and subsequent increases in the Fixed Rental will further enhance the distributable income and DPU of Pavilion REIT. Both Subject Hotels are linked to a retail component i.e. Pavilion KL and Elite Pavilion Mall and are expected to contribute positively to the distributable income and DPU of Pavilion REIT. As such, the Proposed Acquisitions are in line with Pavilion REIT's investment policy and investment objective. **Proposed Placement** The Proposed Placement *(if undertaken)* provides the flexibility to tap on the equity capital markets, subject to market conditions, to fund the Proposed Acquisitions and reduce borrowings which will allow Pavilion REIT to maintain its gearing at a healthy level as well as maintain sufficient headroom for future cash acquisitions. Besides, the Proposed Placement may potentially widen Unitholders' base and improve the trading liquidity of the Units. It is also noted that the Proposed Placement may involve the participation of EPF, a Major Unitholder, and/or persons connected with it, through the Proposed Placement to EPF. **Proposed Issuance of Consideration Units** The Proposed Issuance of Consideration Units provides 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 Placement to settle the Net Purchase Consideration. The Proposed Issuance of Consideration Units allows more flexibility to Pavilion REIT in terms of the mode of settlement to complete the Proposed Acquisitions. **Proposed Leases** As set out above, the Proposed Leases are expected to be accretive to Pavilion REIT's future distributable income and DPU after taking into consideration, amongst others, the Lease Rental. The Proposed Leases will commence upon the transfer of beneficial ownership of the Subject Hotels to Pavilion REIT. The Subject Hotels will continue to be managed and operated by Banyan Tree Hotels & Resorts, which has been the hotel manager of the Subject Hotels since their respective openings in 2018 and 2019, with its tenure as hotel manager for the BTKL Property set to expire in 2038, and for the PHKL Property set to expire in 2039. Banyan Tree Hotels & Resorts is part of Banyan Tree Holdings, a company that is listed on the Mainboard of Singapore Exchange Securities Trading Limited and has been operating in the hospitality industry for more than 30 years up to the LPD.

Reference in IAL / Consideration factors	**Our evaluation**
	In view of the above, the smooth operations of the Subject Hotels will not be interrupted or adversely affected as Banyan Tree Hotels & Resorts *(a well-established and experienced hotel manager within the hospitality industry)* will remain as the hotel manager of the Subject Hotels after the completion of the Proposed Acquisitions. Furthermore, the Lease Agreements provide that in the event that the hotel management agreement expires or is determined before the expiry of the Term, the Lessee shall either renew the hotel management agreement or enter into another hotel management agreement with another hotel manager with a similar or higher standing than the existing hotel manager and maintain or improve the brand standing.
Section 3.2 Basis and justification for the Purchase Consideration, issue price of the Consideration Units and Placement Issue Price	**Purchase Consideration** In evaluating the Purchase Consideration, we have reviewed the valuation conducted by the Valuer for the BTKL Property and PHKL Property. In arriving at the market values for the BTKL Property and PHKL Property, it is noted that the Valuer has adopted 2 methods of valuation i.e. the income approach - profits method (DCF) as the main method of valuation and the comparison approach as a cross check. In view that the Subject Hotels are income generating properties, the Valuer has adopted the market value derived from the income approach - profits method (DCF) as a fair representation of the market values of the Subject Hotels. Based on the income approach - profits method (DCF) *(being the main method of valuation)* taking into consideration the lease arrangement, the Valuer has derived a market value of RM140.00 million for the BTKL Property and RM350.00 million for the PHKL Property as at the date of valuation of 25 November 2024. As a cross check using the comparison approach, the Valuer has derived the same market value of RM140.00 million for the BTKL Property and a higher market value of RM360.00 million for the PHKL Property as at the date of valuation of 25 November 2024. The purchase consideration for the BTKL Property (RM140.00 million) is fair and reasonable as it is equivalent to the market value of the BTKL Property as appraised by the Valuer (RM140.00 million). The purchase consideration for the PHKL Property (RM340.00 million) is fair and reasonable as it is lower than and represents a discount of RM10.00 million or 2.86% to the market value of the PHKL Property as appraised by the Valuer (RM350.00 million). **Settlement terms** The settlement terms for the Net Purchase Consideration of RM446.50 million are fair and reasonable and not detrimental to the interests of the non-interested Unitholders.

Reference in IAL / Consideration factors	**Our evaluation**
	Placement Issue Price The Placement Issue Price is fair and reasonable as it will be based on the results of 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 5-day VWAP of the Units immediately prior to the price-fixing date, to be announced at a later date in the event Pavilion REIT elects to implement the Proposed Placement. **Issue price of the Consideration Units** In the event Pavilion REIT elects not to implement the Proposed Placement, the Consideration Units shall be issued to the Vendors and/or their Authorised Nominee(s) to part settle the Purchase Consideration. The issue price of the Consideration Units is fair and reasonable as it shall be based on the 5-day VWAP of the Units up to and including the market day preceding the Determination Date. We wish to highlight that there will be no discount to the said 5-day VWAP of the Units accorded to the Consideration Units to be issued to the Vendors and/or their Authorised Nominee(s). Accordingly, the Proposed Issuance of Consideration Units is expected to result in less dilution to the existing Unitholders as compared to the Proposed Placement *(if undertaken at a discount to the 5-day VWAP of the Units immediately prior to the price-fixing date)*. **Advance Distribution** In addition, in order to ensure fairness to the existing Unitholders, the Board intends to declare an Advance Distribution in respect of the distributable income accrued during the Advance Distribution Period to the existing Unitholders. The holders of the Placement Units or the Consideration Units *(if any)* will not be entitled to the Advance Distribution.
Section 3.3 Salient terms of the SPAs and the Lease Agreements	The salient terms of the SPAs and the Lease Agreements are fair and reasonable and not detrimental to the interests of the non-interested Unitholders.
Section 3.4 Effects of the Proposals	The pro forma effects of the Proposals from Section 6, Part A of the Circular are illustrated based on the following 2 scenarios:- **(i) Scenario 1: Without the Proposed Placement** Pavilion REIT elects not to implement the Proposed Placement and issues the Consideration Units to the Vendors and/or their Authorised Nominee(s) to part settle RM246.50 million of the Purchase Consideration. The remaining Net Purchase Consideration and the Estimated Expenses will be funded via borrowings. **(ii) Scenario 2: Maximum Placement** Pavilion REIT elects to implement the Maximum Placement to fully settle the Net Purchase Consideration and the Estimated Expenses, and to repay existing borrowings. No Consideration Units will be issued to the Vendors and/or their Authorised Nominee(s) and no borrowings will be procured for the Proposed Acquisitions.

Reference in IAL / Consideration factors	Our evaluation
	The pro forma effects of the Proposals are as follows:- (i) Unitholders' capital Scenario 1 The Unitholders' capital will increase by RM245.90 million *(after offsetting the estimated cost in relation to the issuance of the Consideration Units of approximately RM0.60 million)* as a total of 172,377,600 Consideration Units will be issued to the Vendors and/or their Authorised Nominee(s) at an illustrative issue price of RM1.43 each to part settle the Net Purchase Consideration. Scenario 2 The Unitholders' capital will increase by RM535.50 million *(after offsetting the estimated cost in relation to the placement of the new Units of approximately RM16.50 million)* as a total of 386,014,000 Placement Units will be issued at an illustrative issue price of RM1.43 each to raise funds for the Net Purchase Consideration and Estimated Expenses, and to repay existing borrowings. (ii) Substantial Unitholders' unitholdings Scenario 1 The Vendors will emerge as new Unitholders following the issuance of 172,377,600 Consideration Units. The unitholdings of other existing Unitholders will be proportionately diluted by the issuance of the Consideration Units. Scenario 2 EPF, a Major Unitholder, and/or persons connected with it, participates in the Proposed Placement and its unitholding in Pavilion REIT will increase accordingly by such number of Placement Units subscribed for. The unitholdings of other existing Unitholders will be proportionately diluted by the issuance of 386,014,000 Placement Units. Notwithstanding that the issuance of the Consideration Units *(if the Proposed Placement is not undertaken)* or Placement Units *(if the Proposed Placement is undertaken)* may have an immediate dilutive impact on the Unitholders' unitholdings, the Proposed Acquisitions and/or repayment of borrowings are expected to contribute positively to the future earnings and distributions of Pavilion REIT. (iii) Earnings, EPU and DPU The potential effects of the Proposals on Pavilion REIT's earnings, EPU and DPU will depend on, amongst others, the eventual net income contribution of the Subject Hotels vis-à-vis the financial performance of other investment properties within the portfolio of Pavilion REIT, actual number of the Consideration Units or Placement Units to be issued as well as cost of financing for the borrowings to be secured, if any. The Proposals are expected to contribute positively to the future earnings and distributions of Pavilion REIT.

Reference in IAL / Consideration factors	**Our evaluation**
	(iv) NAV, NAV per Unit and gearing Scenario 1 The NAV of Pavilion REIT will increase by a net amount of RM245.90 million, mainly attributable to the issuance of 172,377,600 Consideration Units at an illustrative issue price of RM1.43 each to part settle the Net Purchase Consideration. The increase is offset by the estimated cost in relation to the issuance of the Consideration Units of approximately RM0.60 million. Arising from the issuance of the Consideration Units and recognition of the said estimated cost, the NAV per Unit *(after income distribution)* will increase slightly from RM1.3228 as at 31 December 2024 to RM1.3275. The gearing of Pavilion REIT will remain at 41.5%, which is within the threshold as prescribed or permitted under Paragraph 8.32 of the Listed REIT Guidelines. Scenario 2 The NAV of Pavilion REIT will increase by a net amount of RM535.50 million, mainly attributable to the issuance of 386,014,000 Placement Units at an illustrative issue price of RM1.43 each to raise funds for the Net Purchase Consideration and Estimated Expenses, and to repay existing borrowings. The increase is offset by the estimated cost in relation to the placement of the new Units of approximately RM16.50 million. Arising from the issuance of the Placement Units and recognition of the said estimated cost, the NAV per Unit *(after income distribution)* will increase slightly from RM1.3228 as at 31 December 2024 to RM1.3290. The gearing of Pavilion REIT will reduce from 41.5% to 38.5% due to the repayment of existing borrowings of RM80.00 million and the enlarged total asset value. (v) 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 Proposals are not detrimental to the interests of the non-interested Unitholders.
Section 3.5 Prospects of the hospitality industry as well as the Subject Hotels and Pavilion REIT	We view the long-term prospects of the hospitality industry as well as the Subject Hotels and Pavilion REIT to be favourable. The Subject Hotels are anticipated to be valuable additions to Pavilion REIT's portfolio of investment properties, owing to their exceptional accessibility, seamless connectivity, and prime location within the Golden Triangle of Kuala Lumpur. This area is widely recognised as the city's premier shopping and tourist destination, attracting both local and international visitors. With the positive outlook for the tourism and hospitality industry, driven by an anticipated rise in domestic and international tourist arrivals, the Subject Hotels are well-positioned to deliver positive contributions to Pavilion REIT's financial performance and future growth.

Reference in IAL / Consideration factors	Our evaluation
Section 3.6 Risk factors in relation to the Proposals	The risk factors are set out in Section 5, Part A of the Circular, which include the following:- Proposed Acquisitions (i) financing risk; (ii) non-registration of transfer of the strata titles; and (iii) business risk exposure to hospitality industry. Proposed Leases (i) long term basis with fixed rental payments; and (ii) dependence on the Lessee. In view that the Subject Hotels will represent only 5.5% of Pavilion REIT's enlarged total assets under management, the proposed addition of the Subject Hotels to Pavilion REIT's portfolio will not significantly change the business risk profile of Pavilion REIT upon completion of the Proposed Acquisitions.

3. CONCLUSION AND RECOMMENDATION

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

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

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

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INTER-PACIFIC
SECURITIES SDN. BHD.
197201001092 (12738-U)
A Participating Organisation of Bursa Malaysia Securities Berhad
A Trading Participant of Bursa Malaysia Derivatives Berhad

Lot 13-01A, Level 13 (East Wing)
Berjaya Times Square
No. 1 Jalan Imbi
55100 Kuala Lumpur

17 April 2025

To: The non-interested Unitholders

Dear Sir / Madam,

PAVILION REAL ESTATE INVESTMENT TRUST ("PAVILION REIT")

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSALS

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 Interpac, being the Independent Adviser for the Proposals.

1. INTRODUCTION

On 5 December 2024, the Joint Principal Advisers announced, on behalf of the Board, that the Trustee had, on the same date, entered into the SPAs with the Vendors.

In conjunction with the Proposed Acquisitions and pursuant to the terms and conditions of the PHKL SPA, the Trustee, for and on behalf of Pavilion REIT (being the Lessor), and HPSB (being the Lessee) have agreed to enter into the Lease Agreements. It was also announced on the same date that under the terms and conditions of the Proposed Acquisitions, the Board has the option to undertake the Proposed Placement as an election to, among others, raise cash to partly or fully settle the Purchase Consideration or to part settle up to RM246.50 million of the Purchase Consideration by way of the Proposed Issuance of Consideration Units.

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 with them as set out in Section 9, Part A of the Circular, the Proposed Acquisitions, Proposed Issuance of Consideration Units and Proposed Leases are related party transactions under Paragraph 10.08 of the Listing Requirements. Further, in view that the proceeds to be raised from the Proposed Placement will be used to partly or fully settle the Purchase Consideration, the Interested Directors, Interested Major Unitholders, interested major shareholders of the Manager and persons connected with them are also deemed interested in the Proposed Placement. In accordance with Paragraph 6.06(2) of the Listing Requirements, EPF and persons connected with it are interested in the Proposed Placement to EPF. In addition, EPF and persons connected with it are also deemed interested in the outcome of the Proposed Placement. Accordingly, Interpac has been appointed on 24 June 2024 to act as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders on the Proposals.

The purpose of this IAL is to provide the non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposals, and whether the Proposals are detrimental to the non-interested Unitholders, together with our recommendation on whether the non-interested Unitholders should vote in favour of the Proposals.

Nonetheless, the non-interested Unitholders should rely on their own evaluation of the merits and demerits of the Proposals 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 Proposals 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 RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS 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 PROPOSALS

Interpac was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposals. 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 in respect of the Proposals as to whether the Proposals are fair and reasonable and whether the Proposals are 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 Proposals, 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 SPAs;

(iii) the Lease Agreements;

(iv) the Valuation Reports and Master Valuation Certificate;

(v) other relevant information, documents, confirmations and representations furnished to us by the directors, management and/or representatives *(where applicable)* of the Manager, Trustee and Pavilion REIT; and

(vi) 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, 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 Proposals 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 and we have no reason to believe that the aforementioned information is unreasonable, unreliable, inaccurate, incomplete and/or that there are any facts not contained in this IAL, the omission of which would make any information in this IAL misleading 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 *(save for the views, analyses and recommendation of Interpac)* and confirms, after having made all reasonable enquiries, that to the best of their knowledge, there are no other facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

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

We have evaluated the Proposals and in rendering our advice, we have considered various factors, which we believe are of relevance and general importance to an assessment of the Proposals 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 Proposals 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 Proposals.

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 SPAs and Lease Agreements 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.

The following are disclosures made pursuant to the IAL Guide:-

(i) 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 Proposals;

(ii) Save for our current appointment as the Independent Adviser for the Proposals, we do not have any other professional relationship with Pavilion REIT in the past 2 years; and

(iii) We are a holder of a Capital Markets Services Licence issued by the SC which permits us to carry on the regulated activity of advising on corporate finance under the CMSA. The corporate finance department of Interpac supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualification and expertise to provide, amongst others, independent advice and render opinion on fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

As a testament to our experience and credentials as independent adviser, we have issued various independent advice circulars / letters for transactions relating to acquisitions, disposals and take-over offers, including the following proposals:-

(a) proposed acquisitions by Pacific Trustees Berhad, acting solely in its capacity as the trustee for and on behalf of KIP Real Estate Investment Trust, of 4 properties together with tenancies for a total purchase consideration of RM98.30 million, whereby our independent advice letter was issued on 26 December 2024;

(b) unconditional mandatory take-over offer by Liannex Maritime Sdn Bhd through AmInvestment Bank Berhad to acquire all the remaining ordinary shares *(including such number of new ordinary shares that may be issued pursuant to the exercise or conversion of the outstanding convertible securities, restructured term loans and existing employees' share grant plan prior to the closing of the offer)* and warrants in Icon Offshore Berhad not already held by Liannex Maritime Sdn Bhd as well as Liannex Corporation (s) Pte Ltd, Mr. Lim Han Weng and Madam Bah Kim Lian for a cash consideration of RM0.635 per ordinary share and RM0.001 per warrant respectively, whereby our independent advice circular was issued on 26 April 2024;

(c) conditional mandatory take-over offer by JAG Capital Holdings Sdn Bhd through Maybank Investment Bank Berhad to acquire all the remaining ordinary shares *(including such number of new ordinary shares that may be issued pursuant to the conversion of the redeemable convertible preference shares in KUB Malaysia Berhad ("**KUB RCPS**") prior to the closing of the offer)* and all the KUB RCPS that may be issued prior to the closing of the offer not already owned by JAG Capital Holdings Sdn Bhd, Datuk Seri Johari bin Abdul Ghani and Datin Seri Zurwati Haslinda binti Zainal Bahry and persons acting in concert with them for a cash offer price of RM0.60 per ordinary share and RM0.60 per KUB RCPS, whereby our independent advice circular was issued on 8 February 2024;

(d) proposed acquisition by SAM Engineering & Equipment (M) Berhad of the entire equity interest in Aviatron (M) Sdn Bhd from Singapore Aerospace Manufacturing Pte Ltd for a cash purchase consideration of USD43.40 million, whereby our independent advice letter was issued on 22 November 2023;

(e) proposed acquisition of Menara CelcomDigi by Maybank Trustees Berhad, acting solely in the capacity as trustee for Sentral REIT, from Puncak Wangi Sdn Bhd, a wholly-owned subsidiary of Malaysian Resources Corporation Berhad, for a purchase consideration of RM450.0 million, whereby our independent advice letter was issued on 30 October 2023;

(f) proposed disposal by DC Offices Sdn Bhd, an indirect wholly-owned subsidiary of Guocoland (Malaysia) Berhad, of an office building known as Menara Guoco to MTrustee Berhad, acting solely in its capacity as trustee for and on behalf of Tower Real Estate Investment Trust, for a cash consideration of RM242.1 million, whereby our independent advice letter was issued on 15 June 2020;

(g) conditional mandatory take-over offer by Divine Inventions Sdn Bhd through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares *(including such number of new ordinary shares that may be issued and allotted prior to the closing date of the offer arising from the exercise of the outstanding warrants)* and warrants in Chin Hin Group Property Berhad not already owned by Divine Inventions Sdn Bhd, Datuk Seri Chiau Beng Teik, Chiau Haw Choon and Datin Seri Wong Mee Leng for a cash offer price of RM0.30 per ordinary share and RM0.10 per warrant respectively, whereby our independent advice circular was issued on 13 February 2020;

(h) proposed acquisitions of entire equity interests by GSB Group Berhad ("**GSB**") of Aeon Frontier Sdn Bhd, Kerjaya Property Sdn Bhd and Kerjaya Hotel Sdn Bhd, proposed subscription by GSB of 42,489,490 new ordinary shares in Desanda Property Sdn Bhd at an issue price of RM1.00 per ordinary share, proposed subscription by Javawana Sdn Bhd of 251,366,435 new ordinary shares in GSB at an issue price of RM0.17 per ordinary share, proposed exemption under Paragraph 4.08(1)(a) and (b) of the Rules on Take-overs, Mergers and Compulsory Acquisitions to be sought by Javawana Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory take-over offer to acquire the remaining ordinary shares in GSB not already owned by them and proposed amendments to the Constitution of GSB to facilitate the creation and issuance of new redeemable convertible preference shares in GSB, whereby our independent advice letter was issued on 29 November 2019;

(i) proposed joint venture between Innoceria Sdn Bhd, a wholly-owned subsidiary of Grand-Flo Berhad and Pembinaan Maka Cemerlang Sdn Bhd, to jointly develop 381 pieces of leasehold land located in Kampar, Perak into a mixed development project, whereby our independent advice letter was issued on 21 November 2019; and

(j) unconditional voluntary take-over offer by Tan Sri Dr Chen Lip Keong through UOB Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares *(including such number of new ordinary shares that may be issued prior to the closing date of the offer arising from the exercise of the outstanding warrants)* and warrants in Karambunai Corp Bhd not already held by him at a cash offer price of RM0.11 per ordinary share and RM0.03 per warrant respectively, whereby our independent advice circular was issued on 24 October 2019.

3. EVALUATION OF THE PROPOSALS

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

Consideration factors		Section
(i)	Rationale and benefits of 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 SPAs and the Lease Agreements	3.3
(iv)	Effects of the Proposals	3.4
(v)	Prospects of the hospitality industry as well as the Subject Hotels and Pavilion REIT	3.5
(vi)	Risk factors in relation to the Proposals	3.6

3.1 Rationale and benefits of the Proposals

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

Proposed Acquisitions

The Proposed Acquisitions, which entail the acquisition of the BTKL Property and PHKL Property, are expected to be beneficial to Pavilion REIT in view of the following:-

(i) **Quality assets at a prime location.** The Subject Hotels are award-winning 5-star hotels strategically situated in the ‘heart’ of Bukit Bintang, within the prime commercial centre of the Golden Triangle of Kuala Lumpur, as further elaborated below:-

(a) BTKL (a 5-star hotel with 55 rooms known as Banyan Tree Kuala Lumpur) is situated along Jalan Conlay, Kuala Lumpur. It forms part of an integrated commercial development located in the 'heart' of Bukit Bintang, Kuala Lumpur within a 59-storey block containing a 52-storey serviced apartments and a 7-storey hotel component, known as Banyan Tree Residences & Hotel. BTKL is linked to Pavilion KL via a sky (pedestrian) bridge.

BTKL is easily accessible from Kuala Lumpur City Centre via Jalan Ampang, Jalan Sultan Ismail, Jalan Raja Chulan and thereafter onto Jalan Conlay leading to BTKL. Alternatively, it is also accessible via Jalan Ampang, Jalan Tun Razak, Persiaran Stonor, Jalan Stonor and thereafter onto Jalan Conlay leading to BTKL.

Having opened in July 2018, BTKL has won several awards both locally and internationally, including but not limited to the following:-

International awards

Year	Award organiser	Award	Category
2025	DestinAsian Readers' Choice Awards	Best Malaysia City Hotel	Hotel
	WORLDiary International	The Best Luxury Destination Hotel	Hotel
	Forbes Travel Guide	Recommended City Hotels in Kuala Lumpur Malaysia	Hotel

Year	Award organiser	Award	Category
2024	Travel + Leisure Luxury Awards Asia Pacific 2024	1. City Hotels 2. Hotel Pools 3. Hotel Spas	Hotel
	Agoda	Agoda Gold Circle Award	Hotel
2023	Luxury Lifestyle Awards	Top 100 Hotels and Resorts	Hotel
	Forbes Travel Guide	Recommended City Hotels in Kuala Lumpur Malaysia	Hotel
	Haute Grandeur	Best Prime Location Hotel in Malaysia	Hotel
2022	World Luxury Hotel Awards	The 16th Annual World Luxury Hotel Awards	Small Luxury Hotel, Southeast Asia
	Forbes Travel Guide	Recommended City Hotels in Kuala Lumpur Malaysia	Hotel, Kuala Lumpur
	Haute Grandeur	Best Prime Location Hotel in Malaysia	Hotel
	Tripadvisor	Tripadvisor Travellers' Choice 2022	Hotel

Local awards

Year	Award organiser	Award	Category
2023 - 2024	Hospitality Asia Platinum Awards (HAPA)	HAPA Awards	Hotel, Horizon Grill, Vertigo, Banyan Tree Spa
2023	Harper's Bazaar Spa and Aesthetics Awards	Best Full Body Rejuvenating Experience	Hotel
2022 - 2023	Hospitality Asia Platinum Awards (HAPA)	HAPA Awards	Hotel, Horizon Grill, Vertigo, Banyan Tree Spa

Further, BTKL is home to several high-end dining experiences such as one of Kuala Lumpur’s highest rooftop bars, Vertigo TOO, and the brasserie-style Horizon Grill with indoor seating and an open-air terrace, where guests can enjoy unrestricted views of the Kuala Lumpur skyline. BTKL also offers a ‘sanctuary for the senses’ via its award-winning Banyan Tree Spa, renowned for its traditional Asian healing therapies and personalised treatments, a 24-hour fitness centre, and 2 spacious and fully equipped boardrooms.

(b) PHKL (a 5-star hotel with 325 rooms known as Pavilion Hotel Kuala Lumpur) is situated at the intersection of Jalan Bukit Bintang and Jalan Raja Chulan, Kuala Lumpur. It forms part of the integrated commercial development which comprises PHKL, shopping mall known as Pavilion KL, an office building known as Pavilion Tower and Pavilion Residences.

PHKL is easily accessible from all parts of Kuala Lumpur City Centre via Jalan Bukit Bintang and Jalan Raja Chulan. Alternatively, it is also accessible via the Mass Rapid Transit (MRT) and Monorail with the respective Bukit Bintang stations sited a short distance to the south-west of PHKL.

Having opened in January 2019, PHKL has won several awards both locally and internationally, including but not limited to the following:-

<u>International awards</u>

Year	Award organiser	Award	Category
2025	WORLDiary International	The Best Luxury Business Hotel	Hotel
	Trip.com Group	Chinese Friendly Hotel	Hotel
2024	Trip.com Group	Chinese Friendly Hotel	Hotel
	Agoda	Agoda Gold Circle Awards	Hotel
2023	Luxury Lifestyle Awards	Top 100 Hotels and Resorts	Hotel
2022	Tripadvisor	Tripadvisor Travellers' Choice 2022	Hotel

<u>Local award</u>

Year	Award organiser	Award	Category
2023 - 2024	Hospitality Asia Platinum Awards (HAPA)	HAPA Awards	Hotel, Jade Pavilion
2022 - 2023	Hospitality Asia Platinum Awards (HAPA)	HAPA Awards	Hotel, Jade Pavilion

Further, PHKL is home to restaurants such as The Courtyard which serves authentic Malaysian cuisine, Jade Pavilion for halal Cantonese dining and The Cove, a cocktail bar. PHKL also has facilities and amenities such as a sky gymnasium, rooftop infinity pool, club lounge, ample meeting space with 7 meeting venues, banquet and conference facilities that can accommodate up to 1,180 people.

The Subject Hotels are located within the prime commercial centre of the Golden Triangle which is predominantly characterised by modern high-rise office buildings, international class hotels, commercial / shopping complexes, and luxury condominiums / serviced apartments, whereby:-

(a) prominent hotels located nearby include Grand Millennium Hotel, JW Marriot Hotel, Westin Hotel, Ritz-Carlton Kuala Lumpur, Shangri-La Hotel and Royale Chulan Kuala Lumpur;

(b) well-known shopping malls located within the vicinity of "Bintang Walk" include Pavilion KL, Elite Pavilion Mall, Sungei Wang Plaza, Lot 10, Starhill, Fahrenheit 88 and Low Yat Plaza; and

(c) office buildings located nearby are, amongst others, Menara Khuan Choo, Menara AIA Sentral, Wisma Chuang and Wisma CHUBB.

The Golden Triangle is also home to iconic landmarks such as the Petronas Twin Towers, Menara Kuala Lumpur, The Exchange 106 and Merdeka 118 and holds immense appeal for both international tourists and domestic visitors given the variety of attractions as highlighted in Section 4.3, Part A of the Circular.

Considering the overall perspective, the Subject Hotels will stand to benefit in terms of hotel patronage as its strategic location in Bukit Bintang and convenient access and connectivity to Pavilion KL enhance their appeal to both international tourists and domestic visitors. The convenient access and connectivity between the Subject Hotels and Pavilion KL are advantageous for the sharing of customer base and synergistic marketing strategies and could attract additional visitors and potentially increasing occupancy rates for the Subject Hotels and footfall for Pavilion KL.

(ii) **Enhancement to current portfolio.** The Proposed Acquisitions are 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) Yield accretive – The Lease Agreements, which are based on double net arrangement, will provide Pavilion REIT with both Fixed Rental and Variable Rental payments from HPSB (being the Lessee). Save for strata parcel rent, assessment rates, sinking funds, maintenance charges, fire insurance, plate glass insurance and all other dues and charges payable to the joint management body (where applicable) or management corporation of the Subject Hotels, the Lessee shall bear all costs and expenses including but not limited to all taxes, insurance, utilities payments and all other related costs and expenses to operate the Subject Hotels.

The Proposed Leases will provide Pavilion REIT with a stable stream of income and cash flows over the next 30 years commencing from the Beneficial Ownership Transfer Date, provided that the Proposed Leases are renewed for the 2 successive Terms of 10 years each after the initial 10-year Term. The Fixed Rental provides certainty to Pavilion REIT on the minimum annual rental to be derived from the Subject Hotels, mitigating risks of unfavourable performance of the Subject Hotels and/or hospitality industry in Malaysia as a whole. On the other hand, the Variable Rental allows Pavilion REIT to further benefit from the profitability of the Subject Hotels in the event there is Surplus Sum. For the avoidance of doubt, the Variable Rental will be paid in addition to the Fixed Rental.

The Fixed Rental of RM33.50 million annually in aggregate for the first 5-year period of the initial Term, after deducting estimated owner's expenses of RM2.23 million (as set out in Section 6.3, Part A of the Circular), represents an annual net yield from the Subject Hotels of about 6.5%(1) over the Purchase Consideration of RM480.00 million. The Proposed Acquisitions are expected to contribute positively and to be earnings accretive to Pavilion REIT's distributable income moving forward.

Note:-

(1) The yield will be higher when factoring in the Variable Rental, if any, which is based on the financial performance of the Subject Hotels and subsequent increases in the Fixed Rental after the first 5-year period of the initial Term.

(b) Diversification of Pavilion REIT's portfolio of investment properties – After the transfer of beneficial ownership of the Subject Hotels to Pavilion REIT, Pavilion REIT's portfolio of investment properties will expand, whereby:-

(aa) the total assets under management will increase by 5.8% from RM8,490 million as at 31 December 2024 to RM8,980 million; and (bb) the Subject Hotels will represent 5.5% of Pavilion REIT's enlarged total assets under management.

For illustrative purposes only, the contribution of each investment properties to Pavilion REIT's portfolio in terms of total assets under management before and after the transfer of beneficial ownership of the Subject Hotels to Pavilion REIT is as shown below:-

Before the Proposed Acquisitions (Based on market value as at 31 December 2024)

Pavilion REIT's portfolio	**Market value (RM'million)**	**Contribution (%)**
(1) Pavilion KL	5,250	61.8
(2) Pavilion Bukit Jalil	2,210	26.0
(3) Elite Pavilion Mall	550	6.5
(4) Intermark Mall	190	2.3
(5) DA MEN Mall	160	1.9
(6) Pavilion Tower	130	1.5
Total	**8,490**	**100.0**

After the transfer of beneficial ownership of the Subject Hotels

Pavilion REIT's portfolio	**Market value (RM'million)**	**Contribution (%)**
(1) Pavilion KL	5,250	58.5
(2) Pavilion Bukit Jalil	2,210	24.6
(3) Elite Pavilion Mall	550	6.1
(4) Subject Hotels	490(1)	5.5
(5) Intermark Mall	190	2.1
(6) DA MEN Mall	160	1.8
(7) Pavilion Tower	130	1.4
Total	**8,980**	**100.0**

Note:-

(1) Based on market value as at 25 November 2024.

As illustrated above, the addition of the Subject Hotels will improve the diversity of Pavilion REIT's overall property mix and will reduce Pavilion REIT's dependence on Pavilion KL's contribution from 61.8% to 58.5% of total assets under management.

(c) Improvement in Pavilion REIT's EPU, DPU and Unitholders' returns – The Proposals are expected to result in an increase to the EPU and DPU of Pavilion REIT moving forward. The Variable Rental, if any, and subsequent increases in the Fixed Rental will further enhance the distributable income and DPU of Pavilion REIT.

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

Both Subject Hotels are linked to a retail component i.e. Pavilion KL and Elite Pavilion Mall and are expected to contribute positively to the distributable income and DPU of Pavilion REIT. As such, the Proposed Acquisitions are in line with Pavilion REIT's investment policy and investment objective.

Upon completion of the Proposed Acquisitions, the portfolio of Pavilion REIT's investment properties will comprise 2 hotels, 5 retail properties and an office tower within Klang Valley, as follows:-

No.	Property	Address	Tenure	Approximate age of building	Net lettable area (square feet)	Occupancy rate (%)	Market value (RM'million)	Date of valuation	Net property income ("NPI") (RM'million)	Net yield (%)
	Hotels									
(1)	BTKL *(5-star hotel which comprises 55 rooms, together with 81 parking bays on level 1 and 2 levels of basement parking within a 59-storey integrated commercial building)*	Banyan Tree Hotel, Banyan Tree Signatures Pavilion Kuala Lumpur, Jalan Conlay, 50450 Kuala Lumpur.	Interest in perpetuity	6 years	Not applicable	82.1(1)	140	25.11.2024	9.25(2)	6.6(3)
(2)	PHKL *(5-star hotel which comprises 325 rooms, together with 147 parking bays on 2 levels of basement parking within a 13-storey hotel block erected on Pavilion KL)*	Pavilion Hotel, Jalan Bukit Bintang, 50200 Kuala Lumpur.	99-year lease expiring on 26.10.2109	6 years	Not applicable	81.5(1)	350	25.11.2024	22.02(2)	6.3(3)
	Retail Properties									
(1)	Pavilion Bukit Jalil *(5-storey retail mall with 2 basement car park levels (a total of 4,800 car park bays))*	No. 2 Persiaran Jalil 8, Bandar Bukit Jalil, 57000 Kuala Lumpur	Interest in perpetuity	3 years	1,815,920	89.7(4)	2,210	31.12.2024	110.10(5)	5.0(6)
(2)	Pavilion KL *(7-storey shopping mall (including 4 split-levels of car parking bays together with a 3-storey retail office block sited atop and annexed with a 4-storey retail / entertainment connection block) and 3 levels of basement car parks (a total of 2,391 car park bays))*	168 Jalan Bukit Bintang, 55100 Kuala Lumpur	99-year lease expiring on 26.10.2109	17 years	1,367,983	97.1(4)	5,250	31.12.2024	362.36(5)	6.9(6)
(3)	DA MEN Mall *(5-storey retail mall together with a lower ground floor and 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	9 years	421,524	72.9(4)	160	31.12.2024	(5.77)(5)	(3.6)(6)
(4)	Elite Pavilion Mall *(10-storey shopping mall with stratified parcels consisting of car park bays on Level B3 to Level 2 ("**Elite Pavilion**") interconnected to Pavilion KL 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 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	8 years	227,761	97.8(4)	550	31.12.2024	42.75(5)	7.8(6)

No.	Property	Address	Tenure	Approximate age of building	Net lettable area (square feet)	Occupancy rate (%)	Market value (RM'million)	Date of valuation	Net property income ("NPI") (RM'million)	Net yield (%)
(5)	Intermark Mall *(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	12 years	222,731	92.9(4)	190	31.12.2024	11.30(5)	5.9(6)
(1)	**<u>Office Tower</u>** Pavilion Tower *(20-storey office building together with 6 mechanical / electrical levels)*	75 Jalan Raja Chulan, 50200 Kuala Lumpur	99-year lease expiring on 26.10.2109	17 years	162,992	72.5(4)	130	31.12.2024	2.02(5)	1.6(6)

Notes: -

(1) Average occupancy rate for the FYE 31 December 2024.
(2) Being the Fixed Rental less estimated owner's expenses, assuming there is no Variable Rental.
(3) Based on the NPI over market value as at 25 November 2024.
(4) Occupancy rate as at 31 December 2024.
(5) Based on the NPI for the FYE 31 December 2024.
(6) Based on the NPI over market value as at 31 December 2024.

(Sources: Pavilion REIT's Annual Report 2024 and Valuation Reports)

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Proposed Placement

The Proposed Placement *(if undertaken)* provides the flexibility to tap on the equity capital markets, subject to market conditions, to fund the Proposed Acquisitions and reduce borrowings which will allow Pavilion REIT to maintain its gearing at a healthy level as well as maintain sufficient headroom for future cash acquisitions. Besides, the Proposed Placement may potentially widen Unitholders' base and improve the trading liquidity of the Units. It is also noted that the Proposed Placement may involve the participation of EPF, a Major Unitholder, and/or persons connected with it, through the Proposed Placement to EPF.

Proposed Issuance of Consideration Units

The Proposed Issuance of Consideration Units, as an alternative settlement approach for the Net Purchase Consideration which is provided for under the terms and conditions of the SPAs, provides 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 Placement to settle the Net Purchase Consideration.

We view this as reasonable taking into consideration that the Placement Issue Price will be based on the results of the bookbuilding exercise, which is subject to market volatility and changes in investor sentiment at the point of implementation of the Proposed Placement. The Proposed Issuance of Consideration Units allows more flexibility to Pavilion REIT in terms of the mode of settlement to complete the Proposed Acquisitions.

Proposed Leases

As set out above, the Proposed Leases are expected to be accretive to Pavilion REIT's future distributable income and DPU after taking into consideration, amongst others, the Lease Rental. The Fixed Rental *(representing an annual net yield from the Subject Hotels of about 6.5% over the Purchase Consideration)* provides certainty to Pavilion REIT on the minimum annual rental to be derived from the Subject Hotels, mitigating risks of unfavourable performance of the Subject Hotels and/or hospitality industry in Malaysia as a whole. On the other hand, the Variable Rental allows Pavilion REIT to further benefit from the profitability of the Subject Hotels in the event there is Surplus Sum. Therefore, the Variable Rental is dependent on the financial performance of the Subject Hotels. For information purposes, the average occupancy rates of BTKL and PHKL for the FYE 31 December 2024 are 82.1% and 81.5% respectively.

The Proposed Leases will commence upon the transfer of beneficial ownership of the Subject Hotels to Pavilion REIT. The Subject Hotels will continue to be managed and operated by Banyan Tree Hotels & Resorts, which has been the hotel manager of the Subject Hotels since their respective openings in 2018 and 2019, with its tenure as hotel manager for the BTKL Property set to expire in 2038, and for the PHKL Property set to expire in 2039. Banyan Tree Hotels & Resorts is part of Banyan Tree Holdings, a company that is listed on the Mainboard of Singapore Exchange Securities Trading Limited and has been operating in the hospitality industry for more than 30 years up to the LPD. Founded in 1994, Banyan Tree Holdings is a leading independent, multi-branded hospitality group with a diversified portfolio of hotels, resorts, spas, galleries, golf and residences centred around brands such as Banyan Tree, Angsana, Cassia, Dhawa and Laguna. By end of 2024, Banyan Tree Holdings has grown its footprint to 22 countries across the world, operating 91 hotels and resorts, 73 spas, 68 galleries and 22 branded residences.

In view of the above, the smooth operations of the Subject Hotels will not be interrupted or adversely affected as Banyan Tree Hotels & Resorts *(a well-established and experienced hotel manager within the hospitality industry)* will remain as the hotel manager of the Subject Hotels after the completion of the Proposed Acquisitions. Furthermore, the Lease Agreements provide that in the event that the hotel management agreement expires or is determined before the expiry of the Term, the Lessee shall either renew the hotel management agreement or enter into another hotel management agreement with another hotel manager with a similar or higher standing than the existing hotel manager and maintain or improve the brand standing.

Based on the above, we are of the view that the rationale and benefits of the Proposals are 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 the BTKL Property and PHKL Property.

In arriving at the market values for the BTKL Property and PHKL Property, it is noted that the Valuer has adopted 2 methods of valuation i.e. the income approach - profits method (DCF) as the main method of valuation and the comparison approach as a cross check. Further details on the income approach - profits method (DCF) and comparison approach are as follows:-

(i) the income approach - profits method (DCF) entails estimating the gross annual income that can be derived from the running of the property as a business concern. The net annual income is then arrived at by deducting therefrom the operating costs and outgoings incidental to the running of the business and ownership of the property and allowing a margin of profit for the running of the business. The net annual income so arrived at is then capitalised at a suitable rate of return consistent with the type and quality of investment to arrive at the market value; and

(ii) the comparison approach entails analysing recent transactions and asking prices of similar property in the locality for comparison purposes with adjustments made for differences in location, accessibility, age and condition of the building, design and quality, tenure, size, title restrictions (if any) and other relevant characteristics to arrive at the market value.

In view that the Subject Hotels are income generating properties, the Valuer has adopted the market value derived from the income approach - profits method (DCF) as a fair representation of the market values of the Subject Hotels.

Based on the income approach - profits method (DCF) *(being the main method of valuation)* taking into consideration the lease arrangement, the Valuer has derived a market value of RM140.00 million for the BTKL Property and RM350.00 million for the PHKL Property as at the date of valuation of 25 November 2024. As a cross check using the comparison approach, the Valuer has derived the same market value of RM140.00 million for the BTKL Property and a higher market value of RM360.00 million for the PHKL Property as at the date of valuation of 25 November 2024.

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 market values for the BTKL Property and PHKL Property expressed by the Valuer.

Please refer to the Master Valuation Certificate in Appendix V of the Circular for further information on the valuation of the BTKL Property and PHKL Property.

BTKL Property

Summarised below are our commentaries in respect of the key bases and assumptions adopted in the valuation of the BTKL Property by the Valuer using the income approach - profits method (DCF) taking into consideration the lease arrangement:-

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr>
<td>1.</td>
<td>Projected average room rate
<table>
<tr><th>Year</th><th>Projected average room rate (RM)</th><th>Growth (%)</th></tr>
<tr><td>1</td><td>1,386</td><td>0.21⁽¹⁾</td></tr>
<tr><td>2</td><td>1,430</td><td>3.17</td></tr>
<tr><td>3</td><td>1,475</td><td>3.12</td></tr>
<tr><td>4</td><td>1,525</td><td>3.42</td></tr>
<tr><td>5</td><td>1,575</td><td>3.23</td></tr>
<tr><td>6</td><td>1,606</td><td>2.00</td></tr>
<tr><td>7</td><td>1,638</td><td>1.99</td></tr>
<tr><td>8</td><td>1,655</td><td>1.04</td></tr>
<tr><td>9</td><td>1,671</td><td>0.97</td></tr>
<tr><td>10</td><td>1,671</td><td>-</td></tr>
<tr><td>Terminal</td><td>1,621</td><td>-2.99</td></tr>
</table>
<i><u>Note:-</u></i>
<i>(1) Compared with the third quarter of 2024.</i>
</td>
<td>Fair and reasonable. We view the projected average room rate for BTKL as fair and reasonable after taking into consideration, amongst others, the following:-

(i) the historical average room rate from 2018 to the third quarter of 2024 which ranged from RM786 to RM1,383, as follows:-
<table>
<tr><th colspan="7">Historical average room rate (RM)</th></tr>
<tr><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>Third quarter of 2024</th></tr>
<tr><td>786</td><td>804</td><td>884</td><td>905</td><td>1,142</td><td>1,304</td><td>1,383</td></tr>
</table>
We noted that BTKL only commenced operations in July 2018 and hence, the first few years served as a gestation period for BTKL to establish and stabilise its operations. Subsequently, in 2020 and 2021, the hospitality industry (including BTKL) was adversely impacted by coronavirus disease 2019 (“COVID-19”).

Hence, the average room rate up to the third quarter of 2024 of RM1,383 shall be more reflective of the current performance of BTKL. The projected average room rate of RM1,386 for year 1 represents a minimal increase of 0.21% against the average room rate up to the third quarter of 2024 of RM1,383;
</td>
</tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td></td><td></td><td>
(ii) the published room rates of 5-star hotels located within the vicinity <i>(in Kuala Lumpur)</i>, as follows:-
<table>
<tr><th>No.</th><th>Hotels</th><th>Best available rate – midweek⁽¹⁾</th></tr>
<tr><td>1.</td><td>Renaissance Kuala Lumpur Hotel</td><td>From RM450</td></tr>
<tr><td>2.</td><td>The Majestic Hotel Kuala Lumpur</td><td>From RM465</td></tr>
<tr><td>3.</td><td>PHKL</td><td>From RM695</td></tr>
<tr><td>4.</td><td>The Westin Kuala Lumpur</td><td>From RM710</td></tr>
<tr><td>5.</td><td>JW Marriott Hotel Kuala Lumpur</td><td>From RM743</td></tr>
<tr><td>6.</td><td>Grand Hyatt Kuala Lumpur</td><td>From RM972</td></tr>
<tr><td>7.</td><td>The Ritz-Carlton Kuala Lumpur</td><td>From RM1,000</td></tr>
<tr><td>8.</td><td>Mandarin Oriental, Kuala Lumpur</td><td>From RM1,050</td></tr>
<tr><td>9.</td><td>W Hotel Kuala Lumpur</td><td>From RM1,252</td></tr>
<tr><td>10.</td><td>BTKL</td><td>From RM1,262</td></tr>
<tr><td>11.</td><td>The St Regis Kuala Lumpur</td><td>From RM1,266</td></tr>
<tr><td>12.</td><td>Four Seasons Hotel, Kuala Lumpur</td><td>From RM1,574</td></tr>
</table>
<u><i>Note:-</i></u>
<i>(1) Unless otherwise stated, the rate is the lowest available rate for a deluxe room booked in advance on the internet.</i>

<i>(Source: Valuation Reports)</i>

(iii) the 10-year compound annual growth rate (“CAGR”) of 1.91% in the projected average room rate from third quarter of 2024 (RM1,383) to year 10 (RM1,671). In addition, the Valuer has adopted a lower average room rate of RM1,621 for the terminal year (as compared to year 10);

(iv) the growth in historical average room rate of 6.06% from RM1,304 in 2023 to RM1,383 in the third quarter of 2024; and

(v) the headline inflation is expected to range between 2% to 3.5% in 2025 <i>(Source: Economic Outlook 2025, Ministry of Finance Malaysia)</i>.
</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>2.</td><td>Projected occupancy rate
<table>
<tr><th>Year</th><th>Projected occupancy rate (%)</th></tr>
<tr><td>1</td><td>85.00</td></tr>
<tr><td>2</td><td>85.80</td></tr>
<tr><td>3</td><td>85.90</td></tr>
<tr><td>4</td><td>85.78</td></tr>
<tr><td>5</td><td>86.15</td></tr>
<tr><td>6</td><td>86.50</td></tr>
<tr><td>7</td><td>87.00</td></tr>
<tr><td>8</td><td>87.00</td></tr>
<tr><td>9</td><td>87.00</td></tr>
<tr><td>10</td><td>87.00</td></tr>
<tr><td>Terminal</td><td>85.00</td></tr>
</table></td><td>Fair and reasonable. We view the projected occupancy rate for BTKL as fair and reasonable after taking into consideration, amongst others, the following:-
(i) BTKL achieved an occupancy rate of 80.86% in 2023 and 83.01% up to the third quarter of 2024;
(ii) the highest monthly occupancy rate achieved by BTKL during the 9-month period in 2024 was 90.91%; and
(iii) the occupancy rate is projected to increase gradually from 85.00% in year 1 to 87.00% in years 7 to 10. The Valuer has adopted a lower projected occupancy rate of 85.00% for the terminal year (as compared to year 10).</td></tr>
<tr><td>3.</td><td>Projected operating revenue from food and beverage
<table>
<tr><th>Year</th><th>Projected operating revenue from food and beverage (% of the total revenue)</th></tr>
<tr><td>1 to 5</td><td>51.4 to 52.4</td></tr>
<tr><td>6 to Terminal</td><td>51.9</td></tr>
</table></td><td>Fair and reasonable. We view the projected operating revenue from food and beverage as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the historical operating revenue from food and beverage as a percentage of the total revenue from 2018 to the third quarter of 2024 which ranged from 48.8% to 68.2%, as follows:-
<table>
<tr><th colspan="7">Historical operating revenue from food and beverage (% of the total revenue)</th></tr>
<tr><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>Third quarter of 2024</th></tr>
<tr><td>63.6</td><td>59.1</td><td>68.2</td><td>62.1</td><td>57.1</td><td>52.5</td><td>48.8</td></tr>
</table>
(ii) the projected operating revenue from food and beverage as a percentage of the total revenue from year 1 to terminal year is relatively consistent, ranging from 51.4% to 52.4%. This range is within the range of historical operating revenue from food and beverage as a percentage of the total revenue from 2022 up to the third quarter of 2024, i.e. 48.8% to 57.1%; and
(iii) the 10-year CAGR of 3.05% in the projected total revenue from third quarter of 2024 <i>(annualised)</i> (RM50.42 million) to year 10 (RM68.06 million).</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr>
<td>4.</td>
<td>Projected operating revenue from other operating departments
<table>
<tr><th>Year</th><th>Projected operating revenue from other operating departments (% of the total revenue)</th></tr>
<tr><td>1 to 5</td><td>4.1 to 4.3</td></tr>
<tr><td>6 to Terminal</td><td>4.3</td></tr>
</table>
</td>
<td>Fair and reasonable. We view the projected operating revenue from other operating departments (which includes, amongst others, rental income and net income from car parks) as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the historical operating revenue from other operating departments as a percentage of the total revenue from 2018 to the third quarter of 2024 which ranged from 2.3% to 4.6%, as follows:-
<table>
<tr><th colspan="7">Historical operating revenue from other operating departments (% of the total revenue)</th></tr>
<tr><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>Third quarter of 2024</th></tr>
<tr><td>2.6</td><td>2.5</td><td>2.3</td><td>4.3</td><td>4.5</td><td>4.6</td><td>4.6</td></tr>
</table>
(ii) the projected operating revenue from other operating departments as a percentage of the total revenue from year 1 to terminal year is relatively consistent, ranging from 4.1% to 4.3%. This range approximates the range of historical operating revenue from other operating departments as a percentage of the total revenue from 2022 up to the third quarter of 2024, i.e. 4.5% to 4.6%; and
(iii) the 10-year CAGR of 3.05% in the projected total revenue from third quarter of 2024 <i>(annualised)</i> (RM50.42 million) to year 10 (RM68.06 million).</td>
</tr>
<tr>
<td>5.</td>
<td>Projected miscellaneous income
<table>
<tr><th>Year</th><th>Projected miscellaneous income (% of the total revenue)</th></tr>
<tr><td>1 to 5</td><td>0.9 to 1.0</td></tr>
<tr><td>6 to Terminal</td><td>0.9</td></tr>
</table>
</td>
<td>Fair and reasonable. We view the projected miscellaneous income as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the historical miscellaneous income as a percentage of the total revenue from 2018 to the third quarter of 2024 which ranged from 0.4% to 0.9%, as follows:-
<table>
<tr><th colspan="7">Historical miscellaneous income (% of the total revenue)</th></tr>
<tr><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>Third quarter of 2024</th></tr>
<tr><td>0.4</td><td>0.4</td><td>0.6</td><td>0.8</td><td>0.8</td><td>0.9</td><td>0.9</td></tr>
</table>
(ii) the projected miscellaneous income as a percentage of the total revenue from year 1 to terminal year is relatively consistent, ranging from 0.9% to 1.0%. This range approximates the range of historical miscellaneous income as a percentage of the total revenue from 2022 up to the third quarter of 2024, i.e. 0.8% to 0.9%; and
(iii) the 10-year CAGR of 3.05% in the projected total revenue from third quarter of 2024 <i>(annualised)</i> (RM50.42 million) to year 10 (RM68.06 million).</td>
</tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr>
<td>6.</td>
<td>Projected operating costs and expenses
<table>
<tr><th rowspan="2">Item</th><th colspan="2">Projected operating costs and expenses (% of the revenue)</th></tr>
<tr><th>Year 1 to 5</th><th>Year 6 to terminal year</th></tr>
<tr><td>Room upkeep</td><td>30.7 to 34.9</td><td>33.0</td></tr>
<tr><td>Food and beverage</td><td>60.0 to 67.7</td><td>65.0</td></tr>
<tr><td>Other operating departments</td><td>40.8 to 47.8</td><td>45.0</td></tr>
</table>
</td>
<td>Fair and reasonable. We view the projected operating costs and expenses as fair and reasonable after taking into consideration, amongst others, the following:-
<p>(i) the industry range for room upkeep and food and beverage cost <i>(Source: Master Valuation Certificate)</i> as follows:-</p>
<table>
<tr><th>Item</th><th>Industry range (%)</th></tr>
<tr><td>Room upkeep</td><td>20.0 to 35.0</td></tr>
<tr><td>Food and beverage</td><td>45.0 to 70.0</td></tr>
</table>
<p>For BTKL, the Valuer noted that the historical costs and expenses for room upkeep are substantially high whilst the food and beverage and other operating income are inconsistent with similar type of hotels within the Klang Valley. Accordingly, the Valuer has normalised the costs and expenses based on its experience in valuing similar properties and analysis of other hotels within the vicinity;</p>
<p>(ii) the 10-year CAGR of 1.94% in the projected operating costs and expenses from third quarter of 2024 <i>(annualised)</i> (RM27.99 million) to year 10 (RM33.90 million) vis-à-vis CAGR of 3.05% in the projected total revenue from third quarter of 2024 <i>(annualised)</i> (RM50.42 million) to year 10 (RM68.06 million); and</p>
<p>(iii) the headline inflation is expected to range between 2% to 3.5% in 2025 <i>(Source: Economic Outlook 2025, Ministry of Finance Malaysia)</i>.</p>
</td>
</tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr>
<td>7.</td>
<td>Projected undistributed overhead expenses
<table>
<tr><th rowspan="2">Item</th><th colspan="2">Projected undistributed overhead expenses (% of the total revenue)</th></tr>
<tr><th>Year 1 to 5</th><th>Year 6 to terminal year</th></tr>
<tr><td>Administrative and general expenses</td><td>7.4 to 8.1</td><td>8.0</td></tr>
<tr><td>Information and telecommunication</td><td>1.3 to 1.4</td><td>2.0</td></tr>
<tr><td>Marketing sales and promotion</td><td>5.3 to 5.6</td><td>6.0</td></tr>
<tr><td>Repair and maintenance</td><td>3.2 to 3.3</td><td>5.0</td></tr>
<tr><td>Utility</td><td>4.5 to 5.1</td><td>6.0</td></tr>
</table>
</td>
<td>Fair and reasonable. We view the projected undistributed overhead expenses as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the industry range <i>(Source: Master Valuation Certificate)</i> as follows:-
<table>
<tr><th>Item</th><th>Industry range (%)</th></tr>
<tr><td>Administrative and general expenses</td><td>6.0 to 10.0</td></tr>
<tr><td>Marketing sales and promotion</td><td>6.0 to 8.5</td></tr>
<tr><td>Repair and maintenance</td><td>5.0 to 6.0</td></tr>
</table>
For BTKL, the Valuer noted that the historical overhead expenses are high as compared to other similar type of hotels within the Klang Valley. Accordingly, the Valuer has normalised these items based on its experience in valuing similar properties;
(ii) the 10-year CAGR of 3.75% in the projected undistributed overhead expenses from third quarter of 2024 <i>(annualised)</i> (RM12.72 million) to year 10 (RM18.38 million) vis-à-vis CAGR of 3.05% in the projected total revenue from third quarter of 2024 <i>(annualised)</i> (RM50.42 million) to year 10 (RM68.06 million); and
(iii) the headline inflation is expected to range between 2% to 3.5% in 2025 <i>(Source: Economic Outlook 2025, Ministry of Finance Malaysia)</i>.</td>
</tr>
</table>

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<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>8.</td><td>Projected property tax (quit rent and assessment), maintenance charge and sinking fund</td><td>Fair and reasonable. We view the projected property tax (quit rent and assessment), maintenance charge and sinking fund as fair and reasonable after taking into consideration, amongst others, the following:-

(i) the projected expenses for year 1 to 5 are based on the actual rates for the third quarter of 2024 <i>(annualised)</i>; and

(ii) an increase of 3% is assumed in year 6, year 10 and terminal year, which is in line with industry practice based on our discussion with the Valuer.</td></tr>
<tr><td>9.</td><td>Projected insurance premium

0.32% of the total revenue for year 1 to terminal year</td><td>Fair and reasonable. We view the projected insurance premium as fair and reasonable after taking into consideration, amongst others, the following:-

(i) the historical insurance premium as a percentage of the total revenue from 2018 to 2023 which ranged from 0.29% to 0.91%, as follows:-

<table>
<tr><th colspan="6">Historical insurance premium (% of the total revenue)</th></tr>
<tr><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td>0.91</td><td>0.34</td><td>0.86</td><td>0.82</td><td>0.35</td><td>0.29</td></tr>
</table>
(ii) the average rate of insurance premium as a percentage of the total revenue of 0.32% for year 2022 and 2023.</td></tr>
<tr><td>10.</td><td>Projected base management fee, incentive management fee and reserve for replacement</td><td>Fair and reasonable. We view the projected base management fee, incentive management fee and reserve for replacement as fair and reasonable as they are in accordance with the terms as set out in the existing hotel management agreement dated 2 September 2016 in respect of BTKL.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>11.</td><td>Capitalisation rate of 6.00%</td><td>
<p>Fair and reasonable. The Valuer has adopted the capitalisation rate of 6.00% after taking into consideration the following:-</p>
<p>(i) the analysed net yields of hotels located in Klang Valley and Penang and recent transacted malls located in Klang Valley, as follows:-</p>
<p><u>Hotels</u>
The analysed net yields of selected hotels located in Klang Valley and Penang from annual reports of other real estate investment trusts for 2023 range from 5.20% to 7.62%, as follows:-</p>
<table>
<tr><th>Hotel name</th><th>Location</th><th>Type of property</th><th>Net yield (%)</th></tr>
<tr><td>Sunway Resort Hotel</td><td rowspan="3">Bandar Sunway, Selangor</td><td>5-star 460-room hotel</td><td>3.26(1)</td></tr>
<tr><td>Sunway Pyramid Hotel</td><td>4-star 564-room hotel</td><td>8.14(1)</td></tr>
<tr><td>Sunway Lagoon Hotel</td><td>4-star 401-room hotel</td><td>3.71(1)</td></tr>
<tr><td>Sunway Hotel Seberang Jaya</td><td>Seberang Jaya, Seberang Perai</td><td>4-star 202-room hotel</td><td>5.42</td></tr>
<tr><td>Sunway Hotel Georgetown</td><td>Georgetown, Penang Island</td><td>4-star 250-room hotel</td><td>7.62</td></tr>
</table>
<p><i><u>Note:-</u></i>
<i>(1) As some of the spaces in the cluster hotels (namely Sunway Resort Hotel, Sunway Pyramid Hotel and Sunway Lagoon Hotel) were repurposed into retail lots, the adjusted yield (after reallocating the retail portion to the hotels) for the cluster hotels will be 5.20%.</i></p>
<p><u>Malls</u>
The analysed net yields of recent transacted malls located in Klang Valley range from 5.53% to 6.75%, as follows:-</p>
<table>
<tr><th>Mall</th><th>Type of property</th><th>Net yield (%)</th></tr>
<tr><td>163 Retail Park</td><td>A stratified 7-storey shopping centre</td><td>5.53</td></tr>
<tr><td>KIPMall Kota Warisan</td><td>A 1.5-storey retail centre</td><td>6.75</td></tr>
<tr><td>Pavilion Bukit Jalil</td><td>A 5-storey retail mall with 2 basement car park levels</td><td>6.64</td></tr>
</table>
<p>The net yields of recent transacted malls are considered as it is difficult to analyse net yields of transacted hotels due to the limited information released to the public on the revenue and expenses of the hotels transacted.</p>
</td></tr>
</table>

No.	Key bases and assumptions	Our commentaries
		(ii) the observation that hotels usually attract a higher yield than retail centres due to the higher risk involved; and (iii) factors such as location, tenure (BTKL is a freehold property), building factors and others. Premised on the above, we view the capitalisation rate of 6.00% as fair and reasonable as it falls within the analysed net yields of hotels located in Klang Valley and Penang and recent transacted malls located in Klang Valley.
12.	**Discount rate of 10.00%**	**Fair and reasonable.** The Valuer has adopted 10.00% as the discount rate for the hotel, based on its perceived risk versus the return required and with reference made to the Malaysian Government Securities ("**MGS**") rate. We view the discount rate of 10.00% as fair and reasonable based on our cross check of discount rates adopted in the valuation of selected hotels in Klang Valley ranging from 8.50% to 9.00% based on annual reports of other real estate investment trusts for 2023.
13.	**Discount period of 10 years**	**Fair and reasonable.** We view the discount period of 10 years as fair and reasonable. The projection of 10 years is a market norm and widely acceptable practice.

Based on the income approach - profits method (DCF) taking into consideration the lease arrangement, the Valuer has derived a market value for the BTKL Property of RM140.00 million as at the date of valuation of 25 November 2024. Based on the reasons and justifications above, we view that the market value for the BTKL Property using the income approach - profits method (DCF) 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 the BTKL Property by the Valuer using the comparison approach taking into consideration the lease arrangement:-

	Subject Hotel (BTKL)	**Comparable 1 (W Kuala Lumpur)**	**Comparable 2 (The Majestic Hotel Kuala Lumpur)**	**Comparable 3 (Renaissance Kuala Lumpur Hotel)**
Location	Banyan Tree Kuala Lumpur, No. 2, Jalan Conlay, 50450 Kuala Lumpur	W Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur	The Majestic Hotel Kuala Lumpur, No. 5, Jalan Sultan Hishamuddin, 50000 Kuala Lumpur	Renaissance Kuala Lumpur Hotel, Jalan Ampang, 50450 Kuala Lumpur
Type	5-star hotel with 55 rooms	5-star hotel with 150 rooms	5-star hotel with 300 rooms	5-star hotel with 910 rooms
Tenure	Term in perpetuity (Freehold)	Term in perpetuity (Freehold)	90-year lease expiring on 11 May 2091 *(Unexpired term of approximately 74.01 years)*	Term in perpetuity (Freehold)
No. of rooms	55	150	300	910
Date	25 November 2024	6 December 2023	26 May 2017	15 August 2016
Consideration inclusive of car park	-	RM270,000,000	RM380,000,000	RM765,000,000
Analysis (RM per room)	**-**	**RM1,800,000**	**RM1,266,667**	**RM840,659**
Adjustment	Adjustment is made on time, location - general, visibility, facilities / services, category: standard / luxury, size of room, number of rooms, level / storey, building age / condition, tenure and type of ownership - en bloc / stratified			
Time adjustment	-	5.0%	0.0%	2.5%
Price after time adjustment (RM per room)	**-**	**RM1,890,000**	**RM1,266,667**	**RM861,676**
Other adjustments	-	30%	70%	75%
Adjusted value (RM per room)	-	**RM2,457,000**	**RM2,153,333**	**RM1,507,933**

Based on the above, the adjusted values range from RM1,507,933 per room to RM2,457,000 per room. The Valuer has adopted Comparable 1 (W Kuala Lumpur) as the best comparable because it is the latest transaction among the comparables and similar in terms of building age, type of ownership i.e. stratified and star rating with the BTKL Property. Therefore, the Valuer has adopted a rounded value of RM2,500,000 per room in its valuation and has thus adopted a rounded value of RM140,000,000 *(analysed to be RM2,545,455 per room)* as a fair representation of the market value of the BTKL Property after having considered the lease arrangement.

Based on the reasons and justifications above, we view that the market value for the BTKL Property using the comparison approach is fair and reasonable.

Reconciliation of value:-

The market value of the BTKL Property derived from the income approach - profits method (DCF) and comparison approach, taking into consideration the lease arrangement, are as follows:-

Valuation approach	**Market value**
Income approach - profits method (DCF)	RM140,000,000
Comparison approach	RM140,000,000

In view that the BTKL Property is an income generating property, the Valuer has adopted the market value derived from the income approach - profits method (DCF) as a fair representation of the market value of the BTKL Property.

As the purchase consideration for the BTKL Property (RM140.00 million) is equivalent to the market value of the BTKL Property as appraised by the Valuer (RM140.00 million), we are of the view that the purchase consideration for the BTKL Property is fair and reasonable.

For information purposes only, the purchase consideration for the BTKL Property of RM140.00 million is lower than its audited NBV as at 31 December 2023 of RM158.05 million and the original cost of investment by the Vendor of RM226.80 million.

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PHKL Property

Summarised below are our commentaries in respect of the key bases and assumptions adopted in the valuation of the PHKL Property by the Valuer using the income approach - profits method (DCF) taking into consideration the lease arrangement:-

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>1.</td><td>Projected average room rate
<table>
<tr><th>Year</th><th>Projected average room rate (RM)</th><th>Growth (%)</th></tr>
<tr><td>1</td><td>582</td><td>1.59(1)</td></tr>
<tr><td>2</td><td>604</td><td>3.67</td></tr>
<tr><td>3</td><td>627</td><td>3.95</td></tr>
<tr><td>4</td><td>651</td><td>3.80</td></tr>
<tr><td>5</td><td>675</td><td>3.61</td></tr>
<tr><td>6</td><td>702</td><td>4.00</td></tr>
<tr><td>7</td><td>730</td><td>3.99</td></tr>
<tr><td>8</td><td>759</td><td>3.97</td></tr>
<tr><td>9</td><td>789</td><td>3.95</td></tr>
<tr><td>10</td><td>789</td><td>-</td></tr>
<tr><td>Terminal</td><td>789</td><td>-</td></tr>
</table>
<i><u>Note:-</u></i>
<i>(1) Compared with the third quarter of 2024.</i></td><td>Fair and reasonable. We view the projected average room rate for PHKL as fair and reasonable after taking into consideration, amongst others, the following:-

(i) the historical average room rate from 2019 to the third quarter of 2024 which ranged from RM397 to RM573, as follows:-
<table>
<tr><th colspan="6">Historical average room rate (RM)</th></tr>
<tr><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>Third quarter of 2024</th></tr>
<tr><td>406</td><td>397</td><td>410</td><td>512</td><td>542</td><td>573</td></tr>
</table>
We noted that PHKL only commenced operations in December 2018 and hence, the first few years served as a gestation period for PHKL to establish and stabilise its operations. Subsequently, in 2020 and 2021, the hospitality industry (including PHKL) was adversely impacted by COVID-19.

Hence, the average room rate up to the third quarter of 2024 of RM573 shall be more reflective of the current performance of PHKL. The projected average room rate of RM582 for year 1 represents a minimal increase of 1.59% against the average room rate up to the third quarter of 2024 of RM573;</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td></td><td></td><td>
(ii) the published room rates of 5-star hotels located within the vicinity <i>(in Kuala Lumpur)</i>, as follows:-
<table>
<tr><th>No.</th><th>Hotels</th><th>Best available rate – midweek⁽¹⁾</th></tr>
<tr><td>1.</td><td>Renaissance Kuala Lumpur Hotel</td><td>From RM450</td></tr>
<tr><td>2.</td><td>The Majestic Hotel Kuala Lumpur</td><td>From RM465</td></tr>
<tr><td>3.</td><td>PHKL</td><td>From RM695</td></tr>
<tr><td>4.</td><td>The Westin Kuala Lumpur</td><td>From RM710</td></tr>
<tr><td>5.</td><td>JW Marriott Hotel Kuala Lumpur</td><td>From RM743</td></tr>
<tr><td>6.</td><td>Grand Hyatt Kuala Lumpur</td><td>From RM972</td></tr>
<tr><td>7.</td><td>The Ritz-Carlton Kuala Lumpur</td><td>From RM1,000</td></tr>
<tr><td>8.</td><td>Mandarin Oriental, Kuala Lumpur</td><td>From RM1,050</td></tr>
<tr><td>9.</td><td>W Hotel Kuala Lumpur</td><td>From RM1,252</td></tr>
<tr><td>10.</td><td>BTKL</td><td>From RM1,262</td></tr>
<tr><td>11.</td><td>The St Regis Kuala Lumpur</td><td>From RM1,266</td></tr>
<tr><td>12.</td><td>Four Seasons Hotel, Kuala Lumpur</td><td>From RM1,574</td></tr>
</table>
<u><i>Note:-</i></u>
<i>(1) Unless otherwise stated, the rate is the lowest available rate for a deluxe room booked in advance on the internet.</i>

<i>(Source: Valuation Reports)</i>

(iii) the 10-year CAGR of 3.25% in the projected average room rate from third quarter of 2024 (RM573) to year 10 (RM789). The Valuer has adopted the same average room rate of RM789 for the terminal year;

(iv) the growth in historical average room rate of 5.72% from RM542 in 2023 to RM573 in the third quarter of 2024; and

(v) the headline inflation is expected to range between 2% to 3.5% in 2025 <i>(Source: Economic Outlook 2025, Ministry of Finance Malaysia)</i>.
</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>2.</td><td>Projected occupancy rate
<table>
<tr><th>Year</th><th>Projected occupancy rate (%)</th></tr>
<tr><td>1</td><td>83.70</td></tr>
<tr><td>2</td><td>85.00</td></tr>
<tr><td>3</td><td>86.30</td></tr>
<tr><td>4</td><td>87.20</td></tr>
<tr><td>5</td><td>87.90</td></tr>
<tr><td>6</td><td>88.00</td></tr>
<tr><td>7</td><td>88.00</td></tr>
<tr><td>8</td><td>88.00</td></tr>
<tr><td>9</td><td>88.00</td></tr>
<tr><td>10</td><td>88.00</td></tr>
<tr><td>Terminal</td><td>88.00</td></tr>
</table></td><td>Fair and reasonable. We view the projected occupancy rate for PHKL as fair and reasonable after taking into consideration, amongst others, the following:-
(i) PHKL achieved an occupancy rate of 79.22% in 2023 and 82.24% up to the third quarter of 2024;
(ii) the highest monthly occupancy rate achieved by PHKL during the 9-month period in 2024 was 90.19%; and
(iii) the occupancy rate is projected to increase gradually from 83.70% in year 1 to 88.00% in years 6 to 10. The Valuer has adopted the same occupancy rate of 88.00% for the terminal year.</td></tr>
<tr><td>3.</td><td>Projected operating revenue from food and beverage
<table>
<tr><th>Year</th><th>Projected operating revenue from food and beverage (% of the total revenue)</th></tr>
<tr><td>1 to 5</td><td>35.4 to 35.8</td></tr>
<tr><td>6 to Terminal</td><td>35.5</td></tr>
</table></td><td>Fair and reasonable. We view the projected operating revenue from food and beverage as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the historical operating revenue from food and beverage as a percentage of the total revenue from 2019 to the third quarter of 2024 which ranged from 32.5% to 38.5%, as follows:-
<table>
<tr><th colspan="6">Historical operating revenue from food and beverage (% of the total revenue)</th></tr>
<tr><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>Third quarter of 2024</th></tr>
<tr><td>38.5</td><td>37.5</td><td>35.4</td><td>36.3</td><td>34.8</td><td>32.5</td></tr>
</table>
(ii) the projected operating revenue from food and beverage as a percentage of the total revenue from year 1 to terminal year is relatively consistent, ranging from 35.4% to 35.8%. This range is within the range of historical operating revenue from food and beverage as a percentage of the total revenue from 2022 up to the third quarter of 2024, i.e. 32.5% to 36.3%; and
(iii) the 10-year CAGR of 4.43% in the projected total revenue from third quarter of 2024 (annualised) (RM84.18 million) to year 10 (RM129.89 million).</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>4.</td><td>Projected operating revenue from other operating departments
<table><tr><th>Year</th><th>Projected operating revenue from other operating departments (% of the total revenue)</th></tr><tr><td>1 to 5</td><td>0.4 to 0.5</td></tr><tr><td>6 to Terminal</td><td>0.4</td></tr></table></td><td>Fair and reasonable. We view the projected operating revenue from other operating departments (which includes, amongst others, rental income and net income from car parks) as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the historical operating revenue from other operating departments as a percentage of the total revenue from 2019 to the third quarter of 2024 which ranged from 0.4% to 1.7%, as follows:-
<table><tr><th colspan="6">Historical operating revenue from other operating departments (% of the total revenue)</th></tr><tr><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>Third quarter of 2024</th></tr><tr><td>1.7</td><td>1.7</td><td>0.7</td><td>0.4</td><td>0.4</td><td>0.4</td></tr></table>
(ii) the projected operating revenue from other operating departments as a percentage of the total revenue from year 1 to terminal year is relatively consistent, ranging from 0.4% to 0.5%. This range approximates the historical operating revenue from other operating departments as a percentage of the total revenue from 2022 up to the third quarter of 2024, i.e. 0.4%; and
(iii) the 10-year CAGR of 4.43% in the projected total revenue from third quarter of 2024 <i>(annualised)</i> (RM84.18 million) to year 10 (RM129.89 million).</td></tr>
<tr><td>5.</td><td>Projected miscellaneous income
<table><tr><th>Year</th><th>Projected miscellaneous income (% of the total revenue)</th></tr><tr><td>1 to 5</td><td>0.6 to 0.7</td></tr><tr><td>6 to Terminal</td><td>0.6</td></tr></table></td><td>Fair and reasonable. We view the projected miscellaneous income as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the historical miscellaneous income as a percentage of the total revenue from 2019 to the third quarter of 2024 which ranged from 0.4% to 0.8%, as follows:-
<table><tr><th colspan="6">Historical miscellaneous income (% of the total revenue)</th></tr><tr><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>Third quarter of 2024</th></tr><tr><td>0.4</td><td>0.8</td><td>0.7</td><td>0.8</td><td>0.7</td><td>0.6</td></tr></table>
(ii) the projected miscellaneous income as a percentage of the total revenue from year 1 to terminal year is relatively consistent, ranging from 0.6% to 0.7%. This range is within the range of historical miscellaneous income as a percentage of the total revenue from 2022 up to the third quarter of 2024, i.e. 0.6% to 0.8%; and
(iii) the 10-year CAGR of 4.43% in the projected total revenue from third quarter of 2024 <i>(annualised)</i> (RM84.18 million) to year 10 (RM129.89 million).</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr>
<td>6.</td>
<td>Projected operating costs and expenses
<table>
<tr><th rowspan="2">Item</th><th colspan="2">Projected operating costs and expenses (% of the revenue)</th></tr>
<tr><th>Year 1 to 5</th><th>Year 6 to terminal year</th></tr>
<tr><td>Room upkeep</td><td>29.4 to 35.8</td><td>30.0</td></tr>
<tr><td>Food and beverage</td><td>62.8 to 70.7</td><td>68.0</td></tr>
<tr><td>Other operating departments</td><td>59.3 to 76.0</td><td>67.0</td></tr>
</table>
</td>
<td>Fair and reasonable. We view the projected operating costs and expenses as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the industry range for room upkeep and food and beverage cost (Source: Master Valuation Certificate) as follows:-
<table>
<tr><th>Item</th><th>Industry range (%)</th></tr>
<tr><td>Room upkeep</td><td>20.0 to 35.0</td></tr>
<tr><td>Food and beverage</td><td>45.0 to 70.0</td></tr>
</table>
For PHKL, the Valuer noted that the historical costs and expenses for room upkeep are substantially high whilst the food and beverage and other operating income are inconsistent with similar type of hotels within the Klang Valley. Accordingly, the Valuer has normalised the costs and expenses based on its experience in valuing similar properties and analysis of other hotels within the vicinity;
(ii) the 10-year CAGR of 3.21% in the projected operating costs and expenses from third quarter of 2024 (annualised) (RM41.18 million) to year 10 (RM56.46 million) vis-à-vis CAGR of 4.43% in the projected total revenue from third quarter of 2024 (annualised) (RM84.18 million) to year 10 (RM129.89 million); and
(iii) the headline inflation is expected to range between 2% to 3.5% in 2025 (Source: Economic Outlook 2025, Ministry of Finance Malaysia).</td>
</tr>
</table>

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<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr>
<td>7.</td>
<td>Projected undistributed overhead expenses
<table>
<tr><th rowspan="2">Item</th><th colspan="2">Projected undistributed overhead expenses (% of the total revenue)</th></tr>
<tr><th>Year 1 to 5</th><th>Year 6 to terminal year</th></tr>
<tr><td>Administrative and general expenses</td><td>7.2 to 8.1</td><td>8.0</td></tr>
<tr><td>Information and telecommunication</td><td>1.5 to 1.7</td><td>2.0</td></tr>
<tr><td>Marketing sales and promotion</td><td>5.2 to 5.9</td><td>6.0</td></tr>
<tr><td>Repair and maintenance</td><td>3.7 to 4.2</td><td>5.0</td></tr>
<tr><td>Utility</td><td>5.5 to 6.3</td><td>6.0</td></tr>
</table>
</td>
<td>Fair and reasonable. We view the projected undistributed overhead expenses as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the industry range <i>(Source: Master Valuation Certificate)</i> as follows:-
<table>
<tr><th>Item</th><th>Industry range (%)</th></tr>
<tr><td>Administrative and general expenses</td><td>6.0 to 10.0</td></tr>
<tr><td>Marketing sales and promotion</td><td>6.0 to 8.5</td></tr>
<tr><td>Repair and maintenance</td><td>5.0 to 6.0</td></tr>
</table>
For PHKL, the Valuer noted that the historical overhead expenses are high as compared to other similar type of hotels within the Klang Valley. Accordingly, the Valuer has normalised these items based on its experience in valuing similar properties;
(ii) the 10-year CAGR of 4.43% in the projected undistributed overhead expenses from third quarter of 2024 <i>(annualised)</i> (RM22.73 million) to year 10 (RM35.07 million) vis-à-vis CAGR of 4.43% in the projected total revenue from third quarter of 2024 <i>(annualised)</i> (RM84.18 million) to year 10 (RM129.89 million); and
(iii) the headline inflation is expected to range between 2% to 3.5% in 2025 <i>(Source: Economic Outlook 2025, Ministry of Finance Malaysia)</i>.
</td>
</tr>
</table>

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<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>8.</td><td>Projected property tax (quit rent and assessment), maintenance charge and sinking fund</td><td>Fair and reasonable. We view the projected property tax (quit rent and assessment), maintenance charge and sinking fund as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the projected expenses for year 1 to 5 are based on the actual rates for the third quarter of 2024 <i>(annualised)</i>; and
(ii) an increase of 3% is assumed in year 6, year 10 and terminal year, which is in line with industry practice based on our discussion with the Valuer.</td></tr>
<tr><td>9.</td><td>Projected insurance premium
0.66% of the total revenue for year 1 to terminal year</td><td>Fair and reasonable. We view the projected insurance premium as fair and reasonable after taking into consideration, amongst others, the following:-
(i) the historical insurance premium as a percentage of the total revenue from 2019 to 2023 which ranged from nil to 2.94%, as follows:-
<table>
<tr><th colspan="5">Historical insurance premium (% of the total revenue)</th></tr>
<tr><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td>-</td><td>2.35</td><td>2.94</td><td>0.75</td><td>0.57</td></tr>
</table>
(ii) the average rate of insurance premium as a percentage of the total revenue of 0.66% for year 2022 and 2023.</td></tr>
<tr><td>10.</td><td>Projected base management fee, incentive management fee and reserve for replacement</td><td>Fair and reasonable. We view the projected base management fee, incentive management fee and reserve for replacement as fair and reasonable as they are in accordance with the terms as set out in the existing hotel management agreement dated 30 March 2016 in respect of PHKL.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>11.</td><td>Capitalisation rate of 6.25%</td><td>
<p>Fair and reasonable. The Valuer has adopted the capitalisation rate of 6.25% after taking into consideration the following:-</p>
<p>(i) the analysed net yields of hotels located in Klang Valley and Penang and recent transacted malls located in Klang Valley, as follows:-</p>
<p><u>Hotels</u>
The analysed net yields of selected hotels located in Klang Valley and Penang from annual reports of other real estate investment trusts for 2023 range from 5.20% to 7.62%, as follows:-</p>
<table>
<tr><th>Hotel name</th><th>Location</th><th>Type of property</th><th>Net yield (%)</th></tr>
<tr><td>Sunway Resort Hotel</td><td>Bandar Sunway, Selangor</td><td>5-star 460-room hotel</td><td>3.26(1)</td></tr>
<tr><td>Sunway Pyramid Hotel</td><td></td><td>4-star 564-room hotel</td><td>8.14(1)</td></tr>
<tr><td>Sunway Lagoon Hotel</td><td></td><td>4-star 401-room hotel</td><td>3.71(1)</td></tr>
<tr><td>Sunway Hotel Seberang Jaya</td><td>Seberang Jaya, Seberang Perai</td><td>4-star 202-room hotel</td><td>5.42</td></tr>
<tr><td>Sunway Hotel Georgetown</td><td>Georgetown, Penang Island</td><td>4-star 250-room hotel</td><td>7.62</td></tr>
</table>
<p><i><u>Note:-</u></i>
<i>(1) As some of the spaces in the cluster hotels (namely Sunway Resort Hotel, Sunway Pyramid Hotel and Sunway Lagoon Hotel) were repurposed into retail lots, the adjusted yield (after reallocating the retail portion to the hotels) for the cluster hotels will be 5.20%.</i></p>
<p><u>Malls</u>
The analysed net yields of recent transacted malls located in Klang Valley range from 5.53% to 6.75%, as follows:-</p>
<table>
<tr><th>Mall</th><th>Type of property</th><th>Net yield (%)</th></tr>
<tr><td>163 Retail Park</td><td>A stratified 7-storey shopping centre</td><td>5.53</td></tr>
<tr><td>KIPMall Kota Warisan</td><td>A 1.5-storey retail centre</td><td>6.75</td></tr>
<tr><td>Pavilion Bukit Jalil</td><td>A 5-storey retail mall with 2 basement car park levels</td><td>6.64</td></tr>
</table>
<p>The net yields of recent transacted malls are considered as it is difficult to analyse net yields of transacted hotels due to the limited information released to the public on the revenue and expenses of the hotels transacted.</p>
</td></tr>
</table>

No.	Key bases and assumptions	Our commentaries
		(ii) the observation that hotels usually attract a higher yield than retail centres due to the higher risk involved; and (iii) factors such as location, tenure (PHKL is a leasehold property), building factors and others. Premised on the above, we view the capitalisation rate of 6.25% as fair and reasonable as it falls within the analysed net yields of hotels located in Klang Valley and Penang and recent transacted malls located in Klang Valley.
12.	**Discount rate of 9.00%**	**Fair and reasonable.** The Valuer has adopted 9.00% as the discount rate for the hotel, based on its perceived risk versus the return required and with reference made to the MGS rate. We view the discount rate of 9.00% as fair and reasonable based on our cross check of discount rates adopted in the valuation of selected hotels in Klang Valley ranging from 8.50% to 9.00% based on annual reports of other real estate investment trusts for 2023.
13.	**Discount period of 10 years**	**Fair and reasonable.** We view the discount period of 10 years as fair and reasonable. The projection of 10 years is a market norm and widely acceptable practice.

Based on the income approach - profits method (DCF) taking into consideration the lease arrangement, the Valuer has derived a market value for the PHKL Property of RM350.00 million as at the date of valuation of 25 November 2024. Based on the reasons and justifications above, we view that the market value for the PHKL Property using the income approach - profits method (DCF) 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 the PHKL Property by the Valuer using the comparison approach taking into consideration the lease arrangement:-

	Subject Hotel (PHKL)	**Comparable 1 (W Kuala Lumpur)**	**Comparable 2 (The Majestic Hotel Kuala Lumpur)**	**Comparable 3 (Renaissance Kuala Lumpur Hotel)**
Location	Pavilion Hotel Kuala Lumpur, No. 170, Jalan Bukit Bintang, 55100 Kuala Lumpur	W Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur	The Majestic Hotel Kuala Lumpur, No. 5, Jalan Sultan Hishamuddin, 50000 Kuala Lumpur	Renaissance Kuala Lumpur Hotel, Jalan Ampang, 50450 Kuala Lumpur
Type	5-star hotel with 325 rooms	5-star hotel with 150 rooms	5-star hotel with 300 rooms	5-star hotel with 910 rooms
Tenure	99-year lease expiring on 26 October 2109 *(Unexpired term of approximately 84.97 years)*	Term in perpetuity (Freehold)	90-year lease expiring on 11 May 2091 *(Unexpired term of approximately 74.01 years)*	Term in perpetuity (Freehold)
No. of rooms	325	150	300	910
Date	25 November 2024	6 December 2023	26 May 2017	15 August 2016
Consideration inclusive of car park	-	RM270,000,000	RM380,000,000	RM765,000,000
Analysis (RM per room)	**-**	**RM1,800,000**	**RM1,266,667**	**RM840,659**
Adjustment	Adjustment is made on time, location - general, visibility, category: standard / luxury, size of room, number of rooms, level / storey, building age / condition, tenure and type of ownership - en bloc / stratified			
Time adjustment	-	5.0%	0.0%	2.5%
Price after time adjustment (RM per room)	**-**	**RM1,890,000**	**RM1,266,667**	**RM861,676**
Other adjustments	-	-40%	10%	12.5%
Adjusted value (RM per room)	-	**RM1,134,000**	**RM1,393,333**	**RM969,385**

Based on the above, the adjusted values range from RM969,385 per room to RM1,393,333 per room. The Valuer has adopted Comparable 1 (W Kuala Lumpur) as the best comparable because it is the latest transaction among the comparables and similar in terms of building age, type of ownership i.e. stratified and star rating with the PHKL Property. Therefore, the Valuer has adopted a rounded value of RM1,100,000 per room in its valuation and has thus adopted a rounded value of RM360,000,000 *(analysed to be RM1,107,692 per room(1))* as a fair representation of the market value of the PHKL Property after having considered the lease arrangement.

Note:-

(1) *We noted that the BTKL Property's market value represents approximately RM2.55 million per room whilst the PHKL Property's market value represents approximately RM1.11 million per room only. This is mainly due to BTKL derives higher average room rates than PHKL. For comparison purposes, the average room rate up to the third quarter of 2024 was RM1,383 for BTKL as compared to RM573 for PHKL.*

Based on the reasons and justifications above, we view that the market value for the PHKL Property using the comparison approach is fair and reasonable.

Reconciliation of value:-

The market value of the PHKL Property derived from the income approach - profits method (DCF) and comparison approach, taking into consideration the lease arrangement, are as follows:-

Valuation approach	**Market value**
Income approach - profits method (DCF)	RM350,000,000
Comparison approach	RM360,000,000

In view that the PHKL Property is an income generating property, the Valuer has adopted the market value derived from the income approach - profits method (DCF) as a fair representation of the market value of the PHKL Property.

As the purchase consideration for the PHKL Property (RM340.00 million) is lower than and represents a discount of RM10.00 million or 2.86% to the market value of the PHKL Property as appraised by the Valuer (RM350.00 million), we are of the view that the purchase consideration for the PHKL Property is fair and reasonable.

For information purposes only, the purchase consideration for the PHKL Property of RM340.00 million is slightly above its audited NBV as at 31 December 2023 of RM328.08 million and is lower than the original cost of investment by the Vendor of RM377.20 million.

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3.2.2 Settlement terms

As set out in Section 2.1.2, Part A of the Circular, the Net Purchase Consideration of RM446.50 million shall be satisfied by Pavilion REIT on the Settlement Date or the Extended Settlement Date, where applicable, in the following manner:-

In the event Pavilion REIT elects to satisfy the Purchase Consideration wholly in cash

Description of payment	Amount (RM'million)	Recipient	Mode of settlement
(i) Redemption Sum	446.50	Vendors' financiers	Cash
(ii) Balance Cash Consideration less the First Year Lease Rental		Vendors	Cash

In the event Pavilion REIT elects to satisfy the Purchase Consideration by a combination of cash and the Consideration Units

Description of payment	Amount (RM'million)	Recipient	Mode of settlement
(i) Redemption Sum	minimum 200.00	Vendors' financiers	Cash
(ii) Balance Cash Consideration less the First Year Lease Rental		Vendors	Cash
(iii) Remaining balance of the Purchase Consideration	up to 246.50	Vendors and/or their Authorised Nominee(s)	Consideration Units

The Net Purchase Consideration and the Estimated Expenses will be funded by way of a combination of (i) borrowings and/or (ii) internally generated funds and/or (iii)(a) the proceeds from the Proposed Placement *(in the event Pavilion REIT elects to satisfy the Net Purchase Consideration wholly in cash)* or (iii)(b) the issuance of the Consideration Units *(in the event Pavilion REIT elects to satisfy the Net Purchase Consideration by a combination of cash and the Consideration Units)*. Please refer to Section 2.1.8, Part A of the Circular for further details on the source of funding.

Our commentaries: -

Unlike most property sale and purchase transactions, there is no deposit payment required for the Proposed Acquisitions. Furthermore, in respect of the proposed acquisition of the PHKL Property, Pavilion REIT shall be entitled to retain from the Balance Cash Consideration an amount equivalent to the First Year Lease Rental (RM33.50 million) in accordance with the terms of the PHKL SPA, being the aggregate of the first year fixed rental in relation to the Lease Agreements. These are deemed favourable to Pavilion REIT as these allow Pavilion REIT to reduce its costs of financing in respect of the Purchase Consideration.

The Net Purchase Consideration will only be payable by Pavilion REIT on the Settlement Date or the Extended Settlement Date, where applicable, which is the date on which Pavilion REIT shall be accorded all rights and obligations attaching to the beneficial ownership of the BTKL Property and PHKL Property in accordance with the SPAs.

In addition, pursuant to the terms of the SPAs, Pavilion REIT has an option to elect, on the Determination Date, whether to settle the Purchase Consideration wholly in cash or via a combination of cash and the Consideration Units. The Proposed Issuance of Consideration Units, as an alternative settlement approach for the Net Purchase Consideration, provides 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 Placement to settle the Net Purchase Consideration.

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.

3.2.3 Placement Issue Price

The Placement Issue Price will be based on the results of 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 5-day VWAP of the Units immediately prior to the price-fixing date, to be announced at a later date in the event Pavilion REIT elects to implement the Proposed Placement.

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

3.2.4 Issue price of the Consideration Units

In the event Pavilion REIT elects not to implement the Proposed Placement, the Consideration Units shall be issued to the Vendors and/or their Authorised Nominee(s) to part settle the Purchase Consideration. The issue price of the Consideration Units shall be based on the 5-day VWAP of the Units up to and including the market day preceding the Determination Date.

We wish to highlight that there will be no discount to the said 5-day VWAP of the Units accorded to the Consideration Units to be issued to the Vendors and/or their Authorised Nominee(s). Accordingly, the Proposed Issuance of Consideration Units is expected to result in less dilution to the existing Unitholders as compared to the Proposed Placement *(if undertaken at a discount to the 5-day VWAP of the Units immediately prior to the price-fixing date)*.

In view of the above, we are of the view that the issue price of the Consideration Units 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 an Advance Distribution in respect of the distributable income accrued during the Advance Distribution Period to the existing Unitholders. The holders of the Placement Units or the Consideration Units *(if any)* will not be entitled to the Advance Distribution.

3.3 Salient terms of the SPAs and the Lease Agreements

Salient terms of the BTKL SPA

Our commentaries on the salient terms of the BTKL SPA as set out in Appendix I of the Circular are as follows:-

Salient terms of the BTKL SPA	Our commentaries
(1) Sale and purchase LISB has agreed to sell, and Pavilion REIT has agreed to purchase the BTKL Property subject to the terms and conditions set out in the BTKL SPA, including but not limited to the following:- (a) on a “willing buyer, willing seller” and “as is where is” basis, subject to fair wear and tear as at the date of the BTKL SPA, save for the representations and warranties made in the BTKL SPA, without LISB and/or its representative(s) making any further representation and warranty whatsoever in respect of the same, including without limitation, to fitness for purpose, occupation and/or use, merchantable quality, and description, title, completeness, area, nature, state or condition, quality, value or possession of the BTKL Property (and any buildings or structures thereon); (b) Pavilion REIT has inspected the BTKL Property and has agreed to purchase it with knowledge of its actual state and condition and shall take the BTKL Property as it stands as at the date of inspection of the BTKL Property by Pavilion REIT prior to the execution of the BTKL SPA and has relied entirely on its own inspections, due diligence in respect of the BTKL Property and including but not limited to legal and financial matters of the BTKL Property; (c) free from the existing securities and all encumbrances and with legal possession together with all Associated Rights and Benefits (as defined herein); (d) subject to the conditions of title and restriction in interest affecting the BTKL Strata Parcel, express or implied (including all endorsements and conditions as may be set out in the BTKL Strata Title); and	**Fair and reasonable.** This clause relates to the subject matter of the proposed acquisition of the BTKL Property whereby subject to the satisfaction of the conditions precedent and the completion of the proposed acquisition of the BTKL Property, Pavilion REIT shall be the beneficial owner of the BTKL Property and becomes entitled to all rights and benefits and shall assume all risks and liabilities associated with the BTKL Property on and with effect from the Beneficial Ownership Transfer Date.

Salient terms of the BTKL SPA	Our commentaries
(e) upon the terms and conditions contained in the BTKL SPA. “**Associated Rights and Benefits**” means all prevailing rights, entitlements, obligations, benefits and interests of LISB (but not any liabilities) in connection with the following, excluding any prevailing rights, entitlements, obligations, benefits and interests in relation to the Excluded Sale (as defined herein) as at the Beneficial Ownership Transfer Date:- (i) the benefit of all approvals given for the BTKL Property; (ii) all rights and entitlements of LISB, in common with others, to use and enjoy the common property (subject always to such house rules or by-laws as shall govern the same from time to time); (iii) all benefits, rights and entitlements to use and enjoy all licences that are transferred with any applicable system (if any), equipment, machinery or computer delivered together with the BTKL Property; (iv) all benefits, rights and entitlements to claim under any warranty (if any) issued in connection with the BTKL Property or any system, equipment, machinery or computer that is delivered together with the BTKL Property (to the extent any such warranty is still subsisting as at the Beneficial Ownership Transfer Date); and (v) the right to enforce any of the claims or rights assigned under (i) to (iv) above. “**Excluded Sale**” means all current and future rights, entitlements, goodwill, intellectual property (including trademarks, copyrights, and patents), licences, revenue, benefits and other interests held by LISB, directly or indirectly, in connection with the business of LISB and/or associated with the BTKL Property.	Please refer to our commentaries above.
(2) Purchase consideration and payment terms The purchase consideration amounting to RM140.00 million shall be satisfied by Pavilion REIT in the manner set out in Section 2.1.2, Part A of this Circular.	**Fair and reasonable.** Please refer to Section 3.2.1 of this IAL for our evaluation of the purchase consideration for the BTKL Property and Section 3.2.2 of this IAL for our commentaries on the manner of settlement.

Salient terms of the BTKL SPA	Our commentaries
(3) Conditions precedent Completion of the sale and purchase of the BTKL Property is conditional upon:- (a) Pavilion REIT obtaining:- (i) the approval from Bursa Securities in respect of (A) in the event Pavilion REIT proposes to undertake the Proposed Placement, the issuance and listing of the Placement Units, and/or (B) in the event Pavilion REIT elects to issue the Consideration Units, the issuance and listing of the Consideration Units; and (ii) all other requisite approvals (if applicable) from Bursa Securities as may be communicated by Bursa Securities to Pavilion REIT, in each case in relation to the acquisition of the BTKL Property, and which Pavilion REIT shall, in turn, promptly notify LISB in writing; (b) Pavilion REIT obtaining the approval of the Unitholders in respect of (i) the acquisition of the BTKL Property from LISB; (ii) the acquisition of PHKL under the PHKL SPA; (iii) the Proposed Placement if so undertaken by Pavilion REIT; and (iv) the issuance of the Consideration Units (if required); and (c) LISB depositing with Pavilion REIT:- (i) a letter of no objection issued by the hotel manager of BTKL confirming that the hotel manager of BTKL has no objections to the disposal and transfer of the BTKL Property by LISB to Pavilion REIT; or (ii) a novation agreement executed between the hotel manager of BTKL, LISB and HPSB relating to a hotel management agreement relating to BTKL; or (iii) a new hotel management agreement executed between HPSB and the hotel manager of BTKL relating to the BTKL Property.	**Fair and reasonable.** The conditions precedent represent necessary approvals / procedures which are customary to facilitate the completion of the proposed acquisition of the BTKL Property. The BTKL SPA will become unconditional on the date on which the last of the conditions precedent is fulfilled. As at the LPD, the conditions precedent 3(a) and 3(c) have been fulfilled. The condition precedent 3(c) serves to provide comfort that Banyan Tree Hotels & Resorts will continue to act as the hotel manager of BTKL following the completion of the BTKL SPA via the arrangement as set out in Section 2.1.4, Part A of the Circular. This condition precedent has been fulfilled via a letter of no objection dated 27 January 2025 issued by Banyan Tree Hotels & Resorts confirming that it has no objections to the disposal and transfer of the BTKL Property by LISB to Pavilion REIT. Although the letter of no objection does not serve as a legal instrument (i) to novate rights or obligations of LISB under the existing hotel management agreement dated 2 September 2016 to HPSB or (ii) to establish rights or obligations of HPSB and the hotel manager of BTKL as with a new hotel management agreement, the letter of no objection is the most expedient and practical form of comfort to Pavilion REIT at the current stage where the beneficial ownership of the BTKL Property has not transferred to Pavilion REIT and the Proposed Leases are not effective yet.

Salient terms of the BTKL SPA	Our commentaries
(4) Non-fulfilment of conditions precedent If any of the conditions precedent is not fulfilled by the date falling on the expiry of six (6) months from the date of the BTKL SPA or such other extended period which may be mutually agreed in writing between LISB and Pavilion REIT, either party may terminate the BTKL SPA by a notice in writing to the other party, whereupon the BTKL SPA shall cease to be of any further effect and thereafter, neither party shall have any right or claim against the other under the BTKL SPA, save and except for antecedent breaches.	**Fair and reasonable.** In the event of non-fulfilment of any of the conditions precedent by the date falling on the expiry of 6 months from the date of the BTKL SPA or such other extended period as LISB and Pavilion REIT may agree in writing, either party may terminate the BTKL SPA whereupon neither party shall have any right or claim against the other under the BTKL SPA, save and except for antecedent breaches.
(5) Passing of beneficial ownership and delivery of legal possession LISB and Pavilion REIT have agreed that the beneficial ownership of the BTKL Property on an “as is where is basis”, shall pass from LISB and vest absolutely in Pavilion REIT on the Beneficial Ownership Transfer Date. On and with effect from the Beneficial Ownership Transfer Date, Pavilion REIT shall be entitled to all rights, benefits and shall assume all risks and liabilities associated with the BTKL Property and legal possession of the BTKL Property shall be deemed delivered by LISB to Pavilion REIT.	**Fair and reasonable.** Upon full settlement of the Net Purchase Consideration, Pavilion REIT shall be accorded all rights and benefits and shall assume all risks and liabilities associated with the BTKL Property on and with effect from the Beneficial Ownership Transfer Date.
(6) Transfer Subject to the satisfaction of the conditions precedent and the performance of LISB and Pavilion REIT of their respective obligations under the BTKL SPA, including but not limited to the delivery of the transaction documents and the completion documents in accordance with the provisions of the BTKL SPA, the valid and registrable memorandum of transfer in relation to the BTKL Strata Title duly executed by LISB in favour of Pavilion REIT (“**BTKL Transfer**”) shall be presented for registration with the appropriate public authority.	**Fair and reasonable.** Upon fulfilment of the conditions precedent and performance of LISB and Pavilion REIT of their respective obligations under the BTKL SPA, the BTKL Transfer will be presented for registration with the appropriate public authority to register the change of legal ownership in relation to the BTKL Strata Title from LISB to Pavilion REIT.
(7) Simultaneous completion and termination Execution and completion of the BTKL SPA shall take place simultaneously with the execution and completion of the PHKL SPA. If the BTKL SPA is terminated, the PHKL SPA is deemed to be terminated simultaneously. If the PHKL SPA is terminated, the BTKL SPA is deemed to be terminated simultaneously.	**Fair and reasonable.** The proposed acquisitions of the BTKL Property and PHKL Property are conditional upon each other. Accordingly, the execution and completion or termination of the BTKL SPA shall take place simultaneously with the execution and completion or termination of the PHKL SPA.

<table>
<tr><th>Salient terms of the BTKL SPA</th><th>Our commentaries</th></tr>
<tr>
<td>
<p>(8) Default</p>
<p>8.1 Default by Pavilion REIT</p>
<p>If there be any breach by Pavilion REIT of any of the provisions of the BTKL SPA (which if capable of remedy, is not remedied within 14 business days after receipt by Pavilion REIT of the notice in writing from LISB to remedy the breach or such other extended period as may be notified in writing by LISB to Pavilion REIT), LISB shall be entitled:-</p>
<p>(a) at the cost and expense of Pavilion REIT, to the remedy of specific performance against Pavilion REIT and to all reliefs flowing therefrom; or</p>
<p>(b) to terminate the BTKL SPA, provided that such right of termination can only be exercised prior to the Beneficial Ownership Transfer Date, and upon such termination, Pavilion REIT shall:-</p>
<p>(i) pay to LISB the agreed liquidated damages of RM14.00 million (“BTKL Agreed Liquidated Damages”) and LISB shall be entitled to retain the same for its own use and benefit and LISB shall be at liberty to sell or otherwise dispose of the BTKL Property at such price and in such manner to such person or persons as LISB may think fit without reference to or being liable to Pavilion REIT;</p>
<p>(ii) deliver to LISB documentary evidence of (aa) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT; and (bb) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT’s financier; and</p>
</td>
<td>
<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>
<tr><th>In an event of default by</th><th colspan="2">Defaulting party</th></tr>
<tr><th></th><th>Pavilion REIT</th><th>LISB</th></tr>
<tr><th>Rights and remedies available to</th><th colspan="2">Non-defaulting party</th></tr>
<tr><th></th><th>LISB</th><th>Pavilion REIT</th></tr>
<tr><td>(i) Remedy of specific performance and all reliefs following therefrom</td><td>✓</td><td>✓</td></tr>
<tr><td>(ii) Termination of the BTKL SPA <i>(provided exercised prior to the Beneficial Ownership Transfer Date)</i>, whereby within 14 business days of such termination:-
(a) the non-defaulting party shall be entitled to the BTKL Agreed Liquidated Damages;
(b) Pavilion REIT shall return relevant documents to LISB together with documentary evidence of the withdrawal relating to the private caveat lodged by Pavilion REIT or its financier, if applicable; and
(c) thereafter, neither party shall have any right or claim against the other under the BTKL SPA.</td><td>✓</td><td>✓</td></tr>
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Salient terms of the BTKL SPA	Our commentaries
(iii) return or cause to be returned the transaction documents (if any) that have been delivered to Pavilion REIT, Pavilion REIT’s solicitors, Pavilion REIT’s financier and/or the solicitors for Pavilion REIT’s financier, and where applicable the completion documents, all within 14 business days of such termination, whereupon the BTKL SPA shall terminate and cease to be of any further effect. Thereafter neither party shall have any right or claim against the other under the BTKL SPA. **8.2 Default by LISB** If LISB shall fail, neglect and/or refuse to sell and/or transfer the BTKL Property and/or if LISB be in breach of any of the provisions of the BTKL SPA (which if capable of remedy, is not remedied within 14 business days after receipt by LISB of the notice in writing from Pavilion REIT to remedy the breach or such other extended period as may be notified in writing by Pavilion REIT to LISB), Pavilion REIT shall be entitled:- (a) at the cost and expense of LISB, to the remedy of specific performance against LISB and to all reliefs flowing therefrom; or (b) to terminate the BTKL SPA, provided that such right of termination can only be exercised prior to the Beneficial Ownership Transfer Date, and upon such termination LISB shall within 14 business days upon receipt of the written demand from Pavilion REIT, pay to Pavilion REIT the BTKL Agreed Liquidated Damages. Upon receipt of the BTKL Agreed Liquidated Damages, Pavilion REIT shall:- (i) deliver to LISB documentary evidence of (aa) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT; and (bb) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT’s financier; and	Please refer to our commentaries above.

Salient terms of the BTKL SPA	Our commentaries
(ii) return or cause to be returned the transaction documents (if any) that have been delivered to Pavilion REIT, Pavilion REIT's solicitors, Pavilion REIT's financier and/or the solicitor for Pavilion REIT's financier and where applicable the completion documents, all within 14 business days from the date of receipt by Pavilion REIT the BTKL Agreed Liquidated Damages, whereupon the BTKL SPA shall terminate and cease to be of any further effect. Thereafter neither party shall have any claim against the other under the BTKL SPA.	Please refer to our commentaries above.
(9) Non-registration of transfer 9.1 If the BTKL Transfer presented for registration with the appropriate public authority 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 agree and confirm that subject always to LISB's receipt of the full purchase consideration, late payment interest at the rate of eight per centum per annum (8% p.a.) (if any) and the apportioned outgoings:- (a) Pavilion REIT shall be the appointed lawful attorney of LISB to deal with the BTKL Property as if Pavilion REIT is holding the legal title to the BTKL Property; (b) LISB will hold the legal title to the BTKL Property as bare trustee for and on behalf of Pavilion REIT;	**Fair and reasonable.** With effect from the Beneficial Ownership Transfer Date, Pavilion REIT shall be the beneficial owner of the BTKL Property and becomes entitled to all rights, title, interest and benefits in and to the BTKL Property. This clause protects the rights, title, interest and benefits of Pavilion REIT in and to the BTKL Property in the event that the BTKL Transfer cannot be registered in the name of Pavilion REIT. In such an event, LISB will hold the legal title to the BTKL Property as bare trustee for and on behalf of Pavilion REIT and Pavilion REIT is able to deal with the BTKL Property as if Pavilion REIT is holding the legal title to the BTKL Property. However, if such non-registration is due to the default, wilful neglect, omission or blameworthy conduct on the part of LISB, Pavilion REIT shall be entitled at the cost and expense of LISB to the remedy of specific performance against LISB and to all reliefs flowing therefrom.

Salient terms of the BTKL SPA	Our commentaries
(c) LISB will, at the sole costs and expense of Pavilion REIT and against the indemnity by Pavilion REIT, upon the written request of Pavilion REIT, do or cause to be done all things to ensure that Pavilion REIT's rights, title, interest and benefits in and to the BTKL Property are protected at all times; (d) at Pavilion REIT's sole costs and expense and against the indemnity by Pavilion REIT, LISB will, upon the written request of Pavilion REIT, 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 BTKL 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 Pavilion REIT's financier, if any; (e) LISB will not act in any manner so as to jeopardise Pavilion REIT's rights, title, interest and benefits in and to the BTKL Property; and (f) Pavilion REIT shall, at its sole costs and expense, be entitled to lodge a trust caveat on the BTKL Strata Title to protect its rights, title, interest and benefits in and to the BTKL Strata Parcel. 9.2 If the BTKL Transfer cannot be registered after the Beneficial Ownership Transfer Date and such non-registration is due to the default, wilful neglect, omission or blameworthy conduct on the part of LISB, Pavilion REIT shall be entitled at the cost and expense of LISB to the remedy of specific performance against LISB and to all reliefs flowing therefrom.	Please refer to our commentaries above.

Salient terms of the BTKL SPA	**Our commentaries**
(10) Entry and withdrawal of private caveat Upon the execution of the BTKL SPA:- (a) Pavilion REIT shall be entitled at its own cost and expense to lodge a private caveat on the BTKL Strata Title to protect Pavilion REIT's interest as a purchaser of the BTKL Strata Parcel, provided that if the BTKL SPA is lawfully terminated, Pavilion REIT shall at its own cost and expense remove all caveats, if any, lodged on the BTKL Strata Title by Pavilion REIT, Pavilion REIT's financier and/or any other party acting in the interest of Pavilion REIT; and (b) Pavilion REIT shall execute the requisite form for withdrawal of private caveat and deposit the same together with the requisite registration fees with Pavilion REIT's solicitors who are irrevocably authorised to present the same for registration within three (3) business days from the date of lawful termination of the BTKL SPA.	**Fair and reasonable.** This clause allows Pavilion REIT to lodge a private caveat on the BTKL Strata Title to protect Pavilion REIT's interest as a purchaser of the BTKL Strata Parcel.
(11) LISB's representations and warranties Pursuant to the BTKL SPA, LISB represents and warrants to Pavilion REIT, among others, that:- (a) LISB is the legal and beneficial owner of the BTKL Property; (b) LISB has full power and authority to execute, deliver and perform the terms of the BTKL SPA and has taken and will take all necessary corporate and other actions to authorise the sale of the BTKL Property and the execution, delivery and performance of the terms of the BTKL SPA; (c) to the best of LISB's knowledge and belief, as the date of the BTKL SPA, the BTKL Strata Parcel or any part or parts thereof is not subject to any compulsory acquisition by the public authorities and no notice has been received by LISB of any acquisition or intended acquisition of the BTKL Strata Parcel or any part thereof pursuant to the Land Acquisition Act 1960 or any other legislation;	**Fair and reasonable.** This clause is a normal commercial term typical to transactions of such nature.

Salient terms of the BTKL SPA	Our commentaries
(d) all quit rent, rates, assessments, sewerage services charges (where applicable), electricity, telecommunication and other similar lawful outgoings due to the public authorities in respect of the BTKL Property up to the date of the BTKL SPA have been or will be duly paid by LISB on or before the Beneficial Ownership Transfer Date. LISB has not and will not at any time do, suffer to be done or omitted any act matter or thing in or in respect of the BTKL Property which may render the BTKL Property or any part thereof liable to forfeiture or attachment; (e) to the best of LISB's knowledge and belief as the date of the BTKL SPA, LISB is not in breach of and shall not prior to the completion of the sale and purchase transaction in the BTKL SPA commit any breach of any by-laws or additional by-laws relating to the BTKL Strata Parcel or express or implied condition in the BTKL Strata Title; (f) to the best of LISB's knowledge and belief as at the date of the BTKL SPA, there are no unpaid fines in relation to the BTKL Property in anyway whatsoever; (g) to the best of LISB's knowledge and belief as at the date of the BTKL SPA, there is no pending suit, legal proceedings or claims against LISB which may affect the rights of LISB to sell or dispose of the BTKL Property in any way whatsoever; (h) LISB is not in default under any arrangement to which it is a party or by which it may be bound and no litigation, arbitration, administration or winding-up proceedings are presently current or pending in respect of the BTKL Property or to the best of LISB's knowledge and belief threatened which default, litigation, arbitration or administrative proceedings, as the case may be, might affect the BTKL Property;	Please refer to our commentaries above.

Salient terms of the BTKL SPA	Our commentaries
(i) to the best of LISB's knowledge and belief as the date of the BTKL SPA, all the permits, licenses, consents, approvals, certifications, registrations and authorisations relating to the BTKL Property and equipment and/or facilities installed and/or used on the BTKL Property are valid and current and continue to be valid on the Beneficial Ownership Transfer Date; (j) no receiver of the undertakings or assets of LISB or any part thereof has been appointed nor have any judgments been obtained against LISB or any part thereof nor has any execution or process of any court or authority been issued against or levied or enforced upon LISB or its assets or any part thereof which will materially prevent LISB from complying with its undertakings and obligations under the BTKL SPA and/or cause the non-registration of the BTKL Transfer in favour of Pavilion REIT; (k) the certificate of completion and compliance in relation to the building, including the BTKL Strata Parcel has been duly issued; (l) to the best of LISB's knowledge and belief, no action, suit or proceeding has been instituted or, threatened before any court or governmental body prohibiting the consummation by LISB of the transactions contemplated under the BTKL SPA; and (m) LISB is not aware of any defect in the BTKL Property that could affect its structural integrity or safety for occupation and use.	Please refer to our commentaries above.

Salient terms of the BTKL SPA	Our commentaries
(12) Specific covenant on rectification (a) Notwithstanding the relevant provisions in the BTKL SPA, LISB acknowledges that there are certain defects that have been identified by Pavilion REIT prior to the execution of the BTKL SPA but have not been rectified and remedied by LISB to the reasonable satisfaction of Pavilion REIT on the date of execution of the BTKL SPA. Save as may otherwise be agreed in writing between LISB and Pavilion REIT, LISB irrevocably and unconditionally agrees and undertakes to complete the rectification and remedial works (“**BTKL Works**”) in respect of the defects contained in the reports submitted by the consultants appointed by Pavilion REIT, to LISB to the reasonable satisfaction of Pavilion REIT on or before the anniversary of the date of the BTKL SPA or such other date as Pavilion REIT may from time to time and any time agree (“**BTKL Works Cut-Off Date**”). (b) Save as may otherwise be agreed in writing between LISB and Pavilion REIT, LISB further undertakes that it shall bear all costs related to such BTKL Works and shall indemnify and keep Pavilion REIT indemnified against all liabilities arising directly from such defects until such defects are rectified and remedied to the reasonable satisfaction of Pavilion REIT. (c) Save as may otherwise be agreed in writing between LISB and Pavilion REIT, if LISB fails to complete the BTKL Works by the BTKL Works Cut-Off Date, Pavilion REIT shall be entitled to execute the BTKL Works, and the costs and expenses incurred in carrying out and completing such BTKL Works (“**BTKL Works Outstanding Sum**”) shall be a debt due and payable no later than seven (7) business days from the date of receipt by LISB the written notice of demand issued by Pavilion REIT. If LISB does not make full payment of the BTKL Works Outstanding Sum on the due date, LISB shall pay to Pavilion REIT interest on the BTKL Works Outstanding Sum remaining unpaid, calculated at the rate of eight per centum per annum (8% p.a.) for the period commencing from the date immediately following the due date, to the date of actual payment thereof, based on the actual number of days elapsed on the basis of a 365 day year.	**Fair and reasonable.** This clause serves to ensure that LISB, at its costs and expenses, completes the BTKL Works in respect of the defects contained in the reports submitted by the consultants appointed by Pavilion REIT to LISB to the reasonable satisfaction of Pavilion REIT on or before the BTKL Works Cut-Off Date. In the event LISB fails to complete the BTKL Works by the BTKL Works Cut-Off Date, Pavilion REIT shall be entitled to execute the BTKL Works, and the costs and expenses incurred in carrying out and completing such BTKL Works shall be a debt due and payable no later than 7 business days from the date of receipt by LISB the written notice of demand issued by Pavilion REIT, and if LISB fails to make such payment, the outstanding sum shall be subject to interest at the rate of 8% per annum until the date of actual payment. Although there are market practices where a portion of purchase consideration is retained to cover the costs and expenses for rectification of defects, we noted that the BTKL SPA does not confer upon Pavilion REIT the right to retain any portion of the Net Purchase Consideration to cover the BTKL Works Outstanding Sum. We view the negotiated arrangement between Pavilion REIT and LISB (whereby the Net Purchase Consideration will be fully settled prior to the completion of the BTKL Works) as fair and reasonable after taking into consideration that (i) LISB has agreed and undertaken to complete the BTKL Works by the BTKL Works Cut-Off Date, (ii) LISB has undertaken to bear all costs related to the BTKL Works and to indemnify Pavilion REIT against all liabilities arising from the defects as well as (iii) the BTKL Works are not expected to result in significant rectification costs and expenses.

Salient terms of the PHKL SPA

Our commentaries on the salient terms of the PHKL SPA as set out in Appendix II of the Circular are as follows:-

Salient terms of the PHKL SPA	Our commentaries
(1) Sale and purchase HPSB has agreed to sell and Pavilion REIT has agreed to purchase the PHKL Property subject to the terms and conditions set out in the PHKL SPA, including but not limited to the following:- (a) on a “willing buyer, willing seller” and “as is where is” basis, subject to fair wear and tear as at the date of the PHKL SPA, save for the representations and warranties made in the PHKL SPA, without HPSB and/or its representative(s) making any further representation and warranty whatsoever in respect of the same, including without limitation, to fitness for purpose, occupation and/or use, merchantable quality, and description, title, completeness, area, nature, state or condition, quality, value or possession of the PHKL Property (and any buildings or structures thereon); (b) Pavilion REIT has inspected the PHKL Property and has agreed to purchase it with knowledge of its actual state and condition and shall take the PHKL Property as it stands as at the date of inspection of the PHKL Property by Pavilion REIT prior to the execution of the PHKL SPA and has relied entirely on its own inspections, due diligence in respect of the PHKL Property and including but not limited to legal and financial matters of the PHKL Property; (c) free from the existing securities and all encumbrances and with legal possession together with all Associated Rights and Benefits (as defined herein); (d) subject to the conditions of title and restriction in interest affecting the PHKL Strata Parcels, express or implied (including all endorsements and conditions as may be set out in the PHKL Strata Titles); and	**Fair and reasonable.** This clause relates to the subject matter of the proposed acquisition of the PHKL Property whereby subject to the satisfaction of the conditions precedent and the completion of the proposed acquisition of the PHKL Property, Pavilion REIT shall be the beneficial owner of the PHKL Property and becomes entitled to all rights and benefits and shall assume all risks and liabilities associated with the PHKL Property on and with effect from the Beneficial Ownership Transfer Date.

Salient terms of the PHKL SPA	Our commentaries
(e) upon the terms and conditions contained in the PHKL SPA. The PHKL Strata Titles are currently registered in the name of the developer and the developer has no objection to a direct transfer of the PHKL Strata Titles to Pavilion REIT. “**Associated Rights and Benefits**” means all prevailing rights, entitlements, obligations, benefits and interests of HPSB (but not any liabilities) in connection with the following, excluding any prevailing rights, entitlements, obligations, benefits and interests in relation to the Excluded Sale (as defined herein) as at the Beneficial Ownership Transfer Date:- (i) the benefit of all approvals given for the PHKL Property; (ii) all rights and entitlements of HPSB, in common with others, to use and enjoy the common property (subject always to such house rules or by-laws as shall govern the same from time to time); (iii) all benefits, rights and entitlements to use and enjoy all licences that are transferred with any applicable system (if any), equipment, machinery or computer delivered together with the PHKL Property; (iv) all benefits, rights and entitlements to claim under any warranty (if any) issued in connection with the PHKL Property or any system, equipment, machinery or computer that is delivered together with the PHKL Property (to the extent any such warranty is still subsisting as at the Beneficial Ownership Transfer Date); and (v) the right to enforce any of the claims or rights assigned under (i) to (iv) above. “**Excluded Sale**” means all current and future rights, entitlements, goodwill, intellectual property (including trademarks, copyrights, and patents), licences, revenue, benefits and other interests held by HPSB, directly or indirectly, in connection with the business of HPSB and/or associated with the PHKL Property.	Please refer to our commentaries above.

Salient terms of the PHKL SPA	Our commentaries
(2) Purchase consideration and payment terms The purchase consideration amounting to RM340.00 million shall be satisfied by Pavilion REIT in the manner set out in Section 2.1.2, Part A of the Circular and in this respect, Pavilion REIT shall be entitled to retain from the Balance Cash Consideration an amount equivalent to the First Year Lease Rental, being the aggregate of the first year fixed rental in relation to the Lease Agreements.	**Fair and reasonable.** Please refer to Section 3.2.1 of this IAL for our evaluation of the purchase consideration for the PHKL Property and Section 3.2.2 of this IAL for our commentaries on the manner of settlement.
(3) Conditions precedent Completion of the sale and purchase of the PHKL Property is conditional upon:- (a) Pavilion REIT obtaining:- (i) the approval from Bursa Securities in respect of (A) in the event Pavilion REIT proposes to undertake the Proposed Placement, the issuance and listing of the Placement Units, and/or (B) in the event Pavilion REIT elects to issue the Consideration Units, the issuance and listing of the Consideration Units; and (ii) all other requisite approvals (if applicable) from Bursa Securities as may be communicated by Bursa Securities to Pavilion REIT, in each case in relation to the acquisition of the PHKL Property, and which Pavilion REIT shall, in turn, promptly notify HPSB in writing; (b) Pavilion REIT obtaining the approval of the Unitholders in respect of (i) the acquisition of the PHKL Property from HPSB; (ii) the acquisition of BTKL under the BTKL SPA; (iii) the Proposed Placement if so undertaken by Pavilion REIT; and (iv) the issuance of the Consideration Units (if required); and (c) HPSB depositing with Pavilion REIT:- (i) a letter of no objection issued by the hotel manager of PHKL confirming that the hotel manager of PHKL has no objections to the disposal and transfer of the PHKL Property by HPSB to Pavilion REIT; or	**Fair and reasonable.** The conditions precedent represent necessary approvals / procedures which are customary to facilitate the completion of the proposed acquisition of the PHKL Property. The PHKL SPA will become unconditional on the date on which the last of the conditions precedent is fulfilled. As at the LPD, the conditions precedent 3(a) and 3(c) have been fulfilled. The condition precedent 3(c) serves to provide comfort that Banyan Tree Hotels & Resorts will continue to act as the hotel manager of PHKL following the completion of the PHKL SPA via the arrangement as set out in Section 2.1.4, Part A of the Circular. This condition precedent has been fulfilled via a letter of no objection dated 27 January 2025 issued by Banyan Tree Hotels & Resorts confirming that it has no objections to the disposal and transfer of the PHKL Property by HPSB to Pavilion REIT. Although the letter of no objection does not serve as a legal instrument to supplement the existing hotel management agreement dated 30 March 2016 to reflect the change in ownership of PHKL Property, the letter of no objection is the most expedient and practical form of comfort to Pavilion REIT at the current stage where the beneficial ownership of the PHKL Property has not transferred to Pavilion REIT and the Proposed Leases are not effective yet.

Salient terms of the PHKL SPA	Our commentaries
(ii) a supplemental agreement executed between the hotel manager of PHKL and HPSB relating to a hotel management agreement relating to PHKL.	
(4) Non-fulfilment of conditions precedent If any of the conditions precedent is not fulfilled by the date falling on the expiry of six (6) months from the date of the PHKL SPA or such other extended period which may be mutually agreed in writing between HPSB and Pavilion REIT, either party may terminate the PHKL SPA by a notice in writing to the other party, whereupon the PHKL SPA shall cease to be of any further effect and thereafter, neither party shall have any right or claim against the other under the PHKL SPA, save and except for antecedent breaches.	**Fair and reasonable.** In the event of non-fulfilment of any of the conditions precedent by the date falling on the expiry of 6 months from the date of the PHKL SPA or such other extended period as HPSB and Pavilion REIT may agree in writing, either party may terminate the PHKL SPA whereupon neither party shall have any right or claim against the other under the PHKL SPA, save and except for antecedent breaches.
(5) Passing of beneficial ownership and delivery of legal possession HPSB and Pavilion REIT have agreed that the beneficial ownership of the PHKL Property on an "as is where is basis" shall pass from HPSB and vest absolutely in Pavilion REIT on the Beneficial Ownership Transfer Date. On and with effect from the Beneficial Ownership Transfer Date, Pavilion REIT shall be entitled to all rights, benefits and shall assume all risks and liabilities associated with the PHKL Property and legal possession of the PHKL Property shall be deemed delivered by HPSB to Pavilion REIT. On the Beneficial Ownership Transfer Date:- (a) HPSB's solicitors shall be authorised to complete, date and stamp the Lease Agreements and thereafter, forward the duly stamped Lease Agreements to Pavilion REIT's solicitors and/or the solicitors for Pavilion REIT's financier; (b) Pavilion REIT shall retain the First Year Lease Rental from the Balance Cash Consideration; and (c) HPSB shall be deemed to have made payment of the First Year Lease Rental to Pavilion REIT.	**Fair and reasonable.** Upon full settlement of the Net Purchase Consideration, Pavilion REIT shall be accorded all rights and benefits and shall assume all risks and liabilities associated with the PHKL Property on and with effect from the Beneficial Ownership Transfer Date.

Salient terms of the PHKL SPA	Our commentaries
(6) Transfer Subject to the satisfaction of the conditions precedent and the performance of HPSB and Pavilion REIT of their respective obligations under the PHKL SPA, including but not limited to the delivery of the transaction documents and the completion documents in accordance with the provisions of the PHKL SPA, the valid and registrable memorandum of transfer in relation to the PHKL Strata Titles duly executed by UCSB as the developer and registered owner in favour of Pavilion REIT ("**PHKL Transfer**") shall be presented for registration with the appropriate public authority.	**Fair and reasonable.** Upon fulfilment of the conditions precedent and performance of HPSB and Pavilion REIT of their respective obligations under the PHKL SPA, the PHKL Transfer will be presented for registration with the appropriate public authority to register the change of legal ownership in relation to the PHKL Strata Titles from UCSB to Pavilion REIT.
(7) Simultaneous completion and termination Execution and completion of the PHKL SPA shall take place simultaneously with the execution and completion of the BTKL SPA. If the PHKL SPA is terminated, the BTKL SPA is deemed to be terminated simultaneously. If the BTKL SPA is terminated, the PHKL SPA is deemed to be terminated simultaneously.	**Fair and reasonable.** The proposed acquisitions of the PHKL Property and BTKL Property are conditional upon each other. Accordingly, the execution and completion or termination of the PHKL SPA shall take place simultaneously with the execution and completion or termination of the BTKL SPA.

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<table>
<tr><th>Salient terms of the PHKL SPA</th><th>Our commentaries</th></tr>
<tr><td>
(8) Default

8.1 Default by Pavilion REIT

If there be any breach by Pavilion REIT of any of the provisions of the PHKL SPA (which if capable of remedy, is not remedied within 14 business days after receipt by Pavilion REIT of the notice in writing from HPSB to remedy the breach or such other extended period as may be notified in writing by HPSB to Pavilion REIT), HPSB shall be entitled:-

(a) at the cost and expense of Pavilion REIT, to the remedy of specific performance against Pavilion REIT and to all reliefs flowing therefrom; or

(b) to terminate the PHKL SPA, provided that such right of termination can only be exercised prior to the Beneficial Ownership Transfer Date, and upon such termination, Pavilion REIT shall:-

(i) pay to HPSB the agreed liquidated damages of RM34.00 million (“PHKL Agreed Liquidated Damages”) and HPSB shall be entitled to retain the same for its own use and benefit and HPSB shall be at liberty to sell or otherwise dispose of the PHKL Property at such price and in such manner to such person or persons as HPSB may think fit without reference to or being liable to Pavilion REIT;

(ii) deliver to HPSB documentary evidence of (aa) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT; and (bb) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT’s financier; and
</td><td>
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:-

<table>
<tr><th>In an event of default by</th><th colspan="2">Defaulting party</th></tr>
<tr><th></th><th>Pavilion REIT</th><th>HPSB</th></tr>
<tr><th>Rights and remedies available to</th><th colspan="2">Non-defaulting party</th></tr>
<tr><th></th><th>HPSB</th><th>Pavilion REIT</th></tr>
<tr><td>(i) Remedy of specific performance and all reliefs following therefrom</td><td>✓</td><td>✓</td></tr>
<tr><td>(ii) Termination of the PHKL SPA <i>(provided exercised prior to the Beneficial Ownership Transfer Date)</i>, whereby within 14 business days of such termination:-

(a) the non-defaulting party shall be entitled to the PHKL Agreed Liquidated Damages;

(b) Pavilion REIT shall return relevant documents to HPSB together with documentary evidence of the withdrawal relating to the private caveat lodged by Pavilion REIT or its financier, if applicable; and

(c) thereafter, neither party shall have any right or claim against the other under the PHKL SPA.</td><td>✓</td><td>✓</td></tr>
</table>
</td></tr>
</table>

Salient terms of the PHKL SPA	Our commentaries
(iii) return or cause to be returned the transaction documents (if any) that have been delivered to Pavilion REIT, Pavilion REIT's solicitors, Pavilion REIT's financier and/or the solicitors for Pavilion REIT's financier, and where applicable the completion documents, all within 14 business days of such termination, whereupon the PHKL SPA shall terminate and cease to be of any further effect. Thereafter neither party shall have any right or claim against the other under the PHKL SPA. **8.2 Default by HPSB** If HPSB shall fail, neglect and/or refuse to sell and/or transfer the PHKL Property and/or if HPSB be in breach of any of the provisions of the PHKL SPA (which if capable of remedy, is not remedied within 14 business days after receipt by HPSB of the notice in writing from Pavilion REIT to remedy the breach or such other extended period as may be notified in writing by Pavilion REIT to HPSB), Pavilion REIT shall be entitled:- (a) at the cost and expense of HPSB, to the remedy of specific performance against HPSB and to all reliefs flowing therefrom; or (b) to terminate the PHKL SPA, provided that such right of termination can only be exercised prior to the Beneficial Ownership Transfer Date, and upon such termination HPSB shall within 14 business days upon receipt of the written demand from Pavilion REIT, pay to Pavilion REIT the PHKL Agreed Liquidated Damages. Upon receipt of the PHKL Agreed Liquidated Damages, Pavilion REIT shall:- (i) deliver to HPSB documentary evidence of (aa) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT; and (bb) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT's financier; and	Please refer to our commentaries above.

Salient terms of the PHKL SPA	Our commentaries
(ii) return or cause to be returned the transaction documents (if any) that have been delivered to Pavilion REIT, Pavilion REIT's solicitors, Pavilion REIT's financier and/or the solicitor for Pavilion REIT's financier and where applicable the completion documents, all within 14 business days from the date of receipt by Pavilion REIT the PHKL Agreed Liquidated Damages, whereupon the PHKL SPA shall terminate and cease to be of any further effect. Thereafter neither party shall have any claim against the other under the PHKL SPA.	Please refer to our commentaries above.
(9) Non-registration of transfer 9.1 If the PHKL Transfer presented for registration with the appropriate public authority 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 agree and confirm that subject always to HPSB's receipt of the full purchase consideration, late payment interest at the rate of eight per centum per annum (8% p.a.) (if any) and the apportioned outgoings:- (a) Pavilion REIT shall be the appointed lawful attorney of HPSB to deal with the PHKL Property as if Pavilion REIT is holding the legal title to the PHKL Property; (b) HPSB will hold the legal title to the PHKL Property as bare trustee for and on behalf of Pavilion REIT; (c) HPSB will, at the sole costs and expense of Pavilion REIT and against the indemnity by Pavilion REIT, upon the written request of Pavilion REIT, do or cause to be done all things to ensure that Pavilion REIT's rights, title, interest and benefits in and to the PHKL Property are protected at all times;	**Fair and reasonable.** With effect from the Beneficial Ownership Transfer Date, Pavilion REIT shall be the beneficial owner of the PHKL Property and becomes entitled to all rights, title, interest and benefits in and to the PHKL Property. This clause protects the rights, title, interest and benefits of Pavilion REIT in and to the PHKL Property in the event that the PHKL Transfer cannot be registered in the name of Pavilion REIT. In such an event, HPSB will hold the legal title to the PHKL Property as bare trustee for and on behalf of Pavilion REIT and Pavilion REIT is able to deal with the PHKL Property as if Pavilion REIT is holding the legal title to the PHKL Property. However, if such non-registration is due to the default, wilful neglect, omission or blameworthy conduct on the part of HPSB, Pavilion REIT shall be entitled at the cost and expense of HPSB to the remedy of specific performance against HPSB and to all reliefs flowing therefrom.

Salient terms of the PHKL SPA	Our commentaries
(d) at Pavilion REIT’s sole costs and expense and against the indemnity by Pavilion REIT, HPSB will, upon the written request of Pavilion REIT, 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 PHKL 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 Pavilion REIT’s financier, if any; (e) HPSB will not act in any manner so as to jeopardise Pavilion REIT’s rights, title, interest and benefits in and to the PHKL Property; and (f) Pavilion REIT shall, at its sole costs and expense, be entitled to lodge a trust caveat on the PHKL Strata Titles to protect its rights, title, interest and benefits in and to the PHKL Strata Parcels. 9.2 If the PHKL Transfer cannot be registered after the Beneficial Ownership Transfer Date and such non-registration is due to the default, wilful neglect, omission or blameworthy conduct on the part of HPSB, Pavilion REIT shall be entitled at the cost and expense of HPSB to the remedy of specific performance against HPSB and to all reliefs flowing therefrom.	Please refer to our commentaries above.

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Salient terms of the PHKL SPA	**Our commentaries**
(10) Entry and withdrawal of private caveat Upon the execution of the PHKL SPA:- (a) Pavilion REIT shall be entitled at its own cost and expense to lodge a private caveat on the PHKL Strata Titles to protect Pavilion REIT's interest as a purchaser of the PHKL Strata Parcels, provided that if the PHKL SPA is lawfully terminated, Pavilion REIT shall at its own cost and expense remove all caveats, if any, lodged on the PHKL Strata Titles by Pavilion REIT, Pavilion REIT's financier and/or any other party acting in the interest of Pavilion REIT; and (b) Pavilion REIT shall execute the requisite form for withdrawal of private caveat and deposit the same together with the requisite registration fees with Pavilion REIT's solicitors who are irrevocably authorised to present the same for registration within three (3) business days from the date of lawful termination of the PHKL SPA.	**Fair and reasonable.** This clause allows Pavilion REIT to lodge a private caveat on the PHKL Strata Titles to protect Pavilion REIT's interest as a purchaser of the PHKL Strata Parcels.
(11) HPSB's representations and warranties Pursuant to the PHKL SPA, HPSB represents and warrants to Pavilion REIT, among others, that:- (a) HPSB is the legal and beneficial owner of the PHKL Property; (b) HPSB has full power and authority to execute, deliver and perform the terms of the PHKL SPA and has taken and will take all necessary corporate and other actions to authorise the sale of the PHKL Property and the execution, delivery and performance of the terms of the PHKL SPA; (c) to the best of HPSB's knowledge and belief, as the date of the PHKL SPA, the PHKL Strata Parcels or any part or parts thereof is not subject to any compulsory acquisition by the public authorities and no notice has been received by HPSB of any acquisition or intended acquisition of the PHKL Strata Parcels or any part thereof pursuant to the Land Acquisition Act 1960 or any other legislation;	**Fair and reasonable.** This clause is a normal commercial term typical to transactions of such nature.

Salient terms of the PHKL SPA	Our commentaries
(d) all quit rent, rates, assessments, sewerage services charges (where applicable), electricity, telecommunication and other similar lawful outgoings due to the public authorities in respect of the PHKL Property up to the date of the PHKL SPA have been or will be duly paid by HPSB on or before the Beneficial Ownership Transfer Date. HPSB has not and will not at any time do, suffer to be done or omitted any act matter or thing in or in respect of the PHKL Property which may render the PHKL Property or any part thereof liable to forfeiture or attachment; (e) to the best of HPSB's knowledge and belief as the date of the PHKL SPA, HPSB is not in breach of and shall not prior to the completion of the sale and purchase transaction in the PHKL SPA commit any breach of any by-laws, additional by-laws relating to the PHKL Strata Parcels or express or implied condition in the PHKL Strata Titles; (f) to the best of HPSB's knowledge and belief as at the date of the PHKL SPA, there are no unpaid fines in relation to the PHKL Property in anyway whatsoever; (g) to the best of HPSB's knowledge and belief as at the date of the PHKL SPA, there is no pending suit, legal proceedings or claims against HPSB which may affect the rights of HPSB to sell or dispose of the PHKL Property in any way whatsoever; (h) HPSB is not in default under any arrangement to which it is a party or by which it may be bound and no litigation, arbitration, administration or winding-up proceedings are presently current or pending in respect of the PHKL Property or to the best of HPSB's knowledge and belief threatened which default, litigation, arbitration or administrative proceedings, as the case may be, might affect the PHKL Property; (i) to the best of HPSB's knowledge and belief as the date of the PHKL SPA, all the permits, licenses, consents, approvals, certifications, registrations and authorisations relating to the PHKL Property and equipment and/or facilities installed and/or used on the PHKL Property are valid and current and continue to be valid on the Beneficial Ownership Transfer Date;	Please refer to our commentaries above.

Salient terms of the PHKL SPA	**Our commentaries**
(j) no receiver of the undertakings or assets of HPSB or any part thereof has been appointed nor have any judgments been obtained against HPSB or any part thereof nor has any execution or process of any court or authority been issued against or levied or enforced upon HPSB or its assets or any part thereof which will materially prevent HPSB from complying with its undertakings and obligations under the PHKL SPA and/or cause the non-registration of the PHKL Transfer in favour of Pavilion REIT; (k) the certificate of fitness for occupation in relation to the building, including the PHKL Strata Parcels has been duly issued; (l) to the best of HPSB's knowledge and belief, no action, suit or proceeding has been instituted or, threatened before any court or governmental body prohibiting the consummation by HPSB of the transactions contemplated under the PHKL SPA; and (m) HPSB is not aware of any defect in the PHKL Property that could affect its structural integrity or safety for occupation and use.	Please refer to our commentaries above.
(12) Specific covenant on rectification (a) Notwithstanding the relevant provisions in the PHKL SPA, HPSB acknowledges that there are certain defects that have been identified by Pavilion REIT prior to the execution of the PHKL SPA but have not been rectified and remedied by HPSB to the reasonable satisfaction of Pavilion REIT on the date of execution of the PHKL SPA. Save as may otherwise be agreed in writing between HPSB and Pavilion REIT, HPSB irrevocably and unconditionally agrees and undertakes to complete the rectification and remedial works ("**PHKL Works**") in respect of the defects contained in the reports submitted by the consultants appointed by Pavilion REIT, to HPSB to the reasonable satisfaction of Pavilion REIT on or before the anniversary of the date of the PHKL SPA or such other date as Pavilion REIT may from time to time and any time agree ("**PHKL Works Cut-Off Date**").	**Fair and reasonable.** This clause serves to ensure that HPSB, at its costs and expenses, completes the PHKL Works in respect of the defects contained in the reports submitted by the consultants appointed by Pavilion REIT to HPSB to the reasonable satisfaction of Pavilion REIT on or before the PHKL Works Cut-Off Date. In the event HPSB fails to complete the PHKL Works by the PHKL Works Cut-Off Date, Pavilion REIT shall be entitled to execute the PHKL Works, and the costs and expenses incurred in carrying out and completing such PHKL Works shall be a debt due and payable no later than 7 business days from the date of receipt by HPSB the written notice of demand issued by Pavilion REIT, and if HPSB fails to make such payment, the outstanding sum shall be subject to interest at the rate of 8% per annum until the date of actual payment. Although there are market practices where a portion of purchase consideration is retained to cover the costs and expenses for rectification of defects, we noted that the PHKL SPA does not confer upon Pavilion REIT the right to retain any portion of the Net Purchase Consideration to cover the PHKL Works Outstanding Sum.

Salient terms of the PHKL SPA	Our commentaries
(b) Save as may otherwise be agreed in writing between HPSB and Pavilion REIT, HPSB further undertakes that it shall bear all costs related to such PHKL Works and shall indemnify and keep Pavilion REIT indemnified against all liabilities arising directly from such defects until such defects are rectified and remedied to the reasonable satisfaction of Pavilion REIT. (c) Save as may otherwise be agreed in writing between HPSB and Pavilion REIT, if HPSB fails to complete the PHKL Works by the PHKL Works Cut-Off Date, Pavilion REIT shall be entitled to execute the PHKL Works, and the costs and expenses incurred in carrying out and completing such PHKL Works ("**PHKL Works Outstanding Sum**") shall be a debt due and payable no later than seven (7) business days from the date of receipt by HPSB the written notice of demand issued by Pavilion REIT. If HPSB does not make full payment of the PHKL Works Outstanding Sum on the due date, HPSB shall pay to Pavilion REIT interest on the PHKL Works Outstanding Sum remaining unpaid, calculated at the rate of eight per centum per annum (8% p.a.) for the period commencing from the date immediately following the due date, to the date of actual payment thereof, based on the actual number of days elapsed on the basis of a 365 day year.	We view the negotiated arrangement between Pavilion REIT and HPSB (whereby the Net Purchase Consideration will be fully settled prior to the completion of the PHKL Works) as fair and reasonable after taking into consideration that (i) HPSB has agreed and undertaken to complete the PHKL Works by the PHKL Works Cut-Off Date, (ii) HPSB has undertaken to bear all costs related to the PHKL Works and to indemnify Pavilion REIT against all liabilities arising from the defects as well as (iii) the PHKL Works are not expected to result in significant rectification costs and expenses.

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Salient terms of the BTKL Lease Agreement

Our commentaries on the salient terms of the BTKL Lease Agreement as set out in Appendix **III** of the Circular are as follows:-

Salient terms of the BTKL Lease Agreement	**Our commentaries**
(1) Lease and term of lease Pavilion REIT as the Lessor has agreed to grant and HPSB as the Lessee has agreed to accept a lease over the BTKL Property for the Term commencing from the Beneficial Ownership Transfer Date ("**Lease Commencement Date**"), with an option to renew for the First Renewal and a further option to renew for the Second Renewal, free from all encumbrances and upon the terms and conditions set out in the BTKL Lease Agreement. The Term, First Renewal and Second Renewal are defined in Section 2.5, Part A of the Circular.	**Fair and reasonable.** The proposed lease of the BTKL Property will provide Pavilion REIT with a stable stream of income and cash flows over the next 30 years commencing from the Beneficial Ownership Transfer Date, provided that the proposed lease is renewed for the 2 successive Terms of 10 years each after the initial 10-year Term.
(2) Rental – Fixed Rental and Variable Rental The Lessee shall pay to the Lessor the Lease Rental, comprising:- (a) the Fixed Rental:- (i) in the amount of RM10,000,000.00 for the first five (5)-year period of the Term; (ii) in the amount of RM10,500,000.00 for the remaining five (5)-year period of the Term; (iii) if the lease is renewed for the First Renewal: (aa) for the first five (5)-year period of the First Renewal, in the amount increased at the Pre-Agreed Rate of Increase from the amount stated in paragraph (2)(a)(ii) above; and	**Fair and reasonable.** The Fixed Rental for the first Term of the proposed lease of the BTKL Property and the Pre-Agreed Rate of Increase were arrived at after taking into consideration, amongst others, the rental yields of comparable properties, the tenure of the proposed lease of the BTKL Property, the double net arrangement of the BTKL Lease Agreement and the current market increment rate for hospitality properties under long term lease arrangements. It is worth noting that the proposed lease of the BTKL Property was negotiated between the parties for a considerably long tenure. The Fixed Rental provides certainty to Pavilion REIT on the minimum annual rental to be derived from the BTKL Property, mitigating risks of unfavourable performance of BTKL and/or hospitality industry in Malaysia as a whole. The Fixed Rental for BTKL for the first 5-year period of the initial Term (RM10.00 million per annum) represents an annual gross yield of about 7.1% over the purchase consideration for the BTKL Property (RM140.00 million).

<table>
<tr><th>Salient terms of the BTKL Lease Agreement</th><th>Our commentaries</th></tr>
<tr><td>
<p>(bb) for the remaining five (5)-year period of the First Renewal, in the amount increased at the same Pre-Agreed Rate of Increase as paragraph (2)(a)(iii)(aa) above from the amount stated in paragraph (2)(a)(iii)(aa) above;</p>
<p>(iv) if the lease is renewed for the Second Renewal:-</p>
<p>(aa) for the first five (5)-year period of the Second Renewal, in the amount increased at the Pre-Agreed Rate of Increase from the amount stated in paragraph (2)(a)(iii)(bb) above; and</p>
<p>(bb) for the remaining five (5)-year period of the Second Renewal, in the amount increased at the same Pre-Agreed Rate of Increase as paragraph (2)(a)(iv)(aa) above from the amount stated in paragraph (2)(a)(iv)(aa) above; and</p>
<p>(b) the Variable Rental,</p>
<p>during the Term and shall not exercise or seek to exercise any right or claim to withhold rent or any right or claim to legal or equitable set-off.</p>
<p>If at any time during the Term, there is a Surplus Sum, such Surplus Sum shall be shared between Pavilion REIT and HPSB in the following manner:-</p>
<table>
<tr><th>Parties</th><th>Surplus Sum entitlement (%)</th></tr>
<tr><td>Pavilion REIT</td><td>40% of the Surplus Sum</td></tr>
<tr><td>HPSB</td><td>60% of the Surplus Sum</td></tr>
</table>
</td><td>
<p>We view that the Fixed Rental for BTKL is in line with the prevailing market rates taking into consideration that the BTKL's annual gross yield of about 7.1% approximates to the gross yields of several similar hotels within Kuala Lumpur ranging from 6.2% to 6.9% as follows:-</p>
<table>
<tr><th>Hotel name</th><th>Type of property</th><th>Gross yield (%)</th></tr>
<tr><td>The Majestic Hotel Kuala Lumpur</td><td>5-star 300-room hotel</td><td>6.9</td></tr>
<tr><td>Hotel Stripes Kuala Lumpur, Autograph collection</td><td>5-star 184-room hotel</td><td>6.9</td></tr>
<tr><td>JW Marriott Hotel Kuala Lumpur</td><td>5-star 578-room hotel</td><td>6.5</td></tr>
<tr><td>The Ritz-Carlton Kuala Lumpur (hotel wing)</td><td>5-star 251-room hotel</td><td>6.2</td></tr>
</table>
<p>(Source: Announcement by YTL Hospitality REIT on Bursa Securities entitled “Presentation - Financial performance for the quarter ended 31 December 2024” dated 20 February 2025)</p>
<p>Further, we view that the increase in the Fixed Rental for BTKL for the remaining 5-year period of the initial Term and the Pre-Agreed Rate of Increase to be adopted in determining the Fixed Rental for BTKL for the First Renewal and Second Renewal are in line with the prevailing market rates. As a benchmark, we noted that YTL Hospitality REIT adopts a 5% increase for every 5-year intervals for its hospitality properties under long term lease arrangements.</p>
<p>Based on our discussion with the Valuer, we understand that there is lack of publicly available information in respect of rental arrangement for hospitality properties which involve a variable rental portion in addition to fixed rental. Accordingly, we are unable to establish whether the agreed sharing ratio in respect of the Variable Rent is in line with the prevailing market practice. Although Pavilion REIT has similar rental arrangement in respect of its retail properties (e.g. sales turnover rent (variable rental portion) in addition to fixed rental), this is not directly comparable to hospitality properties.</p>
<p>Notwithstanding the above, we wish to highlight that the Fixed Rental for BTKL already represents an annual gross yield of about 7.1% and is in line with the prevailing market rates. The Variable Rental represents an additional upside for Pavilion REIT as it allows Pavilion REIT to further benefit from the profitability of BTKL in the event there is Surplus Sum.</p>
<p>In addition, we wish to highlight that the Lease Rental has been factored in the valuation by CBRE | WTW for the BTKL Property (which forms the basis and justification for the purchase consideration of the BTKL Property) and accordingly, we view that the Lease Rental as fair and reasonable.</p>
</td></tr>
</table>

Salient terms of the BTKL Lease Agreement	**Our commentaries**
(3) Covenants Pursuant to the BTKL Lease Agreement, the Lessee agrees and covenants with the Lessor, among others, that:- (a) <u>Payment of Utility, Deposit, Charges and Services</u> Save and except for all those charges agreed to be paid by the Lessor to the appropriate authority/management body under the BTKL Lease Agreement, the Lessee shall pay to the appropriate authority/management body all charges in respect of water, electricity, sewerage and other utilities used throughout the Term in respect of the BTKL Property. If the Lessee fails to discharge its debt due and payable to the appropriate authority/management body and the amount so owing is then paid by the Lessor on behalf of the Lessee, the amount paid by the Lessor shall forthwith become a debt due and payable on demand by the Lessee. For the avoidance of doubt, the Lessor is not obliged to make any payment to the appropriate authority/management body on behalf of the Lessee. (b) <u>Insurance</u> The Lessee shall at its costs and expense take up all necessary insurance required for the conduct of the business of the Lessee and for the Lessee to remain in compliance with all the Lessee's obligations with third parties including but not limited to the hotel manager appointed by the Lessee ("**Hotel Manager**") under the hotel management agreement entered into between the Lessee and the Hotel Manager ("**Hotel Management Agreement**"), and where applicable and permitted by the insurer, to include the Lessor as one of the insured parties or have the name of the Lessor endorsed as registered and beneficial owner of the BTKL Property in the insurance policies.	**Fair and reasonable.** This clause sets out the covenants of HPSB (as the Lessee) to Pavilion REIT (as the Lessor), which is a typical commercial term for transactions of such nature. We wish to highlight the following for the Unitholders' information:- (i) Pavilion REIT shall bear the repair cost for any BTKL Major Equipment exceeding 50% of its replacement cost and the replacement cost for those that have reached end of life during the tenure of the proposed lease, which we view as reasonable as the BTKL Major Equipment forms part of the subject matter of the proposed lease; (ii) HPSB shall ensure that there shall be no material dilution of the shareholding of the strategic shareholders in HPSB during the first 5-year period of the Term whereby the direct or indirect shareholding of such shareholders in HPSB shall not fall below 80% in aggregate in HPSB (Remaining 5-year period of the Term: shall not fall below 75% in HPSB); and (iii) if the Hotel Management Agreement expires or is determined before the expiry of the Term, HPSB shall either renew the Hotel Management Agreement or enter into another hotel management agreement with another hotel manager with a similar or higher standing than the Hotel Manager and maintain or improve the brand standing. Both (ii) and (iii) above serve in the interest of Pavilion REIT in respect of the proposed lease of the BTKL Property as these will help ensure the continuity of management and smooth operations of BTKL.

Salient terms of the BTKL Lease Agreement	Our commentaries
(c) Upkeep and Maintenance of the BTKL Property The Lessee shall throughout the Term carry out periodic maintenance to keep and maintain the BTKL Property in good and tenantable state of repair and condition (fair wear and tear excepted) and shall be responsible for the periodic cleaning, maintenance and upkeep of the BTKL Property. If any damage or breakage is caused by the Lessee (or its servant or agent or its customers, invitees or licensees or any person claiming through or under the Lessee) to the BTKL Property or any part thereof, howsoever caused, the Lessee shall as soon as practicable repair and make good such damage, failing which the Lessor shall be entitled to execute the repairs and any expenses and cost incurred in carrying out such work shall be a debt due and payable on demand from the Lessee to the Lessor. Subject to reasonably satisfactory documentary evidence of proper and periodic upkeep and maintenance being extended to the Lessor, where the repair cost for any BTKL Major Equipment exceeds 50% of its replacement cost, the Lessor shall bear such cost of repair or elect to instruct the Lessee to replace the BTKL Major Equipment at the Lessor's cost. For any BTKL Major Equipment that has reached end of life as per the specifications, manuals and documentation relating to such BTKL Major Equipment as provided by the manufacturer/supplier, the Lessor shall bear the replacement cost. Notwithstanding the foregoing, the Lessor may elect to defer the replacement of the affected BTKL Major Equipment if in the opinion of the Lessor that BTKL Major Equipment remains operable, provided that it is permitted by the appropriate authority and provided that the non-replacement of that BTKL Major Equipment does not affect the operation of the business of the Lessee.	Please refer to our commentaries above.

Salient terms of the BTKL Lease Agreement	Our commentaries
(d) On Determination of Lease On the expiration of the Term, and unless renewed in accordance with the terms of the BTKL Lease Agreement or on sooner determination of the Term:- (i) the Lessor shall have the right to instruct the Lessee to deliver to the Lessor, either vacant possession or legal possession of the BTKL Property. The Lessor shall notify the Lessee of its election within three (3) months prior to the expiration of the Term or if the Term is sooner determined prior to its expiration, no later than three (3) business days after the date of the issuance of the notice of termination. If the Lessor fails to provide such notification within the specified period, the Lessee shall only be required to deliver legal possession to the Lessor on the expiration or sooner determination of the Term, whichever applicable, and unless acquired by the Lessor in accordance with the terms of the BTKL Lease Agreement, the Lessee shall, at its own costs and expense remove all the Lessee's BTKL Fixtures and Fittings within one (1) month from the expiration or sooner determination of the Term, free of rental. (ii) if the Lessor elects to take vacant possession of the BTKL Property, the Lessee shall no later than one (1) month from the expiration or sooner determination of the Term, yield up the BTKL Property with all locks and keys (or security access cards) complete to the Lessor and unless acquired by the Lessor in accordance with the terms of the BTKL Lease Agreement, at the Lessee's own costs and expense remove all the Lessee's BTKL Fixtures and Fittings, and unless otherwise agreed between the Lessor and the Lessee, to reinstate the BTKL Property to its original state as at the Lease Commencement Date, in good tenantable repair and condition (fair wear and tear excepted). The scope of reinstatement works shall be mutually agreed upon by the Lessor and the Lessee, acting reasonably and in good faith.	Please refer to our commentaries above.

Salient terms of the BTKL Lease Agreement	Our commentaries
(iii) if the Lessee fails to deliver vacant possession of the BTKL Property, or to remove the Lessee's BTKL Fixtures and Fittings or to reinstate in accordance with this provision, the Lessee shall pay to the Lessor double rent for every month or part thereof that the Lessee fails to comply after one (1) month upon the expiration or sooner determination of the Term, whichever applicable, subject to the Lessor's duty of mitigation of damages and without prejudice to the aforesaid it shall be lawful for the Lessor or its servants or agents to remove the Lessee's BTKL Fixtures and Fittings on the Lessee's behalf, repair all damages and breakage caused by the Lessee and reinstate the BTKL Property in accordance with the provisions of the BTKL Lease Agreement and all costs of such work shall be a debt due and payable on demand from the Lessee to the Lessor. Such payment of the agreed liquidated damages will not be treated as a renewal of the lease whether by operation of law or pursuant to the provisions of the BTKL Lease Agreement. (iv) for avoidance of doubt, notwithstanding that under any of the provisions of the BTKL Lease Agreement, upon expiry or sooner termination of the lease, the Lessee is stated to be under the obligation to reinstate the BTKL Property to its original state as at the Lease Commencement Date. In relation to all renovations carried out to the BTKL Strata Parcel and modifications carried out to the BTKL Fixtures and Fittings during the Term with the express consent of the Lessor, the Lessee shall not be required to reinstate or bear the costs of reinstatement of all or any of such renovations and modifications carried out.	Please refer to our commentaries above.

Salient terms of the BTKL Lease Agreement	Our commentaries
(v) the Lessor agrees to refund the Lessee the unused portion of the Lease Rental payment. The refund shall be calculated on a pro-rata basis, taking into account the number of days remaining in the Lease Rental period after the termination date. Such refund less such sum or sums as may then be due to the Lessor shall be paid to the Lessee within 30 business days from the date of termination, provided that the Lessee has complied with all obligations under the BTKL Lease Agreement. (e) <u>Ownership</u> (i) The Lessee shall ensure that there shall be no material dilution of the shareholding of the Lessee with regards to the strategic shareholders during the first five (5)-year period of the Term. The Lessee covenants that the direct or indirect shareholding of the strategic shareholders in the Lessee during such period shall not fall below 80% in aggregate, of the total issued and paid up ordinary share capital in the Lessee. (ii) In respect of the balance five (5)-year period of the Term, the Lessee shall ensure that:- (aa) the direct or indirect shareholding of the strategic shareholders in the Lessee during the remaining period shall not fall below 75% in aggregate, of the total issued and paid-up ordinary share capital in the Lessee; or (bb) either one of the strategic shareholders remains as a direct or indirect shareholder of the Lessee and the shareholding of the remaining strategic shareholder shall not fall below 75%, of the total issued and paid-up ordinary share capital in the Lessee.	Please refer to our commentaries above.

Salient terms of the BTKL Lease Agreement	Our commentaries
(f) Compliance with Hotel Management Agreement (i) The Lessee and all persons claiming through or under the Lessee shall observe and comply with all the terms and conditions of the Hotel Management Agreement (including any renewals thereof) in respect of the BTKL Property. (ii) Subject to paragraph (iii) below, the Lessee shall promptly notify the Lessor of any renewals or amendments to the Hotel Management Agreement. (iii) Unless with the prior written consent of the Lessor, the Lessee shall not amend the terms of the Hotel Management Agreement that may materially impact the terms and conditions of the BTKL Lease Agreement, including any amendment which may affect the amount of the Variable Rental (such consent not to be unreasonably withheld or delayed). (g) Determination of the Hotel Management Agreement (i) If the Hotel Management Agreement expires or is determined before the expiry of the Term, the Lessee shall, subject to prior notification to the Lessor, either renew the Hotel Management Agreement or subject to consultation with the Lessor enter into another hotel management agreement with another hotel manager with a similar or higher standing than the Hotel Manager and maintain or improve the brand standing as at the date hereof. (ii) Unless with the prior written consent of the Lessor, the Lessee shall ensure that any renewal of the Hotel Management Agreement or any new hotel management agreement shall not be for a duration exceeding the unexpired term of the then current Term (such consent not to be unreasonably withheld or delayed).	Please refer to our commentaries above.

Salient terms of the BTKL Lease Agreement	Our commentaries
(h) <u>Hotel Manager's Reports under the Hotel Management Agreement</u> The Lessee shall within three (3) business days of its receipt of each or any of the following documents under the Hotel Management Agreement, provide copies of the same to the Lessor:- (i) monthly profit and loss statement; (ii) monthly business review and performance report; (iii) yearly audited statement, including detailed fixtures and fittings reflecting itemised cost, depreciation and NBV; and (iv) annual plan. The Lessee shall provide any other information reasonably requested by the Lessor within 10 business days upon receipt of the Lessor's written request.	Please refer to our commentaries above.

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<table>
<tr><th>Salient terms of the BTKL Lease Agreement</th><th>Our commentaries</th></tr>
<tr><td>
<p>(4) Events of default</p>
<p>4.1 Events of Default by the Lessee</p>
<p>Pursuant to the BTKL Lease Agreement, the Lessor and the Lessee agree that the following, among others, shall constitute events of default by the Lessee:-</p>
<p>(a) if the Lease Rental or any part thereof or any sum payable to the Lessor under the terms of the BTKL Lease Agreement shall be unpaid for 10 business days after becoming payable (whether the same shall have been formally demanded or not) and fails to remedy the same within 20 business days after notice in writing has been given by the Lessor to the Lessee requiring the breach to be remedied; or</p>
<p>(b) if the Lessee commits or permits any breach or default in the due and punctual observance of any of the conditions, stipulations, terms and covenants expressed in the BTKL Lease Agreement (other than the events set out in paragraphs 4.1(a) and (c), among others) and fails to remedy the same within 30 business days after notice in writing has been given by the Lessor to the Lessee requiring the breach to be remedied; or</p>
<p>(c) if the Lessee commits or permits any breach or default in the due and punctual observance of any of the conditions, stipulations, terms and covenants expressed in the PHKL Lease Agreement and fails to remedy the same within the period prescribed in the PHKL Lease Agreement to remedy such breach after requisite notice in writing has been given by the Lessor to the Lessee requiring the breach under the PHKL Lease Agreement to be remedied by the Lessee therein,</p>
</td><td>
<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>
<tr><th>In an event of default by</th><th colspan="2">Defaulting party</th></tr>
<tr><th></th><th>HPSB</th><th>Pavilion REIT</th></tr>
<tr><th>Rights and remedies available to</th><th colspan="2">Non-defaulting party</th></tr>
<tr><th></th><th>Pavilion REIT</th><th>HPSB</th></tr>
<tr><td>(i) Termination of the BTKL Lease Agreement, whereby:-</td><td></td><td></td></tr>
<tr><td>(a) Pavilion REIT shall be at liberty to re-enter the BTKL Strata Parcel and take possession of the BTKL Fixtures and Fittings or any part thereof; and</td><td>✓</td><td>-</td></tr>
<tr><td>(b) HPSB shall pay to Pavilion REIT damages quantified as the Fixed Rental payable for the unexpired portion of the then current Term; or</td><td>✓</td><td>-</td></tr>
<tr><td>(c) HPSB shall be entitled to claim from Pavilion REIT damages, all losses suffered and liabilities incurred flowing from the breach on the part of Pavilion REIT.</td><td>-</td><td>✓</td></tr>
<tr><td>(ii) Remedy of specific performance along with any ancillary reliefs</td><td>-</td><td>✓</td></tr>
</table>
<p>In addition, in an event of default by Pavilion REIT, HPSB shall be entitled to suspend its payment obligations under the BTKL Lease Agreement until Pavilion REIT remedies the default.</p>
</td></tr>
</table>

Salient terms of the BTKL Lease Agreement	Our commentaries
then and in any of the said cases, it shall be lawful for the Lessor at any time thereafter to serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code (Revised 2020) and it is mutually agreed that a final reasonable time in which to remedy the breach the subject matter of the said forfeiture notice is 10 business days and on the expiration of the period specified in the said forfeiture notice without the breach complained of having been remedied, the Lessor shall be at liberty to re-enter the BTKL Strata Parcel and take possession of the BTKL Fixtures and Fittings or any part thereof in the name of the whole and thereupon the lease shall absolutely determine but without prejudice to any right of action of the Lessor in respect of the Lessee's breach of its covenants herein contained. Subject to the Lessor's duty of mitigation of damages, the Lessee shall pay to the Lessor damages quantified as the Fixed Rental payable for the unexpired portion of the then current Term. **4.2 Events of Default by the Lessor** Pursuant to the BTKL Lease Agreement, the Lessor and the Lessee agree that the following shall constitute events of default by the Lessor:- (a) if the Lessor commits or permits any breach or default in the due and punctual observance of any of the conditions, stipulations, terms and covenants expressed in the BTKL Lease Agreement; and (b) if the Lessor shall be wound up whether compulsorily or voluntarily (save and except for purposes of reconstruction or amalgamation) or enter into any arrangement or composition with its creditors.	Please refer to our commentaries above.

Salient terms of the BTKL Lease Agreement	Our commentaries
Upon the occurrence of an event of default by the Lessor, the Lessee shall be entitled to:- (i) suspend its payment obligations under the BTKL Lease Agreement until the Lessor remedies the default; and (ii) give written notice to the Lessor of such default, specifying the nature of the default and requiring the Lessor to remedy the default within 20 business days from the date of the notice, and if the Lessor fails to remedy the default within the prescribed period, the Lessee shall be entitled to:- (A) seek for specific performance along with any ancillary reliefs; or (B) terminate the BTKL Lease Agreement by giving written notice to the Lessor of such termination and the Lessee shall be entitled to claim from the Lessor damages, all losses suffered and liabilities incurred flowing from the breach on the part of the Lessor.	Please refer to our commentaries above.

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Salient terms of the PHKL Lease Agreement

Our commentaries on the salient terms of the PHKL Lease Agreement as set out in Appendix IV of the Circular are as follows:-

Salient terms of the PHKL Lease Agreement	**Our commentaries**
(1) Lease and term of lease Pavilion REIT as the Lessor has agreed to grant and HPSB as the Lessee has agreed to accept a lease over the PHKL Property for the Term commencing from the Lease Commencement Date, with an option to renew for the First Renewal and a further option to renew for the Second Renewal, free from all encumbrances and upon the terms and conditions set out in the PHKL Lease Agreement. The Term, First Renewal and Second Renewal are defined in Section 2.5, Part A of the Circular.	**Fair and reasonable.** The proposed lease of the PHKL Property will provide Pavilion REIT with a stable stream of income and cash flows over the next 30 years commencing from the Beneficial Ownership Transfer Date, provided that the proposed lease is renewed for the 2 successive Terms of 10 years each after the initial 10-year Term.
(2) Rental – Fixed Rental and Variable Rental The Lessee shall pay to the Lessor the Lease Rental, comprising:- (a) the Fixed Rental:- (i) in the amount of RM23,500,000.00 for the first five (5)-year period of the Term; (ii) in the amount of RM24,675,000.00 for the remaining five (5)-year period of the Term; (iii) if the lease is renewed for the First Renewal:- (aa) for the first five (5)-year period of the First Renewal, in the amount increased at the Pre-Agreed Rate of Increase from the amount stated in paragraph (2)(a)(ii) above; and	**Fair and reasonable.** The Fixed Rental for the first Term of the proposed lease of the PHKL Property and the Pre-Agreed Rate of Increase were arrived at after taking into consideration, amongst others, the rental yields of comparable properties, the tenure of the proposed lease of the PHKL Property, the double net arrangement of the PHKL Lease Agreement and the current market increment rate for hospitality properties under long term lease arrangements. It is worth noting that the proposed lease of the PHKL Property was negotiated between the parties for a considerably long tenure. The Fixed Rental provides certainty to Pavilion REIT on the minimum annual rental to be derived from the PHKL Property, mitigating risks of unfavourable performance of PHKL and/or hospitality industry in Malaysia as a whole. The Fixed Rental for PHKL for the first 5-year period of the initial Term (RM23.50 million per annum) represents an annual gross yield of about 6.9% over the purchase consideration for the PHKL Property (RM340.00 million).

Salient terms of the PHKL Lease Agreement

(bb) for the remaining five (5)-year period of the First Renewal, in the amount increased at the same Pre-Agreed Rate of Increase as paragraph (2)(a)(iii)(aa) above from the amount stated in paragraph (2)(a)(iii)(aa) above;

(iv) if the lease is renewed for the Second Renewal:-

(aa) for the first five (5)-year period of the Second Renewal, in the amount increased at the Pre-Agreed Rate of Increase from the amount stated in paragraph (2)(a)(iii)(bb) above; and

(bb) for the remaining five (5)-year period of the Second Renewal, in the amount increased at the same Pre-Agreed Rate of Increase as paragraph (2)(a)(iv)(aa) above from the amount stated in paragraph (2)(a)(iv)(aa) above; and

(b) the Variable Rental,

during the Term and shall not exercise or seek to exercise any right or claim to withhold rent or any right or claim to legal or equitable set-off.

If at any time during the Term, there is a Surplus Sum, such Surplus Sum shall be shared between Pavilion REIT and HPSB in the following manner:-

Parties	Surplus Sum entitlement (%)
Pavilion REIT	40% of the Surplus Sum
HPSB	60% of the Surplus Sum

Our commentaries

We view that the Fixed Rental for PHKL is in line with the prevailing market rates taking into consideration that the PHKL's annual gross yield of about 6.9% is within the gross yields of several similar hotels within Kuala Lumpur ranging from 6.2% to 6.9% as follows:-

Hotel name	Type of property	Gross yield (%)
The Majestic Hotel Kuala Lumpur	5-star 300-room hotel	6.9
Hotel Stripes Kuala Lumpur, Autograph collection	5-star 184-room hotel	6.9
JW Marriott Hotel Kuala Lumpur	5-star 578-room hotel	6.5
The Ritz-Carlton Kuala Lumpur (hotel wing)	5-star 251-room hotel	6.2

(Source: Announcement by YTL Hospitality REIT on Bursa Securities entitled "Presentation - Financial performance for the quarter ended 31 December 2024" dated 20 February 2025)

Further, we view that the increase in the Fixed Rental for PHKL for the remaining 5-year period of the initial Term and the Pre-Agreed Rate of Increase to be adopted in determining the Fixed Rental for PHKL for the First Renewal and Second Renewal are in line with the prevailing market rates. As a benchmark, we noted that YTL Hospitality REIT adopts a 5% increase for every 5-year intervals for its hospitality properties under long term lease arrangements.

Based on our discussion with the Valuer, we understand that there is lack of publicly available information in respect of rental arrangement for hospitality properties which involve a variable rental portion in addition to fixed rental. Accordingly, we are unable to establish whether the agreed sharing ratio in respect of the Variable Rent is in line with the prevailing market practice. Although Pavilion REIT has similar rental arrangement in respect of its retail properties (e.g. sales turnover rent (variable rental portion) in addition to fixed rental), this is not directly comparable to hospitality properties.

Notwithstanding the above, we wish to highlight that the Fixed Rental for PHKL already represents an annual gross yield of about 6.9% and is in line with the prevailing market rates. The Variable Rental represents an additional upside for Pavilion REIT as it allows Pavilion REIT to further benefit from the profitability of PHKL in the event there is Surplus Sum.

In addition, we wish to highlight that the Lease Rental has been factored in the valuation by CBRE | WTW for the PHKL Property (which forms the basis and justification for the purchase consideration of the PHKL Property) and accordingly, we view that the Lease Rental as fair and reasonable.

Salient terms of the PHKL Lease Agreement	Our commentaries
(3) Covenants Pursuant to the PHKL Lease Agreement, the Lessee agrees and covenants with the Lessor, among others, that:- (a) <u>Payment of Utility, Deposit, Charges and Services</u> Save and except for all those charges agreed to be paid by the Lessor to the appropriate authority/management body under the PHKL Lease Agreement, the Lessee shall pay to the appropriate authority/management body all charges in respect of water, electricity, sewerage and other utilities used throughout the Term in respect of the PHKL Property. If the Lessee fails to discharge its debt due and payable to the appropriate authority/management body and the amount so owing is then paid by the Lessor on behalf of the Lessee, the amount paid by the Lessor shall forthwith become a debt due and payable on demand by the Lessee. For the avoidance of doubt, the Lessor is not obliged to make any payment to the appropriate authority/management body on behalf of the Lessee. (b) <u>Insurance</u> The Lessee shall at its costs and expense take up all necessary insurance required for the conduct of the business of the Lessee and for the Lessee to remain in compliance with all the Lessee's obligations with third parties including but not limited to the Hotel Manager under the Hotel Management Agreement, and where applicable and permitted by the insurer, to include the Lessor as one of the insured parties or have the name of the Lessor endorsed as registered and beneficial owner of the PHKL Property in the insurance policies.	**Fair and reasonable.** This clause sets out the covenants of HPSB (as the Lessee) to Pavilion REIT (as the Lessor), which is a typical commercial term for transactions of such nature. We wish to highlight the following for the Unitholders' information:- (i) Pavilion REIT shall bear the repair cost for any PHKL Major Equipment exceeding 50% of its replacement cost and the replacement cost for those that have reached end of life during the tenure of the proposed lease, which we view as reasonable as the PHKL Major Equipment forms part of the subject matter of the proposed lease; (ii) HPSB shall ensure that there shall be no material dilution of the shareholding of the strategic shareholders in HPSB during the first 5-year period of the Term whereby the direct or indirect shareholding of such shareholders in HPSB shall not fall below 80% in aggregate in HPSB (Remaining 5-year period of the Term: shall not fall below 75% in HPSB); and (iii) if the Hotel Management Agreement expires or is determined before the expiry of the Term, HPSB shall either renew the Hotel Management Agreement or enter into another hotel management agreement with another hotel manager with a similar or higher standing than the Hotel Manager and maintain or improve the brand standing. Both (ii) and (iii) above serve in the interest of Pavilion REIT in respect of the proposed lease of the PHKL Property as these will help ensure the continuity of management and smooth operations of PHKL.

Salient terms of the PHKL Lease Agreement	Our commentaries
(c) <u>Upkeep and Maintenance of the PHKL Property</u> The Lessee shall throughout the Term carry out periodic maintenance to keep and maintain the PHKL Property in good and tenantable state of repair and condition (fair wear and tear excepted) and shall be responsible for the periodic cleaning, maintenance and upkeep of the PHKL Property. If any damage or breakage is caused by the Lessee (or its servant or agent or its customers, invitees or licensees or any person claiming through or under the Lessee) to the PHKL Property or any part thereof, howsoever caused, the Lessee shall as soon as practicable repair and make good such damage, failing which the Lessor shall be entitled to execute the repairs and any expenses and cost incurred in carrying out such work shall be a debt due and payable on demand from the Lessee to the Lessor. Subject to reasonably satisfactory documentary evidence of proper and periodic upkeep and maintenance being extended to the Lessor, where the repair cost for any PHKL Major Equipment exceeds 50% of its replacement cost, the Lessor shall bear such cost of repair or elect to instruct the Lessee to replace the PHKL Major Equipment at the Lessor's cost. For any PHKL Major Equipment that has reached end of life as per the specifications, manuals and documentation relating to such PHKL Major Equipment as provided by the manufacturer/supplier, the Lessor shall bear the replacement cost. Notwithstanding the foregoing, the Lessor may elect to defer the replacement of the affected PHKL Major Equipment if in the opinion of the Lessor that PHKL Major Equipment remains operable, provided that it is permitted by the appropriate authority and provided that the non-replacement of that PHKL Major Equipment does not affect the operation of the business of the Lessee.	Please refer to our commentaries above.

Salient terms of the PHKL Lease Agreement	Our commentaries
(d) <u>On Determination of Lease</u> On the expiration of the Term, and unless renewed in accordance with the terms of the PHKL Lease Agreement or on sooner determination of the Term:- (i) the Lessor shall have the right to instruct the Lessee to deliver to the Lessor, either vacant possession or legal possession of the PHKL Property. The Lessor shall notify the Lessee of its election within three (3) months prior to the expiration of the Term or if the Term is sooner determined prior to its expiration, no later than three (3) business days after the date of the issuance of the notice of termination. If the Lessor fails to provide such notification within the specified period, the Lessee shall only be required to deliver legal possession to the Lessor on the expiration or sooner determination of the Term, whichever applicable, and unless acquired by the Lessor in accordance with the terms of the PHKL Lease Agreement, the Lessee shall, at its own costs and expense remove all the Lessee's PHKL Fixtures and Fittings within one (1) month from the expiration or sooner determination of the Term, free of rental. (ii) if the Lessor elects to take vacant possession of the PHKL Property, the Lessee shall no later than one (1) month from the expiration or sooner determination of the Term, yield up the PHKL Property with all locks and keys (or security access cards) complete to the Lessor and unless acquired by the Lessor in accordance with the terms of the PHKL Lease Agreement, at the Lessee's own costs and expense remove all the Lessee's PHKL Fixtures and Fittings, and unless otherwise agreed between the Lessor and the Lessee, to reinstate the PHKL Property to its original state as at the Lease Commencement Date, in good tenantable repair and condition (fair wear and tear excepted). The scope of reinstatement works shall be mutually agreed upon by the Lessor and the Lessee, acting reasonably and in good faith.	Please refer to our commentaries above.

Salient terms of the PHKL Lease Agreement	Our commentaries
(iii) if the Lessee fails to deliver vacant possession of the PHKL Property, as the case may be, or to remove the Lessee’s PHKL Fixtures and Fittings or to reinstate in accordance with this provision, the Lessee shall pay to the Lessor double rent for every month or part thereof that the Lessee fails to comply after one (1) month upon the expiration or sooner determination of the Term, whichever applicable, subject to the Lessor’s duty of mitigation of damages and without prejudice to the aforesaid it shall be lawful for the Lessor, its servants or agents to remove the Lessee’s PHKL Fixtures and Fittings on the Lessee’s behalf, repair all damages and breakage caused by the Lessee and reinstate the PHKL Property in accordance with the provisions of the PHKL Lease Agreement and all costs of such work shall be a debt due and payable on demand from the Lessee to the Lessor. Such payment of the agreed liquidated damages will not be treated as a renewal of the lease whether by operation of law or pursuant to the provisions of the PHKL Lease Agreement. (iv) for avoidance of doubt, notwithstanding that under any of the provisions of the PHKL Lease Agreement, upon expiry or sooner termination of the lease, the Lessee is stated to be under the obligation to reinstate the PHKL Property to its original state as at the Lease Commencement Date. In relation to all renovations carried out to the PHKL Strata Parcels and modifications carried out to the PHKL Fixtures and Fittings during the Term with the express consent of the Lessor, the Lessee shall not be required to reinstate or bear the costs of reinstatement of all or any of such renovations and modifications carried out.	Please refer to our commentaries above.

Salient terms of the PHKL Lease Agreement	Our commentaries
(v) the Lessor agrees to refund the Lessee the unused portion of the Lease Rental payment. The refund shall be calculated on a pro-rata basis, taking into account the number of days remaining in the Lease Rental period after the termination date. Such refund less such sum or sums as may then be due to the Lessor shall be paid to the Lessee within 30 business days from the date of termination, provided that the Lessee has complied with all obligations under the PHKL Lease Agreement. (e) <u>Ownership</u> (i) The Lessee shall ensure that there shall be no material dilution of the shareholding of the Lessee with regards to the strategic shareholders during the first five (5)-year period of the Term. The Lessee covenants that the direct or indirect shareholding of the strategic shareholders in the Lessee during such period shall not fall below 80% in aggregate, of the total issued and paid up ordinary share capital in the Lessee. (ii) In respect of the balance five (5)-year period of the Term, the Lessee shall ensure that:- (aa) the direct or indirect shareholding of the strategic shareholders in the Lessee during the remaining period shall not fall below 75% in aggregate, of the total issued and paid-up ordinary share capital in the Lessee; or (bb) either one of the strategic shareholders remains as a direct or indirect shareholder of the Lessee and the shareholding of the remaining strategic shareholder shall not fall below 75%, of the total issued and paid-up ordinary share capital in the Lessee.	Please refer to our commentaries above.

Salient terms of the PHKL Lease Agreement	Our commentaries
(f) Compliance with Hotel Management Agreement (i) The Lessee and all persons claiming through or under the Lessee shall observe and comply with all the terms and conditions of the Hotel Management Agreement (including any renewals thereof) in respect of the PHKL Property. (ii) Subject to paragraph (iii) below, the Lessee shall promptly notify the Lessor of any renewals or amendments to the Hotel Management Agreement. (iii) Unless with the prior written consent of the Lessor, the Lessee shall not amend the terms of the Hotel Management Agreement that may materially impact the terms and conditions of the PHKL Lease Agreement, including any amendment which may affect the amount of the Variable Rental (such consent not to be unreasonably withheld or delayed). (g) Determination of the Hotel Management Agreement (i) If the Hotel Management Agreement expires or is determined before the expiry of the Term, the Lessee shall, subject to prior notification to the Lessor, either renew the Hotel Management Agreement or subject to consultation with the Lessor enter into another hotel management agreement with another hotel manager with a similar or higher standing than the Hotel Manager and maintain or improve the brand standing as at the date hereof. (ii) Unless with the prior written consent of the Lessor, the Lessee shall ensure that any renewal of the Hotel Management Agreement or any new hotel management agreement shall not be for a duration exceeding the unexpired term of the then current Term (such consent not to be unreasonably withheld or delayed).	Please refer to our commentaries above.

Salient terms of the PHKL Lease Agreement	Our commentaries
(h) <u>Hotel Manager's Reports under the Hotel Management Agreement</u> The Lessee shall within three (3) business days of its receipt of each or any of the following documents under the Hotel Management Agreement, provide copies of the same to the Lessor:- (i) monthly profit and loss statement; (ii) monthly business review and performance report; (iii) yearly audited statement, including detailed fixtures and fittings reflecting itemised cost, depreciation and NBV; and (iv) annual plan. The Lessee shall provide any other information reasonably requested by the Lessor within 10 business days upon receipt of the Lessor's written request.	Please refer to our commentaries above.

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<table>
<tr><th>Salient terms of the PHKL Lease Agreement</th><th>Our commentaries</th></tr>
<tr><td>
(4) Events of default

4.1 Events of Default by the Lessee

Pursuant to the PHKL Lease Agreement, the Lessor and the Lessee agree that the following, among others, shall constitute events of default by the Lessee:-

(a) if the Lease Rental or any part thereof or any sum payable to the Lessor under the terms of the PHKL Lease Agreement shall be unpaid for 10 business days after becoming payable (whether the same shall have been formally demanded or not) and fails to remedy the same within 20 business days after notice in writing has been given by the Lessor to the Lessee requiring the breach to be remedied; or

(b) if the Lessee commits or permits any breach or default in the due and punctual observance of any of the conditions stipulations terms and covenants expressed in the PHKL Lease Agreement (other than the events set out in paragraph 4.1(a) and/or (c), among others) and fails to remedy the same within 30 business days after notice in writing has been given by the Lessor to the Lessee requiring the breach to be remedied; or

(c) if the Lessee commits or permits any breach or default in the due and punctual observance of any of the conditions stipulations terms and covenants expressed in the BTKL Lease Agreement and fails to remedy the same within the period prescribed in the BTKL Lease Agreement to remedy such breach after notice in writing has been given by the Lessor to the Lessee requiring the breach under the BTKL Lease Agreement to be remedied by the Lessee therein,
</td><td>
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:-

<table>
<tr><th>In an event of default by</th><th colspan="2">Defaulting party</th></tr>
<tr><td></td><td>HPSB</td><td>Pavilion REIT</td></tr>
<tr><td>Rights and remedies available to</td><td colspan="2">Non-defaulting party</td></tr>
<tr><td></td><td>Pavilion REIT</td><td>HPSB</td></tr>
<tr><td>(i) Termination of the PHKL Lease Agreement, whereby:-</td><td></td><td></td></tr>
<tr><td>(a) Pavilion REIT shall be at liberty to re-enter the PHKL Strata Parcels and take possession of the PHKL Fixtures and Fittings or any part thereof; and</td><td>✓</td><td>-</td></tr>
<tr><td>(b) HPSB shall pay to Pavilion REIT damages quantified as the Fixed Rental payable for the unexpired portion of the then current Term; or</td><td>✓</td><td>-</td></tr>
<tr><td>(c) HPSB shall be entitled to claim from Pavilion REIT damages, all losses suffered and liabilities incurred flowing from the breach on the part of Pavilion REIT.</td><td>-</td><td>✓</td></tr>
<tr><td>(ii) Remedy of specific performance along with any ancillary reliefs</td><td>-</td><td>✓</td></tr>
</table>

In addition, in an event of default by Pavilion REIT, HPSB shall be entitled to suspend its payment obligations under the PHKL Lease Agreement until Pavilion REIT remedies the default.
</td></tr>
</table>

Salient terms of the PHKL Lease Agreement	Our commentaries
then and in any of the said cases, it shall be lawful for the Lessor at any time thereafter to serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code (Revised 2020) and it is mutually agreed that a final reasonable time in which to remedy the breach the subject matter of the said forfeiture notice is 10 business days and on the expiration of the period specified in the said forfeiture notice without the breach complained of having been remedied, the Lessor shall be at liberty to re-enter the PHKL Strata Parcels and take possession of the PHKL Fixtures and Fittings or any part thereof in the name of the whole and thereupon the lease shall absolutely determine but without prejudice to any right of action of the Lessor in respect of the Lessee's breach of its covenants herein contained. Subject to the Lessor's duty of mitigation of damages, the Lessee shall pay to the Lessor damages quantified as the Fixed Rental payable for the unexpired portion of the then current Term. **4.2 Events of Default by the Lessor** Pursuant to the PHKL Lease Agreement, the Lessor and the Lessee agree that the following shall constitute events of default by the Lessor:- (a) if the Lessor commits or permits any breach or default in the due and punctual observance of any of the conditions, stipulations, terms and covenants expressed in the PHKL Lease Agreement; and (b) if the Lessor shall be wound up whether compulsorily or voluntarily (save and except for purposes of reconstruction or amalgamation) or enter into any arrangement or composition with its creditors.	Please refer to our commentaries above.

Salient terms of the PHKL Lease Agreement	Our commentaries
Upon the occurrence of an event of default by the Lessor, the Lessee shall be entitled to:- (i) suspend its payment obligations under the PHKL Lease Agreement until the Lessor remedies the default; and (ii) give written notice to the Lessor of such default, specifying the nature of the default and requiring the Lessor to remedy the default within 20 business days from the date of the notice, and if the Lessor fails to remedy the default within the prescribed period, the Lessee shall be entitled to:- (A) seek for specific performance along with any ancillary reliefs; or (B) terminate the PHKL Lease Agreement by giving written notice to the Lessor of such termination and the Lessee shall be entitled to claim from the Lessor damages, all losses suffered and liabilities incurred flowing from the breach on the part of the Lessor.	Please refer to our commentaries above.

Our commentaries:-

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

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 2 scenarios as follows:-

(i) Scenario 1: Without the Proposed Placement

Pavilion REIT elects not to implement the Proposed Placement and issues the Consideration Units to the Vendors and/or their Authorised Nominee(s) to part settle RM246.50 million of the Purchase Consideration. The remaining Net Purchase Consideration and the Estimated Expenses will be funded via borrowings.

(ii) Scenario 2: Maximum Placement

Pavilion REIT elects to implement the Maximum Placement to fully settle the Net Purchase Consideration and the Estimated Expenses, and to repay existing borrowings. No Consideration Units will be issued to the Vendors and/or their Authorised Nominee(s) and no borrowings will be procured for the Proposed Acquisitions.

The assumed parameters based on Scenario 1 and Scenario 2 are as follows:-

	Scenario 1: Without the Proposed Placement	**Scenario 2: Maximum Placement**
Number of new Units to be issued	172,377,600 Consideration Units	386,014,000 Placement Units
Illustrative issue price of the new Units	RM1.43[(1)]	RM1.43
Size of issuance	RM246.50 million	RM552.00 million
New borrowings to be raised	RM209.00 million	-
Total funds to be raised to fund the Proposed Acquisitions and Estimated Expenses	RM455.50 million	RM552.00 million

Note:-

(1) For the purposes of illustration of pro forma effects of the Proposals, the illustrative issue price of the Consideration Units in Scenario 1 is assumed to be RM1.43, which is same as the illustrative issue price of the Placement Units in Scenario 2.

We wish to highlight to the Unitholders that pursuant to the SPAs, the issue price of the Consideration Units shall be based on the 5-day VWAP of the Units up to and including the market day preceding the Determination Date. For information purposes, the 5-day VWAP of the Units up to and including the LPD is RM1.46 (Source: Bloomberg). Should the illustrative issue price of the Consideration Units be based on RM1.46, the number of Consideration Units to be issued will be less. Accordingly, there will be less dilution to the unitholdings of the existing Unitholders and there will be greater enhancement to Pavilion REIT's EPU, DPU and NAV per Unit.

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: Without the Proposed Placement		**Scenario 2: Maximum Placement**	
	Number of Units ('000)	**RM'000**	**Number of Units ('000)**	**RM'000**
As at the LPD	3,664,390	3,678,621	3,664,390	3,678,621
Units to be issued	172,378	246,500	386,014	552,000
Estimated cost	-	(600)	-	(16,500)
Enlarged number of Units and Unitholders' capital	**3,836,768**	**3,924,521**	**4,050,404**	**4,214,121**

Scenario 1: Without the Proposed Placement

Under Scenario 1, a total of 172,377,600 Consideration Units will be issued to the Vendors and/or their Authorised Nominee(s) at an illustrative issue price of RM1.43 each to part settle the Net Purchase Consideration. Accordingly, this will result in an increase in the Unitholders' capital by RM245.90 million *(after offsetting the estimated cost in relation to the issuance of the Consideration Units of approximately RM0.60 million).*

Scenario 2: Maximum Placement

Under Scenario 2, a total of 386,014,000 Placement Units will be issued at an illustrative issue price of RM1.43 each to raise funds for the Net Purchase Consideration and Estimated Expenses, and to repay existing borrowings. Accordingly, this will result in an increase in the Unitholders' capital by RM535.50 million *(after offsetting the estimated cost in relation to the placement of the new Units of approximately RM16.50 million)*.

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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 based on the assumed parameters as set out in Scenario 1 and Scenario 2 are as follows:-

	As at the LPD				After the Proposals							
					Scenario 1: Without the Proposed Placement				Scenario 2: Maximum Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	Number of Units ('000)	%	Number of Units ('000)	%	Number of Units ('000)	%	Number of Units ('000)	%	Number of Units ('000)	%	Number of Units ('000)	%
QH	1,008,900	27.5	-	-	1,008,900	26.3	172,378(1)	4.5	1,008,900	24.9	-	-
TSLSC	845,425	23.1	-	-	845,425	22.0	172,378(1)	4.5	845,425	20.9	-	-
PSTKY	281,875	7.7	-	-	281,875	7.3	126,923(2)	3.3	281,875	7.0	-	-
EPF	408,101	11.1	-	-	408,101	10.6	-	-	570,978	14.1	-	-
KWAP	172,315	4.7	38,749(3)	1.1	172,315	4.5	38,749(3)	1.0	172,315	4.3	38,749(3)	1.0
LISB	-	-	-	-	45,455	1.2	-	-	-	-	-	-
HPSB	-	-	-	-	126,923	3.3	-	-	-	-	-	-

Notes: -

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

(2) Deemed interested by virtue of her indirect shareholding in HPSB pursuant to Section 4 of the CMSA.

(3) Held by its fund managers.

Scenario 1: Without the Proposed Placement

Under Scenario 1, the Vendors will emerge as new Unitholders following the issuance of 172,377,600 Consideration Units. The unitholdings of other existing Unitholders will be proportionately diluted by the issuance of the Consideration Units.

Scenario 2: Maximum Placement

Under Scenario 2, EPF, a Major Unitholder, and/or persons connected with it, participates in the Proposed Placement and its unitholding in Pavilion REIT will increase accordingly by such number of Placement Units subscribed for. The unitholdings of other existing Unitholders will be proportionately diluted by the issuance of 386,014,000 Placement Units.

Notwithstanding that the issuance of the Consideration Units *(if the Proposed Placement is not undertaken)* or Placement Units *(if the Proposed Placement is undertaken)* may have an immediate dilutive impact on the Unitholders' unitholdings, the Proposed Acquisitions and/or repayment of borrowings are expected to contribute positively to the future earnings and distributions of Pavilion REIT.

3.4.3 Earnings, EPU and DPU

The potential effects of the Proposals on Pavilion REIT's earnings, EPU and DPU will depend on, amongst others, the eventual net income contribution of the Subject Hotels vis-à-vis the financial performance of other investment properties within the portfolio of Pavilion REIT, actual number of the Consideration Units or Placement Units to be issued as well as cost of financing for the borrowings to be secured, if any.

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 2024 and based on the assumed parameters as set out in Scenario 1 and Scenario 2, the pro forma effects of the Proposals on the distributable income and DPU of Pavilion REIT based on the audited financial statements for the FYE 31 December 2024 are as follows:-

	Audited FYE 31 December 2024 (RM'000)	**After the Proposals**	
		Scenario 1: Without the Proposed Placement (RM'000)	**Scenario 2: Maximum Placement (RM'000)**
Distributable income	341,685	341,685	341,685
Add: Interest savings	-	-	3,840
Add: Annual incremental net income contribution of the Subject Hotels	-	18,338	28,788
Pro forma distributable income	**341,685**	**360,023**	**374,313**
Number of Units in issue ('000)	3,660,689	3,833,067	4,046,703
DPU (sen)	9.34	9.39	9.25

The non-interested Unitholders should note that the computation of pro forma effects of the Proposals above has only considered the Fixed Rental of RM33.50 million annually in aggregate. The subsequent increases in the Fixed Rental after the first 5-year period of the initial Term and Variable Rental, which is based on the financial performance of the Subject Hotels, if any, will enhance the distributable income and DPU of Pavilion REIT.

Further, as set out in Section 6.3, Part A of the Circular, the Manager will ensure that the number of new Units issued pursuant to the Proposed Issuance of Consideration Units or the Proposed Placement *(which includes the Proposed Placement to EPF)* will not result in a dilution to the DPU of Pavilion REIT

Based on the above, the Proposals are expected to contribute positively to the future earnings and distributions of Pavilion REIT.

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3.4.4 NAV, 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, NAV per Unit and gearing of Pavilion REIT based on the assumed parameters as set out in Scenario 1 and Scenario 2 and audited statement of financial position of Pavilion REIT as at 31 December 2024 are as follows:-

		After the Proposals	
	Audited as at 31 December 2024	Scenario 1: Without the Proposed Placement	Scenario 2: Maximum Placement
NAV (RM'000)	5,018,464	5,264,364	5,553,964
Number of Units in issue ('000)	3,660,689	3,833,067	4,046,703
NAV per Unit (RM)			
- Before income distribution	1.3709	1.3734	1.3725
- After income distribution	1.3228	1.3275	1.3290
Total borrowings (RM'000)	3,785,231	3,993,813	3,705,231
Total asset value (RM'000)	9,130,854	9,628,836	9,629,854
Gearing (%)	41.5	41.5	38.5

Scenario 1: Without the Proposed Placement

Under Scenario 1, the NAV of Pavilion REIT will increase by a net amount of RM245.90 million, mainly attributable to the issuance of 172,377,600 Consideration Units at an illustrative issue price of RM1.43 each to part settle the Net Purchase Consideration. The increase is offset by the estimated cost in relation to the issuance of the Consideration Units of approximately RM0.60 million. Arising from the issuance of the Consideration Units and recognition of the said estimated cost, the NAV per Unit *(after income distribution)* will increase slightly from RM1.3228 as at 31 December 2024 to RM1.3275.

The gearing of Pavilion REIT will remain at 41.5%, which is within the threshold as prescribed or permitted under Paragraph 8.32 of the Listed REIT Guidelines, i.e., the total borrowings or financing facilities, including borrowings or financing through issuance of debt facilities or sukuk, and deferred payment arrangements of Pavilion REIT must not exceed 50% of its total asset value at the time the borrowings or financing facilities, or deferred payment arrangements are incurred.

Scenario 2: Maximum Placement

Under Scenario 2, the NAV of Pavilion REIT will increase by a net amount of RM535.50 million, mainly attributable to the issuance of 386,014,000 Placement Units at an illustrative issue price of RM1.43 each to raise funds for the Net Purchase Consideration and Estimated Expenses, and to repay existing borrowings. The increase is offset by the estimated cost in relation to the placement of the new Units of approximately RM16.50 million. Arising from the issuance of the Placement Units and recognition of the said estimated cost, the NAV per Unit *(after income distribution)* will increase slightly from RM1.3228 as at 31 December 2024 to RM1.3290.

The gearing of Pavilion REIT will reduce from 41.5% to 38.5% due to the repayment of existing borrowings of RM80.00 million and the enlarged total asset value.

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 Proposals are not detrimental to the interests of the non-interested Unitholders.

3.5 Prospects of the hospitality industry as well as the Subject Hotels and Pavilion REIT

The hospitality industry was amongst the most severely and adversely impacted by COVID-19, particularly during 2020 and 2021 alongside with the tourism and aviation industries. During the COVID-19 pandemic period, the governments of Malaysia and other nations in the world had implemented strict control measures to curb the spread of COVID-19 including closure and/or restrictions on business, economic, cultural and recreational activities, lockdowns and restrictions on movement of people within, into and out of the country. These restrictions had significantly reduced or eliminated business activities for tourism and hospitality industry. As a result, many hotels in Malaysia had resorted to undertaking significant pay cuts and massive layoffs of employees and even closures of operations as they were unable to withstand the huge financial losses and strains on cash flows. The resumption of economic activities in Malaysia since April 2022 with full upliftment of containment measures and reopening of international borders was a major turnaround point for the tourism and hospitality industry in Malaysia.

As set out in Section 4, Part A of the Circular, Malaysia’s tourism industry saw a strong recovery in 2023, with international tourist arrivals doubling to 20.1 million, compared to 10.1 million in 2022. Tourist receipts also saw a significant rise, reaching RM71.3 billion, up from RM28.2 billion in 2022. In the first half of 2024, around 11.8 million international tourists visited Malaysia, up from 9.2 million in the same period in 2023, indicating consistent growth. This performance has been supported by initiatives like visa facilitation, improved accessibility and enhanced flight connectivity. Notable measures include the 30-day visa exemption for Chinese and Indian tourists, the introduction of new flight routes to cities like Shenzhen and Chengdu, and increased flight frequencies to destinations in India, Australia, and Japan. Malaysia is targeting 27.3 million international tourist arrivals in 2024, with a goal of generating over RM102.7 billion in tourism receipts. Looking ahead to Visit Malaysia 2026, the country aims to welcome 35.6 million visitors and achieve target receipts of RM147.1 billion. These goals are in line with Malaysia’s Tourism Strategy 2020-2030, which emphasises enhancing the country's competitiveness as a leading travel destination for international visitors.

The Subject Hotels are award-winning 5-star hotels strategically situated in the ‘heart’ of Bukit Bintang, within the prime commercial centre of the Golden Triangle of Kuala Lumpur. In addition, the Subject Hotels also enjoy convenient access and connectivity to Pavilion KL. Given the strategic location of Bukit Bintang, the synchronicity of the Subject Hotels and Pavilion REIT’s other assets within the Pavilion integrated development, namely Pavilion KL and Elite Pavilion Mall, the anticipated rise in both international tourist arrivals and domestic visitors, and the positive outlook of the tourism and hospitality industry, the Manager believes that the Subject Hotels will stand to benefit from the consequential and spillover effects of the aforementioned. This bodes well for Pavilion REIT as it will increase the appeal of the Pavilion integrated development, which will help boost the real estate value in the highly coveted area of Bukit Bintang.

In addition to the above, the Proposed Leases will provide Pavilion REIT with a stable stream of income and cash flows over the next 30 years commencing from the Beneficial Ownership Transfer Date, provided that the Proposed Leases are renewed for the 2 successive Terms of 10 years each after the initial 10-year Term. The Fixed Rental provides certainty to Pavilion REIT on the minimum annual rental to be derived from the Subject Hotels, mitigating risks of unfavourable performance of the Subject Hotels and/or hospitality industry in Malaysia as a whole. On the other hand, the Variable Rental allows Pavilion REIT to further benefit from the profitability of the Subject Hotels in the event there is Surplus Sum.

The Fixed Rental of RM33.50 million annually in aggregate for the first 5-year period of the initial Term, after deducting estimated owner's expenses of RM2.23 million (as set out in Section 6.3, Part A of the Circular), represents an annual net yield from the Subject Hotels of about 6.5%(1) over the Purchase Consideration of RM480.00 million. The Proposed Acquisitions are expected to contribute positively and to be earnings accretive to Pavilion REIT's distributable income moving forward.

Note:-

(1) The yield will be higher when factoring in the Variable Rental, if any, which is based on the financial performance of the Subject Hotels and subsequent increases in the Fixed Rental after the first 5-year period of the initial Term.

The Subject Hotels are anticipated to be valuable additions to Pavilion REIT's portfolio of investment properties, owing to their exceptional accessibility, seamless connectivity, and prime location within the Golden Triangle of Kuala Lumpur. This area is widely recognised as the city's premier shopping and tourist destination, attracting both local and international visitors. With the positive outlook for the tourism and hospitality industry, driven by an anticipated rise in domestic and international tourist arrivals, the Subject Hotels are well-positioned to deliver positive contributions to Pavilion REIT's financial performance and future growth.

In view of the above, we view the long-term prospects of the hospitality industry as well as the Subject Hotels and Pavilion REIT to be favourable.

3.6 Risk factors in relation to the Proposals

In considering the Proposals, 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.

Proposed Acquisitions

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

(i) financing risk – 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 may be exposed to fluctuations in interest rates on the financing obtained. Nevertheless, Pavilion REIT will actively monitor its debt portfolio to ensure that its debt portfolio remains at a sustainable and optimal level. In any event, the Subject Hotels are income generating properties and the Lease Rental may be used to meet debt repayment obligations.

(ii) non-registration of transfer of the strata titles – In the event the transfer of the BTKL Strata Title and the PHKL Strata Titles cannot be registered in favour of the Trustee, the Trustee will not be the legal owner and will only possess the beneficial interest in the said strata titles. Nevertheless, pursuant to the terms of the SPAs, the Trustee shall be the appointed attorney of the Vendors to deal with the Subject Hotels as if the Trustee is holding the legal title to the Subject Hotels and the Vendors will hold legal title to the Subject Hotels as bare trustee for and on behalf of the Trustee and ensure that the Trustee's rights, title and interests in the Subject Hotels are protected.

(iii) business risk exposure to hospitality industry – As at the LPD, Pavilion REIT does not own or operate a hotel. The Proposed Acquisitions would subject Pavilion REIT to business risks inherent in the hospitality industry. These include, amongst others, competition from other hospitality properties, regional and global economic conditions, tourism trends, changes to the star rating of the Subject Hotels, threats of terrorism and natural disasters.

Notwithstanding the above, the Proposed Leases will commence upon the transfer of beneficial ownership of the Subject Hotels to Pavilion REIT. The Subject Hotels will continue to be managed and operated by Banyan Tree Hotels & Resorts and this will help ensure the continuity of smooth operations of the Subject Hotels. In addition, the Fixed Rental mitigates risks of unfavourable performance of the Subject Hotels and/or hospitality industry in Malaysia as a whole.

Proposed Leases

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

(i) long term basis with fixed rental payments – Pavilion REIT will not be able to receive the full benefit from any increase in market rental rates and room rates for the Subject Hotels, if such rates increase more than the incremental rate pursuant to the Lease Agreements. The combination of Fixed Rental and Variable Rental serves to mitigate risks of unfavourable performance of the Subject Hotels and/or hospitality industry in Malaysia as a whole while allowing Pavilion REIT to further benefit from the profitability of the Subject Hotels in the event there is Surplus Sum.

(ii) dependence on the Lessee – The Proposed Leases involve the same Lessee i.e. HPSB. Pavilion REIT may be exposed to the risk of default / delay on Lease Rental payments from HPSB. Failure of HPSB to make timely payments of the Lease Rental i.e. 1 year in advance under the Lease Agreements may adversely affect the financial performance of Pavilion REIT.

The risk is mitigated by the following:-

(a) the First Year Lease Rental shall be retained by Pavilion REIT from the Balance Cash Consideration in accordance with the terms of the PHKL SPA and hence, the First Year Lease Rental will be deemed collected on the Beneficial Ownership Transfer Date;

(b) pursuant to the Lease Agreements, HPSB shall ensure that there shall be no material dilution of the shareholding of the strategic shareholders in HPSB during the first 5-year period of the Term whereby the direct or indirect shareholding of such shareholders in HPSB shall not fall below 80% in aggregate in HPSB (Remaining 5-year period of the Term: shall not fall below 75% in HPSB). The presence of the strategic shareholders in HPSB is expected to enhance its financial strengths and ability to make timely Lease Rental payments to Pavilion REIT; and

(c) in the event of early termination of the Lease Agreements due to the default of HPSB, HPSB is obliged to compensate Pavilion REIT for the whole of the Fixed Rental payable for the unexpired portion of the then current Term of the Proposed Leases.

In view that the Subject Hotels will represent only 5.5% of Pavilion REIT's enlarged total assets under management, the proposed addition of the Subject Hotels to Pavilion REIT's portfolio will not significantly change the business risk profile of Pavilion REIT upon completion of the Proposed Acquisitions.

4. CONCLUSION AND RECOMMENDATION

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

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

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

Yours faithfully,
For and on behalf of
INTER-PACIFIC SECURITIES SDN BHD

PUA KIN JOH	**FOO CHUN KEONG**
Senior Vice President	Senior Vice President
Corporate Finance	Corporate Finance

SALIENT TERMS OF THE BTKL SPA

1. SALE AND PURCHASE

LISB has agreed to sell, and Pavilion REIT has agreed to purchase the BTKL Property subject to the terms and conditions set out in the BTKL SPA, including but not limited to the following:

(a) on a “willing buyer, willing seller” and “as is where is” basis, subject to fair wear and tear as at the date of the BTKL SPA, save for the representations and warranties made in the BTKL SPA, without LISB and/or its representative(s) making any further representation and warranty whatsoever in respect of the same, including without limitation, to fitness for purpose, occupation and/or use, merchantable quality, and description, title, completeness, area, nature, state or condition, quality, value or possession of the BTKL Property (and any buildings or structures thereon);

(b) Pavilion REIT has inspected the BTKL Property and has agreed to purchase it with knowledge of its actual state and condition and shall take the BTKL Property as it stands as at the date of inspection of the BTKL Property by Pavilion REIT prior to the execution of the BTKL SPA and has relied entirely on its own inspections, due diligence in respect of the BTKL Property and including but not limited to legal and financial matters of the BTKL Property;

(c) free from the existing securities and all encumbrances and with legal possession together with all Associated Rights and Benefits (as defined herein);

(d) subject to the conditions of title and restriction in interest affecting the BTKL Strata Parcel, express or implied (including all endorsements and conditions as may be set out in the BTKL Strata Title); and

(e) upon the terms and conditions hereinafter contained.

“**Associated Rights and Benefits**” means all prevailing rights, entitlements, obligations, benefits and interests of LISB (but not any liabilities) in connection with the following, excluding any prevailing rights, entitlements, obligations, benefits and interests in relation to the Excluded Sale (as defined herein) as at the Beneficial Ownership Transfer Date:

(i) the benefit of all approvals given for the BTKL Property;

(ii) all rights and entitlements of LISB, in common with others, to use and enjoy the common property (subject always to such house rules or by-laws as shall govern the same from time to time);

(iii) all benefits, rights and entitlements to use and enjoy all licences that are transferred with any applicable system (if any), equipment, machinery or computer delivered together with the BTKL Property;

(iv) all benefits, rights and entitlements to claim under any warranty (if any) issued in connection with the BTKL Property or any system, equipment, machinery or computer that is delivered together with the BTKL Property (to the extent any such warranty is still subsisting as at the Beneficial Ownership Transfer Date); and

(v) the right to enforce any of the claims or rights assigned under (i) to (iv) above.

“**Excluded Sale**” means all current and future rights, entitlements, goodwill, intellectual property (including trademarks, copyrights, and patents), licences, revenue, benefits and other interests held by LISB, directly or indirectly, in connection with the business of LISB and/or associated with the BTKL Property.

2. PURCHASE CONSIDERATION AND PAYMENT TERMS

The purchase consideration amounting to RM140.00 million shall be satisfied by Pavilion REIT in the manner set out in Section 2.1.2 of Part A of this Circular.

3. CONDITIONS PRECEDENT

Completion of the sale and purchase of the BTKL Property is conditional upon:

(a) Pavilion REIT obtaining:

  (i) the approval from Bursa Securities in respect of (A) in the event Pavilion REIT proposes to undertake the Proposed Placement, the issuance and listing of the Placement Units, and/or (B) in the event Pavilion REIT elects to issue the Consideration Units, the issuance and listing of the Consideration Units; and

  (ii) all other requisite approvals (if applicable) from Bursa Securities as may be communicated by Bursa Securities to Pavilion REIT, in each case in relation to the acquisition of the BTKL Property, and which Pavilion REIT shall, in turn, promptly notify LISB in writing;

(b) Pavilion REIT obtaining the approval of the Unitholders in respect of (i) the acquisition of the BTKL Property from LISB; (ii) the acquisition of PHKL under the PHKL SPA; (iii) the Proposed Placement if so undertaken by Pavilion REIT; and (iv) the issuance of the Consideration Units (if required); and

(c) LISB depositing with Pavilion REIT:

  (i) a letter of no objection issued by the hotel manager of BTKL confirming that the hotel manager of BTKL has no objections to the disposal and transfer of the BTKL Property by LISB to Pavilion REIT; or

  (ii) a novation agreement executed between the hotel manager of BTKL, LISB and HPSB relating to a hotel management agreement relating to BTKL; or

  (iii) a new hotel management agreement executed between HPSB and the hotel manager of BTKL relating to the BTKL Property.

4. NON-FULFILMENT OF CONDITIONS PRECEDENT

If any of the conditions precedent is not fulfilled by the date falling on the expiry of six (6) months from the date of the BTKL SPA or such other extended period which may be mutually agreed in writing between LISB and Pavilion REIT, either party may terminate the BTKL SPA by a notice in writing to the other party, whereupon the BTKL SPA shall cease to be of any further effect and thereafter, neither party shall have any right or claim against the other under the BTKL SPA, save and except for antecedent breaches.

5. PASSING OF BENEFICIAL OWNERSHIP AND DELIVERY OF LEGAL POSSESSION

LISB and Pavilion REIT have agreed that the beneficial ownership of the BTKL Property on an "as is where is basis", shall pass from LISB and vest absolutely in Pavilion REIT on the Beneficial Ownership Transfer Date. On and with effect from the Beneficial Ownership Transfer Date, Pavilion REIT shall be entitled to all rights, benefits and shall assume all risks and liabilities associated with the BTKL Property and legal possession of the BTKL Property shall be deemed delivered by LISB to Pavilion REIT.

6. TRANSFER

Subject to the satisfaction of the conditions precedent and the performance of LISB and Pavilion REIT of their respective obligations under the BTKL SPA, including but not limited to the delivery of the transaction documents and the completion documents in accordance with the provisions of the BTKL SPA, the valid and registrable memorandum of transfer in relation to the BTKL Strata Title duly executed by LISB in favour of Pavilion REIT ("**BTKL Transfer**") shall be presented for registration with the appropriate public authority.

7. SIMULTANEOUS COMPLETION AND TERMINATION

Execution and completion of the BTKL SPA shall take place simultaneously with the execution and completion of the PHKL SPA. If the BTKL SPA is terminated, the PHKL SPA is deemed to be terminated simultaneously. If the PHKL SPA is terminated, the BTKL SPA is deemed to be terminated simultaneously.

8. DEFAULT

8.1 Default by Pavilion REIT

If there be any breach by Pavilion REIT of any of the provisions of the BTKL SPA (which if capable of remedy, is not remedied within 14 business days after receipt by Pavilion REIT of the notice in writing from LISB to remedy the breach or such other extended period as may be notified in writing by LISB to Pavilion REIT), LISB shall be entitled:

(a) at the cost and expense of Pavilion REIT, to the remedy of specific performance against Pavilion REIT and to all reliefs flowing therefrom; or

(b) to terminate the BTKL SPA, provided that such right of termination can only be exercised prior to the Beneficial Ownership Transfer Date, and upon such termination, Pavilion REIT shall:

   (i) pay to LISB the agreed liquidated damages of RM14.00 million ("**BTKL Agreed Liquidated Damages**") and LISB shall be entitled to retain the same for its own use and benefit and LISB shall be at liberty to sell or otherwise dispose of the BTKL Property at such price and in such manner to such person or persons as LISB may think fit without reference to or being liable to Pavilion REIT;

   (ii) deliver to LISB documentary evidence of (aa) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT; and (bb) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT's financier; and

   (iii) return or cause to be returned the transaction documents (if any) that have been delivered to Pavilion REIT, Pavilion REIT's solicitors, Pavilion REIT's financier and/or the solicitors for Pavilion REIT's financier, and where applicable the completion documents,

all within 14 business days of such termination, whereupon the BTKL SPA shall terminate and cease to be of any further effect. Thereafter neither party shall have any right or claim against the other under the BTKL SPA.

8.2 Default by LISB

If LISB shall fail, neglect and/or refuse to sell and/or transfer the BTKL Property and/or if LISB be in breach of any of the provisions of the BTKL SPA (which if capable of remedy, is not remedied within 14 business days after receipt by LISB of the notice in writing from Pavilion REIT to remedy the breach or such other extended period as may be notified in writing by Pavilion REIT to LISB), Pavilion REIT shall be entitled:

(a) at the cost and expense of LISB, to the remedy of specific performance against LISB and to all reliefs flowing therefrom; or

(b) to terminate the BTKL SPA, provided that such right of termination can only be exercised prior to the Beneficial Ownership Transfer Date, and upon such termination LISB shall within 14 business days upon receipt of the written demand from Pavilion REIT, pay to Pavilion REIT the BTKL Agreed Liquidated Damages. Upon receipt of the BTKL Agreed Liquidated Damages, Pavilion REIT shall:

(i) deliver to LISB documentary evidence of (aa) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT; and (bb) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT's financier; and

(ii) return or cause to be returned the transaction documents (if any) that have been delivered to Pavilion REIT, Pavilion REIT's solicitors, Pavilion REIT's financier and/or the solicitor for Pavilion REIT's financier and where applicable the completion documents,

all within 14 business days from the date of receipt by Pavilion REIT the BTKL Agreed Liquidated Damages, whereupon the BTKL SPA shall terminate and cease to be of any further effect. Thereafter neither party shall have any claim against the other under the BTKL SPA.

9. NON-REGISTRATION OF TRANSFER

9.1. If the BTKL Transfer presented for registration with the appropriate public authority 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 agree and confirm that subject always to LISB's receipt of the full purchase consideration, late payment interest at the rate of eight per centum per annum (8% p.a.) (if any) and the apportioned outgoings:

(a) Pavilion REIT shall be the appointed lawful attorney of LISB to deal with the BTKL Property as if Pavilion REIT is holding the legal title to the BTKL Property;

(b) LISB will hold the legal title to the BTKL Property as bare trustee for and on behalf of Pavilion REIT;

(c) LISB will, at the sole costs and expense of Pavilion REIT and against the indemnity by Pavilion REIT, upon the written request of Pavilion REIT, do or cause to be done all things to ensure that Pavilion REIT's rights, title, interest and benefits in and to the BTKL Property are protected at all times;

(d) at Pavilion REIT's sole costs and expense and against the indemnity by Pavilion REIT, LISB will, upon the written request of Pavilion REIT, 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 BTKL 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 Pavilion REIT's financier, if any;

(e) LISB will not act in any manner so as to jeopardise Pavilion REIT's rights, title, interest and benefits in and to the BTKL Property; and

(f) Pavilion REIT shall, at its sole costs and expense, be entitled to lodge a trust caveat on the BTKL Strata Title to protect its rights, title, interest and benefits in and to the BTKL Strata Parcel.

9.2. If the BTKL Transfer cannot be registered after the Beneficial Ownership Transfer Date and such non-registration is due to the default, wilful neglect, omission or blameworthy conduct on the part of LISB, Pavilion REIT shall be entitled at the cost and expense of LISB to the remedy of specific performance against LISB and to all reliefs flowing therefrom.

10. ENTRY AND WITHDRAWAL OF PRIVATE CAVEAT

Upon the execution of the BTKL SPA:

(a) Pavilion REIT shall be entitled at its own cost and expense to lodge a private caveat on the BTKL Strata Title to protect Pavilion REIT's interest as a purchaser of the BTKL Strata Parcel, provided that if the BTKL SPA is lawfully terminated, Pavilion REIT shall at its own cost and expense remove all caveats, if any, lodged on the BTKL Strata Title by Pavilion REIT, Pavilion REIT's financier and/or any other party acting in the interest of Pavilion REIT; and

(b) Pavilion REIT shall execute the requisite form for withdrawal of private caveat and deposit the same together with the requisite registration fees with Pavilion REIT's solicitors who are irrevocably authorised to present the same for registration within three (3) business days from the date of lawful termination of the BTKL SPA.

11. LISB'S REPRESENTATIONS AND WARRANTIES

Pursuant to the BTKL SPA, LISB represents and warrants to Pavilion REIT, among others, that:

(a) LISB is the legal and beneficial owner of the BTKL Property;

(b) LISB has full power and authority to execute, deliver and perform the terms of the BTKL SPA and has taken and will take all necessary corporate and other actions to authorise the sale of the BTKL Property and the execution delivery and performance of the terms of the BTKL SPA;

(c) to the best of LISB's knowledge and belief, as the date of the BTKL SPA, the BTKL Strata Parcel or any part or parts thereof is not subject to any compulsory acquisition by the public authorities and no notice has been received by LISB of any acquisition or intended acquisition of the BTKL Strata Parcel or any part thereof pursuant to the Land Acquisition Act 1960 or any other legislation;

(d) all quit rent, rates, assessments, sewerage services charges (where applicable), electricity, telecommunication and other similar lawful outgoings due to the public authorities in respect of the BTKL Property up to the date of the BTKL SPA have been or will be duly paid by LISB on or before the Beneficial Ownership Transfer Date. LISB has not and will not at any time do suffer to be done or omitted any act matter or thing in or in respect of the BTKL Property which may render the BTKL Property or any part thereof liable to forfeiture or attachment;

(e) to the best of LISB's knowledge and belief as the date of the BTKL SPA, LISB is not in breach of and shall not prior to the completion of the sale and purchase transaction in the BTKL SPA commit any breach of any by-laws or additional by-laws relating to the BTKL Strata Parcel or express or implied condition in the BTKL Strata Title;

(f) to the best of LISB's knowledge and belief as at the date of the BTKL SPA, there are no unpaid fines in relation to the BTKL Property in anyway whatsoever;

(g) to the best of LISB's knowledge and belief as at the date of the BTKL SPA, there is no pending suit, legal proceedings or claims against LISB which may affect the rights of LISB to sell or dispose of the BTKL Property in any way whatsoever;

(h) LISB is not in default under any arrangement to which it is a party or by which it may be bound and no litigation, arbitration, administration or winding-up proceedings are presently current or pending in respect of the BTKL Property or to the best of LISB's knowledge and belief threatened which default, litigation, arbitration or administrative proceedings, as the case may be, might affect the BTKL Property;

(i) to the best of LISB's knowledge and belief as the date of the BTKL SPA, all the permits, licenses, consents, approvals, certifications, registrations and authorisations relating to the BTKL Property and equipment and/or facilities installed and/or used on the BTKL Property are valid and current and continue to be valid on the Beneficial Ownership Transfer Date;

(j) no receiver of the undertakings or assets of LISB or any part thereof has been appointed nor have any judgments been obtained against LISB or any part thereof nor has any execution or process of any court or authority been issued against or levied or enforced upon LISB or its assets or any part thereof which will materially prevent LISB from complying with its undertakings and obligations under the BTKL SPA and/or cause the non-registration of the BTKL Transfer in favour of Pavilion REIT;

(k) the certificate of completion and compliance in relation to the building, including the BTKL Strata Parcel has been duly issued;

(l) to the best of LISB's knowledge and belief, no action, suit or proceeding has been instituted or, threatened before any court or governmental body prohibiting the consummation by LISB of the transactions contemplated under the BTKL SPA; and

(m) LISB is not aware of any defect in the BTKL Property that could affect its structural integrity or safety for occupation and use.

12. SPECIFIC COVENANT ON RECTIFICATION

(1) Notwithstanding the relevant provisions in the BTKL SPA, LISB acknowledges that there are certain defects that have been identified by Pavilion REIT prior to the execution of the BTKL SPA but have not been rectified and remedied by LISB to the reasonable satisfaction of Pavilion REIT on the date of execution of the BTKL SPA. Save as may otherwise be agreed in writing between LISB and Pavilion REIT, LISB irrevocably and unconditionally agrees and undertakes to complete the rectification and remedial works ("**BTKL Works**") in respect of the defects contained in the reports submitted by the consultants appointed by Pavilion REIT, to LISB to the reasonable satisfaction of Pavilion REIT on or before the anniversary of the date of the BTKL SPA or such other date as Pavilion REIT may from time to time and any time agree ("**BTKL Works Cut-Off Date**").

(2) Save as may otherwise be agreed in writing between LISB and Pavilion REIT, LISB further undertakes that it shall bear all costs related to such BTKL Works and shall indemnify and keep Pavilion REIT indemnified against all liabilities arising directly from such defects until such defects are rectified and remedied to the reasonable satisfaction of Pavilion REIT.

(3) Save as may otherwise be agreed in writing between LISB and Pavilion REIT, if LISB fails to complete the BTKL Works by the BTKL Works Cut-Off Date, Pavilion REIT shall be entitled to execute the BTKL Works, and the costs and expenses incurred in carrying out and completing such BTKL Works ("**BTKL Works Outstanding Sum**") shall be a debt due and payable no later than seven (7) business days from the date of receipt by LISB the written notice of demand issued by Pavilion REIT. If LISB does not make full payment of the BTKL Works Outstanding Sum on the due date, LISB shall pay to Pavilion REIT interest on the BTKL Works Outstanding Sum remaining unpaid, calculated at the rate of eight per centum per annum (8% p.a.) for the period commencing from the date immediately following the due date, to the date of actual payment thereof, based on the actual number of days elapsed on the basis of a 365 day year.

1. SALE AND PURCHASE

HPSB has agreed to sell and Pavilion REIT has agreed to purchase the PHKL Property subject to the terms and conditions set out in the PHKL SPA, including but not limited to the following:

(a) on a "willing buyer, willing seller" and "as is where is" basis, subject to fair wear and tear as at the date of the PHKL SPA, save for the representations and warranties made in the PHKL SPA, without HPSB and/or its representative(s) making any further representation and warranty whatsoever in respect of the same, including without limitation, to fitness for purpose, occupation and/or use, merchantable quality, and description, title, completeness, area, nature, state or condition, quality, value or possession of the PHKL Property (and any buildings or structures thereon);

(b) Pavilion REIT has inspected the PHKL Property and has agreed to purchase it with knowledge of its actual state and condition and shall take the PHKL Property as it stands as at the date of inspection of the PHKL Property by Pavilion REIT prior to the execution of the PHKL SPA and has relied entirely on its own inspections, due diligence in respect of the PHKL Property and including but not limited to legal and financial matters of the PHKL Property;

(c) free from the existing securities and all encumbrances and with legal possession together with all Associated Rights and Benefits (as defined herein);

(d) subject to the conditions of title and restriction in interest affecting the PHKL Strata Parcels, express or implied (including all endorsements and conditions as may be set out in the PHKL Strata Titles); and

(e) upon the terms and conditions hereinafter contained.

The PHKL Strata Titles are currently registered in the name of the developer and the developer has no objection to a direct transfer of the PHKL Strata Titles to Pavilion REIT.

"**Associated Rights and Benefits**" means all prevailing rights, entitlements, obligations, benefits and interests of HPSB (but not any liabilities) in connection with the following, excluding any prevailing rights, entitlements, obligations, benefits and interests in relation to the Excluded Sale (as defined herein) as at the Beneficial Ownership Transfer Date:

(i) the benefit of all approvals given for the PHKL Property;

(ii) all rights and entitlements of HPSB, in common with others, to use and enjoy the common property (subject always to such house rules or by-laws as shall govern the same from time to time);

(iii) all benefits, rights and entitlements to use and enjoy all licences that are transferred with any applicable system (if any), equipment, machinery or computer delivered together with the PHKL Property;

(iv) all benefits, rights and entitlements to claim under any warranty (if any) issued in connection with the PHKL Property or any system, equipment, machinery or computer that is delivered together with the PHKL Property (to the extent any such warranty is still subsisting as at the Beneficial Ownership Transfer Date); and

(v) the right to enforce any of the claims or rights assigned under (i) to (iv) above.

"**Excluded Sale**" means all current and future rights, entitlements, goodwill, intellectual property (including trademarks, copyrights, and patents), licences, revenue, benefits and other interests held by HPSB, directly or indirectly, in connection with the business of HPSB and/or associated with the PHKL Property.

2. PURCHASE CONSIDERATION AND PAYMENT TERMS

The purchase consideration amounting to RM340.00 million shall be satisfied by Pavilion REIT in the manner set out in Section 2.1.2 of Part A of this Circular and in this respect, Pavilion REIT shall be entitled to retain from the Balance Cash Consideration an amount equivalent to the First Year Lease Rental, being the aggregate of the first year fixed rental in relation to the Lease Agreements.

3. CONDITIONS PRECEDENT

Completion of the sale and purchase of the PHKL Property is conditional upon:

(a) Pavilion REIT obtaining:

  (i) the approval from Bursa Securities in respect of (A) in the event Pavilion REIT proposes to undertake the Proposed Placement, the issuance and listing of the Placement Units, and/or (B) in the event Pavilion REIT elects to issue the Consideration Units, the issuance and listing of the Consideration Units; and

  (ii) all other requisite approvals (if applicable) from Bursa Securities as may be communicated by Bursa Securities to Pavilion REIT, in each case in relation to the acquisition of the PHKL Property, and which Pavilion REIT shall, in turn, promptly notify HPSB in writing;

(b) Pavilion REIT obtaining the approval of the Unitholders in respect of (i) the acquisition of the PHKL Property from HPSB; (ii) the acquisition of BTKL under the BTKL SPA; (iii) the Proposed Placement if so undertaken by Pavilion REIT; and (iv) the issuance of the Consideration Units (if required); and

(c) HPSB depositing with Pavilion REIT:

  (i) a letter of no objection issued by the hotel manager of PHKL confirming that the hotel manager of PHKL has no objections to the disposal and transfer of the PHKL Property by HPSB to Pavilion REIT; or

  (ii) a supplemental agreement executed between the hotel manager of PHKL and HPSB relating to a hotel management agreement relating to PHKL.

4. NON-FULFILMENT OF CONDITIONS PRECEDENT

If any of the conditions precedent is not fulfilled by the date falling on the expiry of six (6) months from the date of the PHKL SPA or such other extended period which may be mutually agreed in writing between HPSB and Pavilion REIT, either party may terminate the PHKL SPA by a notice in writing to the other party, whereupon the PHKL SPA shall cease to be of any further effect and thereafter, neither party shall have any right or claim against the other under the PHKL SPA, save and except for antecedent breaches.

5. PASSING OF BENEFICIAL OWNERSHIP AND DELIVERY OF LEGAL POSSESSION

HPSB and Pavilion REIT have agreed that the beneficial ownership of the PHKL Property on an "as is where is basis" shall pass from HPSB and vest absolutely in Pavilion REIT on the Beneficial Ownership Transfer Date. On and with effect from the Beneficial Ownership Transfer Date, Pavilion REIT shall be entitled to all rights, benefits and shall assume all risks and liabilities associated with the PHKL Property and legal possession of the PHKL Property shall be deemed delivered by HPSB to Pavilion REIT.

On the Beneficial Ownership Transfer Date:

(a) HPSB's solicitors shall be authorised to complete, date and stamp the Lease Agreements and thereafter, forward the duly stamped Lease Agreements to Pavilion REIT's solicitors and/or the solicitors for Pavilion REIT's financier;

(b) Pavilion REIT shall retain the First Year Lease Rental from the Balance Cash Consideration; and

(c) HPSB shall be deemed to have made payment of the First Year Lease Rental to Pavilion REIT.

6. TRANSFER

Subject to the satisfaction of the conditions precedent and the performance of HPSB and Pavilion REIT of their respective obligations under the PHKL SPA, including but not limited to the delivery of the transaction documents and the completion documents in accordance with the provisions of the PHKL SPA, the valid and registrable memorandum of transfer in relation to the PHKL Strata Titles duly executed by UCSB as the developer and registered owner in favour of Pavilion REIT ("**PHKL Transfer**") shall be presented for registration with the appropriate public authority.

7. SIMULTANEOUS COMPLETION AND TERMINATION

Execution and completion of the PHKL SPA shall take place simultaneously with the execution and completion of the BTKL SPA. If the PHKL SPA is terminated, the BTKL SPA is deemed to be terminated simultaneously. If the BTKL SPA is terminated, the PHKL SPA is deemed to be terminated simultaneously.

8. DEFAULT

8.1 Default by Pavilion REIT

If there be any breach by Pavilion REIT of any of the provisions of the PHKL SPA (which if capable of remedy, is not remedied within 14 business days after receipt by Pavilion REIT of the notice in writing from HPSB to remedy the breach or such other extended period as may be notified in writing by HPSB to Pavilion REIT), HPSB shall be entitled:

(a) at the cost and expense of Pavilion REIT, to the remedy of specific performance against Pavilion REIT and to all reliefs flowing therefrom; or

(b) to terminate the PHKL SPA, provided that such right of termination can only be exercised prior to the Beneficial Ownership Transfer Date, and upon such termination, Pavilion REIT shall:

(i) pay to HPSB the agreed liquidated damages of RM34.00 million ("**PHKL Agreed Liquidated Damages**") and HPSB shall be entitled to retain the same for its own use and benefit and HPSB shall be at liberty to sell or otherwise dispose of the PHKL Property at such price and in such manner to such person or persons as HPSB may think fit without reference to or being liable to Pavilion REIT;

(ii) deliver to HPSB documentary evidence of (aa) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT; and (bb) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT's financier; and

(iii) return or cause to be returned the transaction documents (if any) that have been delivered to Pavilion REIT, Pavilion REIT's solicitors, Pavilion REIT's financier and/or the solicitors for Pavilion REIT's financier, and where applicable the completion documents,

all within 14 business days of such termination, whereupon the PHKL SPA shall terminate and cease to be of any further effect. Thereafter neither party shall have any right or claim against the other under the PHKL SPA.

8.2 Default by HPSB

If HPSB shall fail, neglect and/or refuse to sell and/or transfer the PHKL Property and/or if HPSB be in breach of any of the provisions of the PHKL SPA (which if capable of remedy, is not remedied within 14 business days after receipt by HPSB of the notice in writing from Pavilion REIT to remedy the breach or such other extended period as may be notified in writing by Pavilion REIT to HPSB), Pavilion REIT shall be entitled:

(a) at the cost and expense of HPSB, to the remedy of specific performance against HPSB and to all reliefs flowing therefrom; or

(b) to terminate the PHKL SPA, provided that such right of termination can only be exercised prior to the Beneficial Ownership Transfer Date, and upon such termination HPSB shall within 14 business days upon receipt of the written demand from Pavilion REIT, pay to Pavilion REIT the PHKL Agreed Liquidated Damages. Upon receipt of the PHKL Agreed Liquidated Damages, Pavilion REIT shall:

(i) deliver to HPSB documentary evidence of (aa) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT; and (bb) the withdrawal relating to the private caveat (if any) lodged by Pavilion REIT's financier; and

(ii) return or cause to be returned the transaction documents (if any) that have been delivered to Pavilion REIT, Pavilion REIT's solicitors, Pavilion REIT's financier and/or the solicitor for Pavilion REIT's financier and where applicable the completion documents,

all within 14 business days from the date of receipt by Pavilion REIT the PHKL Agreed Liquidated Damages, whereupon the PHKL SPA shall terminate and cease to be of any further effect. Thereafter neither party shall have any claim against the other under the PHKL SPA.

9. NON-REGISTRATION OF TRANSFER

9.1. If the PHKL Transfer presented for registration with the appropriate public authority 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 agree and confirm that subject always to HPSB's receipt of the full purchase consideration, late payment interest at the rate of eight per centum per annum (8% p.a.) (if any) and the apportioned outgoings:

(a) Pavilion REIT shall be the appointed lawful attorney of HPSB to deal with the PHKL Property as if Pavilion REIT is holding the legal title to the PHKL Property;

(b) HPSB will hold the legal title to the PHKL Property as bare trustee for and on behalf of Pavilion REIT;

(c) HPSB will, at the sole costs and expense of Pavilion REIT and against the indemnity by Pavilion REIT, upon the written request of Pavilion REIT, do or cause to be done all things to ensure that Pavilion REIT's rights, title, interest and benefits in and to the PHKL Property are protected at all times;

(d) at Pavilion REIT's sole costs and expense and against the indemnity by Pavilion REIT, HPSB will, upon the written request of Pavilion REIT, 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 PHKL 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 Pavilion REIT's financier, if any;

(e) HPSB will not act in any manner so as to jeopardise Pavilion REIT's rights, title, interest and benefits in and to the PHKL Property; and

(f) Pavilion REIT shall, at its sole costs and expense, be entitled to lodge a trust caveat on the PHKL Strata Titles to protect its rights, title, interest and benefits in and to the PHKL Strata Parcels.

9.2. If the PHKL Transfer cannot be registered after the Beneficial Ownership Transfer Date and such non-registration is due to the default, wilful neglect, omission or blameworthy conduct on the part of HPSB, Pavilion REIT shall be entitled at the cost and expense of HPSB to the remedy of specific performance against HPSB and to all reliefs flowing therefrom.

10. ENTRY AND WITHDRAWAL OF PRIVATE CAVEAT

Upon the execution of the PHKL SPA:

(a) Pavilion REIT shall be entitled at its own cost and expense to lodge a private caveat on the PHKL Strata Titles to protect Pavilion REIT's interest as a purchaser of the PHKL Strata Parcels, provided that if the PHKL SPA is lawfully terminated, Pavilion REIT shall at its own cost and expense remove all caveats, if any, lodged on the PHKL Strata Titles by Pavilion REIT, Pavilion REIT's financier and/or any other party acting in the interest of Pavilion REIT; and

(b) Pavilion REIT shall execute the requisite form for withdrawal of private caveat and deposit the same together with the requisite registration fees with Pavilion REIT's solicitors who are irrevocably authorised to present the same for registration within three (3) business days from the date of lawful termination of the PHKL SPA.

11. HPSB'S REPRESENTATIONS AND WARRANTIES

Pursuant to the PHKL SPA, HPSB represents and warrants to Pavilion REIT, among others, that:

(a) HPSB is the legal and beneficial owner of the PHKL Property;

(b) HPSB has full power and authority to execute, deliver and perform the terms of the PHKL SPA and has taken and will take all necessary corporate and other actions to authorise the sale of the PHKL Property and the execution delivery and performance of the terms of the PHKL SPA;

(c) to the best of HPSB's knowledge and belief, as the date of the PHKL SPA, the PHKL Strata Parcels or any part or parts thereof is not subject to any compulsory acquisition by the public authorities and no notice has been received by HPSB of any acquisition or intended acquisition of the PHKL Strata Parcels or any part thereof pursuant to the Land Acquisition Act 1960 or any other legislation;

(d) all quit rent, rates, assessments, sewerage services charges (where applicable), electricity, telecommunication and other similar lawful outgoings due to the public authorities in respect of the PHKL Property up to the date of the PHKL SPA have been or will be duly paid by HPSB on or before the Beneficial Ownership Transfer Date. HPSB has not and will not at any time do suffer to be done or omitted any act matter or thing in or in respect of the PHKL Property which may render the PHKL Property or any part thereof liable to forfeiture or attachment;

(e) to the best of HPSB's knowledge and belief as the date of the PHKL SPA, HPSB is not in breach of and shall not prior to the completion of the sale and purchase transaction in the PHKL SPA commit any breach of any by-laws, additional by-laws relating to the PHKL Strata Parcels or express or implied condition in the PHKL Strata Titles;

(f) to the best of HPSB's knowledge and belief as at the date of the PHKL SPA, there are no unpaid fines in relation to the PHKL Property in anyway whatsoever;

(g) to the best of HPSB's knowledge and belief as at the date of the PHKL SPA, there is no pending suit, legal proceedings or claims against HPSB which may affect the rights of HPSB to sell or dispose of the PHKL Property in any way whatsoever;

(h) HPSB is not in default under any arrangement to which it is a party or by which it may be bound and no litigation, arbitration, administration or winding-up proceedings are presently current or pending in respect of the PHKL Property or to the best of HPSB's knowledge and belief threatened which default, litigation, arbitration or administrative proceedings, as the case may be, might affect the PHKL Property;

(i) to the best of HPSB's knowledge and belief as the date of the PHKL SPA, all the permits, licenses, consents, approvals, certifications, registrations and authorisations relating to the PHKL Property and equipment and/or facilities installed and/or used on the PHKL Property are valid and current and continue to be valid on the Beneficial Ownership Transfer Date;

(j) no receiver of the undertakings or assets of HPSB or any part thereof has been appointed nor have any judgments been obtained against HPSB or any part thereof nor has any execution or process of any court or authority been issued against or levied or enforced upon HPSB or its assets or any part thereof which will materially prevent HPSB from complying with its undertakings and obligations under the PHKL SPA and/or cause the non-registration of the PHKL Transfer in favour of Pavilion REIT;

(k) the certificate of fitness for occupation in relation to the building, including the PHKL Strata Parcels has been duly issued;

(l) to the best of HPSB's knowledge and belief, no action, suit or proceeding has been instituted or, threatened before any court or governmental body prohibiting the consummation by HPSB of the transactions contemplated under the PHKL SPA; and

(m) HPSB is not aware of any defect in the PHKL Property that could affect its structural integrity or safety for occupation and use.

12. SPECIFIC COVENANT ON RECTIFICATION

(1) Notwithstanding the relevant provisions in the PHKL SPA, HPSB acknowledges that there are certain defects that have been identified by Pavilion REIT prior to the execution of the PHKL SPA but have not been rectified and remedied by HPSB to the reasonable satisfaction of Pavilion REIT on the date of execution of the PHKL SPA. Save as may otherwise be agreed in writing between HPSB and Pavilion REIT, HPSB irrevocably and unconditionally agrees and undertakes to complete the rectification and remedial works ("**PHKL Works**") in respect of the defects contained in the reports submitted by the consultants appointed by Pavilion REIT, to HPSB to the reasonable satisfaction of Pavilion REIT on or before the anniversary of the date of the PHKL SPA or such other date as Pavilion REIT may from time to time and any time agree ("**PHKL Works Cut-Off Date**").

(2) Save as may otherwise be agreed in writing between HPSB and Pavilion REIT, HPSB further undertakes that it shall bear all costs related to such PHKL Works and shall indemnify and keep Pavilion REIT indemnified against all liabilities arising directly from such defects until such defects are rectified and remedied to the reasonable satisfaction of Pavilion REIT.

(3) Save as may otherwise be agreed in writing between HPSB and Pavilion REIT, if HPSB fails to complete the PHKL Works by the PHKL Works Cut-Off Date, Pavilion REIT shall be entitled to execute the PHKL Works, and the costs and expenses incurred in carrying out and completing such PHKL Works ("**PHKL Works Outstanding Sum**") shall be a debt due and payable no later than seven (7) business days from the date of receipt by HPSB the written notice of demand issued by Pavilion REIT. If HPSB does not make full payment of the PHKL Works Outstanding Sum on the due date, HPSB shall pay to Pavilion REIT interest on the PHKL Works Outstanding Sum remaining unpaid, calculated at the rate of eight per centum per annum (8% p.a.) for the period commencing from the date immediately following the due date, to the date of actual payment thereof, based on the actual number of days elapsed on the basis of a 365 day year.

SALIENT TERMS OF THE BTKL LEASE AGREEMENT

1. LEASE AND TERM OF LEASE

Pavilion REIT as the Lessor has agreed to grant and HPSB as the Lessee has agreed to accept a lease over the BTKL Property for the Term commencing from the Beneficial Ownership Transfer Date ("**Lease Commencement Date**"), with an option to renew for the First Renewal and a further option to renew for the Second Renewal, free from all encumbrances and upon the terms and conditions set out in the BTKL Lease Agreement.

The Term, First Renewal and Second Renewal are defined in Section 2.5 of this Circular.

2. RENTAL – FIXED RENTAL & VARIABLE RENTAL

The Lessee shall pay to the Lessor the Lease Rental, comprising:

(a) the Fixed Rental:

  (i) in the amount of RM10,000,000.00 for the first five (5)-year period of the Term;

  (ii) in the amount of RM10,500,000.00 for the remaining five (5)-year period of the Term;

  (iii) if the lease is renewed for the First Renewal:

    (aa) for the first five (5)-year period of the First Renewal, in the amount increased at the Pre-Agreed Rate of Increase from the amount stated in paragraph (2)(a)(ii) above; and

    (bb) for the remaining five (5)-year period of the First Renewal, in the amount increased at the same Pre-Agreed Rate of Increase as paragraph (2)(a)(iii)(aa) above from the amount stated in paragraph (2)(a)(iii)(aa) above;

  (iv) if the lease is renewed for the Second Renewal:

    (aa) for the first five (5)-year period of the Second Renewal, in the amount increased at the Pre-Agreed Rate of Increase from the amount stated in paragraph (2)(a)(iii)(bb) above; and

    (bb) for the remaining five (5)-year period of the Second Renewal, in the amount increased at the same Pre-Agreed Rate of Increase as paragraph (2)(a)(iv)(aa) above from the amount stated in paragraph (2)(a)(iv)(aa) above; and

(b) the Variable Rental,

during the Term and shall not exercise or seek to exercise any right or claim to withhold rent or any right or claim to legal or equitable set-off.

If at any time during the Term, there is a Surplus Sum, such Surplus Sum shall be shared between Pavilion REIT and HPSB in the following manner:

Parties	**Surplus Sum entitlement (%)**
Pavilion REIT	40% of the Surplus Sum
HPSB	60% of the Surplus Sum

3. COVENANTS

Pursuant to the BTKL Lease Agreement, the Lessee agrees and covenants with the Lessor, among others, that:

(a) Payment of Utility, Deposit, Charges and Services

Save and except for all those charges agreed to be paid by the Lessor to the appropriate authority/management body under the BTKL Lease Agreement, the Lessee shall pay to the appropriate authority/management body all charges in respect of water, electricity, sewerage and other utilities used throughout the Term in respect of the BTKL Property.

If the Lessee fails to discharge its debt due and payable to the appropriate authority/management body and the amount so owing is then paid by the Lessor on behalf of the Lessee, the amount paid by the Lessor shall forthwith become a debt due and payable on demand by the Lessee. For the avoidance of doubt, the Lessor is not obliged to make any payment to the appropriate authority/management body on behalf of the Lessee.

(b) Insurance

The Lessee shall at its costs and expense take up all necessary insurance required for the conduct of the business of the Lessee and for the Lessee to remain in compliance with all the Lessee's obligations with third parties including but not limited to the hotel manager appointed by the Lessee ("**Hotel Manager**") under the hotel management agreement entered into between the Lessee and the Hotel Manager ("**Hotel Management Agreement**"), and where applicable and permitted by the insurer, to include the Lessor as one of the insured parties or have the name of the Lessor endorsed as registered and beneficial owner of the BTKL Property in the insurance policies.

(c) Upkeep and Maintenance of the BTKL Property

The Lessee shall throughout the Term carry out periodic maintenance to keep and maintain the BTKL Property in good and tenantable state of repair and condition (fair wear and tear excepted) and shall be responsible for the periodic cleaning, maintenance and upkeep of the BTKL Property.

If any damage or breakage is caused by the Lessee (or its servant or agent or its customers, invitees or licensees or any person claiming through or under the Lessee) to the BTKL Property or any part thereof, howsoever caused, the Lessee shall as soon as practicable repair and make good such damage, failing which the Lessor shall be entitled to execute the repairs and any expenses and cost incurred in carrying out such work shall be a debt due and payable on demand from the Lessee to the Lessor.

Subject to reasonably satisfactory documentary evidence of proper and periodic upkeep and maintenance being extended to the Lessor, where the repair cost for any BTKL Major Equipment exceeds 50% of its replacement cost, the Lessor shall bear such cost of repair or elect to instruct the Lessee to replace the BTKL Major Equipment at the Lessor's cost.

For any BTKL Major Equipment that has reached end of life as per the specifications, manuals and documentation relating to such BTKL Major Equipment as provided by the manufacturer/supplier, the Lessor shall bear the replacement cost. Notwithstanding the foregoing, the Lessor may elect to defer the replacement of the affected BTKL Major Equipment if in the opinion of the Lessor that BTKL Major Equipment remains operable, provided that it is permitted by the appropriate authority and provided that the non-replacement of that BTKL Major Equipment does not affect the operation of the business of the Lessee.

(d) On Determination of Lease

On the expiration of the Term, and unless renewed in accordance with the terms of the BTKL Lease Agreement or on sooner determination of the Term:

(i) the Lessor shall have the right to instruct the Lessee to deliver to the Lessor, either vacant possession or legal possession of the BTKL Property. The Lessor shall notify the Lessee of its election within three (3) months prior to the expiration of the Term or if the Term is sooner determined prior to its expiration, no later than three (3) business days after the date of the issuance of the notice of termination. If the Lessor fails to provide such notification within the specified period, the Lessee shall only be required to deliver legal possession to the Lessor on the expiration or sooner determination of the Term, whichever applicable, and unless acquired by the Lessor in accordance with the terms of the BTKL Lease Agreement, the Lessee shall, at its own costs and expense remove all the Lessee's BTKL Fixtures and Fittings within one (1) month from the expiration or sooner determination of the Term, free of rental.

(ii) if the Lessor elects to take vacant possession of the BTKL Property, the Lessee shall no later than one (1) month from the expiration or sooner determination of the Term, yield up the BTKL Property with all locks and keys (or security access cards) complete to the Lessor and unless acquired by the Lessor in accordance with the terms of the BTKL Lease Agreement, at the Lessee's own costs and expense remove all the Lessee's BTKL Fixtures and Fittings, and unless otherwise agreed between the Lessor and the Lessee, to reinstate the BTKL Property to its original state as at the Lease Commencement Date, in good tenantable repair and condition (fair wear and tear excepted). The scope of reinstatement works shall be mutually agreed upon by the Lessor and the Lessee, acting reasonably and in good faith.

(iii) if the Lessee fails to deliver vacant possession of the BTKL Property, or to remove the Lessee's BTKL Fixtures and Fittings or to reinstate in accordance with this provision, the Lessee shall pay to the Lessor double rent for every month or part thereof that the Lessee fails to comply after one (1) month upon the expiration or sooner determination of the Term, whichever applicable, subject to the Lessor's duty of mitigation of damages and without prejudice to the aforesaid it shall be lawful for the Lessor or its servants or agents to remove the Lessee's BTKL Fixtures and Fittings on the Lessee's behalf, repair all damages and breakage caused by the Lessee and reinstate the BTKL Property in accordance with the provisions of the BTKL Lease Agreement and all costs of such work shall be a debt due and payable on demand from the Lessee to the Lessor. Such payment of the agreed liquidated damages will not be treated as a renewal of the lease whether by operation of law or pursuant to the provisions of the BTKL Lease Agreement.

(iv) for avoidance of doubt, notwithstanding that under any of the provisions of the BTKL Lease Agreement, upon expiry or sooner termination of the lease, the Lessee is stated to be under the obligation to reinstate the BTKL Property to its original state as at the Lease Commencement Date. In relation to all renovations carried out to the BTKL Strata Parcel and modifications carried out to the BTKL Fixtures and Fittings during the Term with the express consent of the Lessor, the Lessee shall not be required to reinstate or bear the costs of reinstatement of all or any of such renovations and modifications carried out.

(v) the Lessor agrees to refund the Lessee the unused portion of the Lease Rental payment. The refund shall be calculated on a pro-rata basis, taking into account the number of days remaining in the Lease Rental period after the termination date. Such refund less such sum or sums as may then be due to the Lessor shall be paid to the Lessee within 30 business days from the date of termination, provided that the Lessee has complied with all obligations under the BTKL Lease Agreement.

(e) Ownership

(i) The Lessee shall ensure that there shall be no material dilution of the shareholding of the Lessee with regards to the strategic shareholders during the first five (5)-year period of the Term. The Lessee covenants that the direct or indirect shareholding of the strategic shareholders in the Lessee during such period shall not fall below 80% in aggregate, of the total issued and paid up ordinary share capital in the Lessee.

(ii) In respect of the balance five (5)-year period of the Term, the Lessee shall ensure that:

(aa) the direct or indirect shareholding of the strategic shareholders in the Lessee during the remaining period shall not fall below 75% in aggregate, of the total issued and paid-up ordinary share capital in the Lessee; or

(bb) either one of the strategic shareholders remains as a direct or indirect shareholder of the Lessee and the shareholding of the remaining strategic shareholder shall not fall below 75%, of the total issued and paid-up ordinary share capital in the Lessee.

(f) Compliance with Hotel Management Agreement

(i) The Lessee and all persons claiming through or under the Lessee shall observe and comply with all the terms and conditions of the Hotel Management Agreement (including any renewals thereof) in respect of the BTKL Property.

(ii) Subject to paragraph (iii) below, the Lessee shall promptly notify the Lessor of any renewals or amendments to the Hotel Management Agreement.

(iii) Unless with the prior written consent of the Lessor, the Lessee shall not amend the terms of the Hotel Management Agreement that may materially impact the terms and conditions of the BTKL Lease Agreement, including any amendment which may affect the amount of the Variable Rental (such consent not to be unreasonably withheld or delayed).

(g) Determination of the Hotel Management Agreement

(i) If the Hotel Management Agreement expires or is determined before the expiry of the Term, the Lessee shall, subject to prior notification to the Lessor, either renew the Hotel Management Agreement or subject to consultation with the Lessor enter into another hotel management agreement with another hotel manager with a similar or higher standing than the Hotel Manager and maintain or improve the brand standing as at the date hereof.

(ii) Unless with the prior written consent of the Lessor, the Lessee shall ensure that any renewal of the Hotel Management Agreement or any new hotel management agreement shall not be for a duration exceeding the unexpired term of the then current Term (such consent not to be unreasonably withheld or delayed).

(h) Hotel Manager's Reports under the Hotel Management Agreement

The Lessee shall within three (3) business days of its receipt of each or any of the following documents under the Hotel Management Agreement, provide copies of the same to the Lessor:

(i) monthly profit and loss statement;

(ii) monthly business review and performance report;

(iii) yearly audited statement, including detailed fixtures and fittings reflecting itemised cost, depreciation and NBV; and

(iv) annual plan.

The Lessee shall provide any other information reasonably requested by the Lessor within 10 business days upon receipt of the Lessor's written request.

4. EVENTS OF DEFAULT

4.1 Events of Default by the Lessee

Pursuant to the BTKL Lease Agreement, the Lessor and the Lessee agree that the following, among others, shall constitute events of default by the Lessee:

(a) if the Lease Rental or any part thereof or any sum payable to the Lessor under the terms of the BTKL Lease Agreement shall be unpaid for 10 business days after becoming payable (whether the same shall have been formally demanded or not) and fails to remedy the same within 20 business days after notice in writing has been given by the Lessor to the Lessee requiring the breach to be remedied; or

(b) if the Lessee commits or permits any breach or default in the due and punctual observance of any of the conditions, stipulations, terms and covenants expressed in the BTKL Lease Agreement (other than the events set out in paragraphs 4.1(a) and (c), among others) and fails to remedy the same within 30 business days after notice in writing has been given by the Lessor to the Lessee requiring the breach to be remedied; or

(c) if the Lessee commits or permits any breach or default in the due and punctual observance of any of the conditions, stipulations, terms and covenants expressed in the PHKL Lease Agreement and fails to remedy the same within the period prescribed in the PHKL Lease Agreement to remedy such breach after requisite notice in writing has been given by the Lessor to the Lessee requiring the breach under the PHKL Lease Agreement to be remedied by the Lessee therein,

then and in any of the said cases, it shall be lawful for the Lessor at any time thereafter to serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code (Revised 2020) and it is mutually agreed that a final reasonable time in which to remedy the breach the subject matter of the said forfeiture notice is 10 business days and on the expiration of the period specified in the said forfeiture notice without the breach complained of having been remedied, the Lessor shall be at liberty to re-enter the BTKL Strata Parcel and take possession of the BTKL Fixtures and Fittings or any part thereof in the name of the whole and thereupon the lease shall absolutely determine but without prejudice to any right of action of the Lessor in respect of the Lessee's breach of its covenants herein contained. Subject to the Lessor's duty of mitigation of damages, the Lessee shall pay to the Lessor damages quantified as the Fixed Rental payable for the unexpired portion of the then current Term.

4.2 Events of Default by the Lessor

Pursuant to the BTKL Lease Agreement, the Lessor and the Lessee agree that the following shall constitute events of default by the Lessor:

(a) if the Lessor commits or permits any breach or default in the due and punctual observance of any of the conditions, stipulations, terms and covenants expressed in the BTKL Lease Agreement; and

(b) if the Lessor shall be wound up whether compulsorily or voluntarily (save and except for purposes of reconstruction or amalgamation) or enter into any arrangement or composition with its creditors.

Upon the occurrence of an event of default by the Lessor, the Lessee shall be entitled to:

(i) suspend its payment obligations under the BTKL Lease Agreement until the Lessor remedies the default; and

(ii) give written notice to the Lessor of such default, specifying the nature of the default and requiring the Lessor to remedy the default within 20 business days from the date of the notice, and if the Lessor fails to remedy the default within the prescribed period, the Lessee shall be entitled to:

   (A) seek for specific performance along with any ancillary reliefs; or

   (B) terminate the BTKL Lease Agreement by giving written notice to the Lessor of such termination and the Lessee shall be entitled to claim from the Lessor damages, all losses suffered and liabilities incurred flowing from the breach on the part of the Lessor.

1. LEASE AND TERM OF LEASE

Pavilion REIT as the Lessor has agreed to grant and HPSB as the Lessee has agreed to accept a lease over the PHKL Property for the Term commencing from the Lease Commencement Date, with an option to renew for the First Renewal and a further option to renew for the Second Renewal, free from all encumbrances and upon the terms and conditions set out in the PHKL Lease Agreement.

The Term, First Renewal and Second Renewal are defined in Section 2.5 of this Circular.

2. RENTAL – FIXED RENTAL & VARIABLE RENTAL

The Lessee shall pay to the Lessor the Lease Rental, comprising:

(a) the Fixed Rental

  (i) in the amount of RM23,500,000.00 for the first five (5)-year period of the Term;

  (ii) in the amount of RM24,675,000.00 for the remaining five (5)-year period of the Term;

  (iii) if the lease is renewed for the First Renewal:

    (aa) for the first five (5)-year period of the First Renewal, in the amount increased at the Pre-Agreed Rate of Increase from the amount stated in paragraph (2)(a)(ii) above; and

    (bb) for the remaining five (5)-year period of the First Renewal, in the amount increased at the same Pre-Agreed Rate of Increase as paragraph (2)(a)(iii)(aa) above from the amount stated in paragraph (2)(a)(iii)(aa) above;

  (iv) if the lease is renewed for the Second Renewal:

    (aa) for the first five (5)-year period of the Second Renewal, in the amount increased at the Pre-Agreed Rate of Increase from the amount stated in paragraph (2)(a)(iii)(bb) above; and

    (bb) for the remaining five (5)-year period of the Second Renewal, in the amount increased at the same Pre-Agreed Rate of Increase as paragraph (2)(a)(iv)(aa) above from the amount stated in paragraph (2)(a)(iv)(aa) above; and

(b) the Variable Rental,

during the Term and shall not exercise or seek to exercise any right or claim to withhold rent or any right or claim to legal or equitable set-off.

If at any time during the Term, there is a Surplus Sum, such Surplus Sum shall be shared between Pavilion REIT and HPSB in the following manner:

Parties	**Surplus Sum entitlement (%)**
Pavilion REIT	40% of the Surplus Sum
HPSB	60% of the Surplus Sum

3. COVENANTS

Pursuant to the PHKL Lease Agreement, the Lessee agrees and covenants with the Lessor, among others, that:

(a) Payment of Utility, Deposit, Charges and Services

Save and except for all those charges agreed to be paid by the Lessor to the appropriate authority/management body under the PHKL Lease Agreement, the Lessee shall pay to the appropriate authority/management body all charges in respect of water, electricity, sewerage and other utilities used throughout the Term in respect of the PHKL Property.

If the Lessee fails to discharge its debt due and payable to the appropriate authority/management body and the amount so owing is then paid by the Lessor on behalf of the Lessee, the amount paid by the Lessor shall forthwith become a debt due and payable on demand by the Lessee. For the avoidance of doubt, the Lessor is not obliged to make any payment to the appropriate authority/management body on behalf of the Lessee.

(b) Insurance

The Lessee shall at its costs and expense take up all necessary insurance required for the conduct of the business of the Lessee and for the Lessee to remain in compliance with all the Lessee's obligations with third parties including but not limited to the Hotel Manager under the Hotel Management Agreement, and where applicable and permitted by the insurer, to include the Lessor as one of the insured parties or have the name of the Lessor endorsed as registered and beneficial owner of the PHKL Property in the insurance policies.

(c) Upkeep and Maintenance of the PHKL Property

The Lessee shall throughout the Term carry out periodic maintenance to keep and maintain the PHKL Property in good and tenantable state of repair and condition (fair wear and tear excepted) and shall be responsible for the periodic cleaning, maintenance and upkeep of the PHKL Property.

If any damage or breakage is caused by the Lessee (or its servant or agent or its customers, invitees or licensees or any person claiming through or under the Lessee) to the PHKL Property or any part thereof, howsoever caused, the Lessee shall as soon as practicable repair and make good such damage, failing which the Lessor shall be entitled to execute the repairs and any expenses and cost incurred in carrying out such work shall be a debt due and payable on demand from the Lessee to the Lessor.

Subject to reasonably satisfactory documentary evidence of proper and periodic upkeep and maintenance being extended to the Lessor, where the repair cost for any PHKL Major Equipment exceeds 50% of its replacement cost, the Lessor shall bear such cost of repair or elect to instruct the Lessee to replace the PHKL Major Equipment at the Lessor's cost.

For any PHKL Major Equipment that has reached end of life as per the specifications, manuals and documentation relating to such PHKL Major Equipment as provided by the manufacturer/supplier, the Lessor shall bear the replacement cost. Notwithstanding the foregoing, the Lessor may elect to defer the replacement of the affected PHKL Major Equipment if in the opinion of the Lessor that PHKL Major Equipment remains operable, provided that it is permitted by the appropriate authority and provided that the non-replacement of that PHKL Major Equipment does not affect the operation of the business of the Lessee.

(d) On Determination of Lease

On the expiration of the Term, and unless renewed in accordance with the terms of the PHKL Lease Agreement or on sooner determination of the Term:

(i) the Lessor shall have the right to instruct the Lessee to deliver to the Lessor, either vacant possession or legal possession of the PHKL Property. The Lessor shall notify the Lessee of its election within three (3) months prior to the expiration of the Term or if the Term is sooner determined prior to its expiration, no later than three (3) business days after the date of the issuance of the notice of termination. If the Lessor fails to provide such notification within the specified period, the Lessee shall only be required to deliver legal possession to the Lessor on the expiration or sooner determination of the Term, whichever applicable, and unless acquired by the Lessor in accordance with the terms of the PHKL Lease Agreement, the Lessee shall, at its own costs and expense remove all the Lessee's PHKL Fixtures and Fittings within one (1) month from the expiration or sooner determination of the Term, free of rental.

(ii) if the Lessor elects to take vacant possession of the PHKL Property, the Lessee shall no later than one (1) month from the expiration or sooner determination of the Term, yield up the PHKL Property with all locks and keys (or security access cards) complete to the Lessor and unless acquired by the Lessor in accordance with the terms of the PHKL Lease Agreement, at the Lessee's own costs and expense remove all the Lessee's PHKL Fixtures and Fittings, and unless otherwise agreed between the Lessor and the Lessee, to reinstate the PHKL Property to its original state as at the Lease Commencement Date, in good tenantable repair and condition (fair wear and tear excepted). The scope of reinstatement works shall be mutually agreed upon by the Lessor and the Lessee, acting reasonably and in good faith.

(iii) if the Lessee fails to deliver vacant possession of the PHKL Property, as the case may be, or to remove the Lessee's PHKL Fixtures and Fittings or to reinstate in accordance with this provision, the Lessee shall pay to the Lessor double rent for every month or part thereof that the Lessee fails to comply after one (1) month upon the expiration or sooner determination of the Term, whichever applicable, subject to the Lessor's duty of mitigation of damages and without prejudice to the aforesaid it shall be lawful for the Lessor, its servants or agents to remove the Lessee's PHKL Fixtures and Fittings on the Lessee's behalf, repair all damages and breakage caused by the Lessee and reinstate the PHKL Property in accordance with the provisions of the PHKL Lease Agreement and all costs of such work shall be a debt due and payable on demand from the Lessee to the Lessor. Such payment of the agreed liquidated damages will not be treated as a renewal of the lease whether by operation of law or pursuant to the provisions of the PHKL Lease Agreement.

(iv) for avoidance of doubt, notwithstanding that under any of the provisions of the PHKL Lease Agreement, upon expiry or sooner termination of the lease, the Lessee is stated to be under the obligation to reinstate the PHKL Property to its original state as at the Lease Commencement Date. In relation to all renovations carried out to the PHKL Strata Parcels and modifications carried out to the PHKL Fixtures and Fittings during the Term with the express consent of the Lessor, the Lessee shall not be required to reinstate or bear the costs of reinstatement of all or any of such renovations and modifications carried out.

(v) the Lessor agrees to refund the Lessee the unused portion of the Lease Rental payment. The refund shall be calculated on a pro-rata basis, taking into account the number of days remaining in the Lease Rental period after the termination date. Such refund less such sum or sums as may then be due to the Lessor shall be paid to the Lessee within 30 business days from the date of termination, provided that the Lessee has complied with all obligations under the PHKL Lease Agreement.

(e) Ownership

(i) The Lessee shall ensure that there shall be no material dilution of the shareholding of the Lessee with regards to the strategic shareholders during the first five (5)-year period of the Term. The Lessee covenants that the direct or indirect shareholding of the strategic shareholders in the Lessee during such period shall not fall below 80% in aggregate, of the total issued and paid up ordinary share capital in the Lessee.

(ii) In respect of the balance five (5)-year period of the Term, the Lessee shall ensure that:

(aa) the direct or indirect shareholding of the strategic shareholders in the Lessee during the remaining period shall not fall below 75% in aggregate, of the total issued and paid-up ordinary share capital in the Lessee; or

(bb) either one of the strategic shareholders remains as a direct or indirect shareholder of the Lessee and the shareholding of the remaining strategic shareholder shall not fall below 75%, of the total issued and paid-up ordinary share capital in the Lessee.

(f) Compliance with Hotel Management Agreement

(i) The Lessee and all persons claiming through or under the Lessee shall observe and comply with all the terms and conditions of the Hotel Management Agreement (including any renewals thereof) in respect of the PHKL Property.

(ii) Subject to paragraph (iii) below, the Lessee shall promptly notify the Lessor of any renewals or amendments to the Hotel Management Agreement.

(iii) Unless with the prior written consent of the Lessor, the Lessee shall not amend the terms of the Hotel Management Agreement that may materially impact the terms and conditions of the PHKL Lease Agreement, including any amendment which may affect the amount of the Variable Rental (such consent not to be unreasonably withheld or delayed).

(g) Determination of the Hotel Management Agreement

(i) If the Hotel Management Agreement expires or is determined before the expiry of the Term, the Lessee shall, subject to prior notification to the Lessor, either renew the Hotel Management Agreement or subject to consultation with the Lessor enter into another hotel management agreement with another hotel manager with a similar or higher standing than the Hotel Manager and maintain or improve the brand standing as at the date hereof.

(ii) Unless with the prior written consent of the Lessor, the Lessee shall ensure that any renewal of the Hotel Management Agreement or any new hotel management agreement shall not be for a duration exceeding the unexpired term of the then current Term (such consent not to be unreasonably withheld or delayed).

(h) Hotel Manager's Reports under the Hotel Management Agreement

The Lessee shall within three (3) business days of its receipt of each or any of the following documents under the Hotel Management Agreement, provide copies of the same to the Lessor:

(i) monthly profit and loss statement;

(ii) monthly business review and performance report;

(iii) yearly audited statement, including detailed fixtures and fittings reflecting itemised cost, depreciation and NBV; and

(iv) annual plan.

The Lessee shall provide any other information reasonably requested by the Lessor within 10 business days upon receipt of the Lessor's written request.

4. EVENTS OF DEFAULT

4.1 Events of Default by the Lessee

Pursuant to the PHKL Lease Agreement, the Lessor and the Lessee agree that the following, among others, shall constitute events of default by the Lessee:

(a) if the Lease Rental or any part thereof or any sum payable to the Lessor under the terms of the PHKL Lease Agreement shall be unpaid for 10 business days after becoming payable (whether the same shall have been formally demanded or not) and fails to remedy the same within 20 business days after notice in writing has been given by the Lessor to the Lessee requiring the breach to be remedied; or

(b) if the Lessee commits or permits any breach or default in the due and punctual observance of any of the conditions stipulations terms and covenants expressed in the PHKL Lease Agreement (other than the events set out in paragraph 4.1(a) and/or (c), among others) and fails to remedy the same within 30 business days after notice in writing has been given by the Lessor to the Lessee requiring the breach to be remedied; or

(c) if the Lessee commits or permits any breach or default in the due and punctual observance of any of the conditions stipulations terms and covenants expressed in the BTKL Lease Agreement and fails to remedy the same within the period prescribed in the BTKL Lease Agreement to remedy such breach after notice in writing has been given by the Lessor to the Lessee requiring the breach under the BTKL Lease Agreement to be remedied by the Lessee therein,

then and in any of the said cases, it shall be lawful for the Lessor at any time thereafter to serve a forfeiture notice upon the Lessee pursuant to Section 235 of the National Land Code (Revised 2020) and it is mutually agreed that a final reasonable time in which to remedy the breach the subject matter of the said forfeiture notice is 10 business days and on the expiration of the period specified in the said forfeiture notice without the breach complained of having been remedied, the Lessor shall be at liberty to re-enter the PHKL Strata Parcels and take possession of the PHKL Fixtures and Fittings or any part thereof in the name of the whole and thereupon the lease shall absolutely determine but without prejudice to any right of action of the Lessor in respect of the Lessee's breach of its covenants herein contained. Subject to the Lessor's duty of mitigation of damages, the Lessee shall pay to the Lessor damages quantified as the Fixed Rental payable for the unexpired portion of the then current Term.

4.2 Events of Default by the Lessor

Pursuant to the PHKL Lease Agreement, the Lessor and the Lessee agree that the following shall constitute events of default by the Lessor:

(a) if the Lessor commits or permits any breach or default in the due and punctual observance of any of the conditions, stipulations, terms and covenants expressed in the PHKL Lease Agreement; and

(b) if the Lessor shall be wound up whether compulsorily or voluntarily (save and except for purposes of reconstruction or amalgamation) or enter into any arrangement or composition with its creditors.

Upon the occurrence of an event of default by the Lessor, the Lessee shall be entitled to:

(i) suspend its payment obligations under the PHKL Lease Agreement until the Lessor remedies the default; and

(ii) give written notice to the Lessor of such default, specifying the nature of the default and requiring the Lessor to remedy the default within 20 business days from the date of the notice, and if the Lessor fails to remedy the default within the prescribed period, the Lessee shall be entitled to:

    (A) seek for specific performance along with any ancillary reliefs; or

    (B) terminate the PHKL Lease Agreement by giving written notice to the Lessor of such termination and the Lessee shall be entitled to claim from the Lessor damages, all losses suffered and liabilities incurred flowing from the breach on the part of the Lessor.

CBRE | WTW

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Report and Valuation

Our Ref: WTW/01/V/003040/24/LKC

29 November 2024

PRIVATE & CONFIDENTIAL

MTrustee Berhad for Pavilion REIT
c/o Pavilion REIT Management Sdn Bhd
Level 10 Pavilion Kuala Lumpur
168 Jalan Bukit Bintang
55100 Kuala Lumpur

Dear Sirs,

MASTER CERTIFICATE OF VALUATION OF BANYAN TREE KUALA LUMPUR AND PAVILION HOTEL KUALA LUMPUR <u>FOR THE PURPOSE OF SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD</u>

In accordance with the instructions of MTrustee Berhad for Pavilion REIT, we, CBRE WTW Valuation & Advisory Sdn Bhd, have carried out a formal valuation on the above-mentioned property in providing our opinion of the Market Value of the property for the purpose of Pavilion Real Estate Investment Trust ("**Pavilion REIT**")'s submission to Bursa Malaysia Securities Berhad in relation to the proposed acquisitions by MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT, of Banyan Tree Kuala Lumpur ("**BTKL**") from Lumayan Indah Sdn Bhd and Pavilion Hotel Kuala Lumpur from Harmoni Perkasa Sdn Bhd for a total purchase consideration of RM480.00 million.

We have prepared and provided this Master Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of Market Value and reflects all information known by us and based on present market conditions.

The valuation has been prepared in accordance with the requirements as set out in the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards ("**MVS**") issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

This Master Valuation Certificate is prepared for the inclusion in the circular to unitholders of Pavilion REIT in relation to the above transaction. For all intents and purposes, this Master Valuation Certificate should be read in conjunction with the full Report and Valuation.

The basis of the valuation is Market Value which is defined by the MVS to be "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".

We have inspected the subject property on various occasions, being the latest on 25 November 2024.

The material date of valuation is taken as at 25 November 2024.

Our Ref: WTW/01/V/003040/24/LKC
Page 2

METHOD OF VALUATION

In arriving at our opinion of Market Values, we have adopted the following Valuation Methodologies.

Income Approach - Profits Method (Discounted Cash Flow)

The subject property has been valued via Income Approach - Profits Method (Discounted Cash Flow) The Income Approach - Profits Method (Discounted Cash Flow) entails estimating the gross annual income that can be derived from the running of the property as a business concern. The net annual income is then arrived at by deducting therefrom the operating costs and outgoings incidental to the running of the business and ownership of the property and allowing a margin of profit for the running of the business. The net annual income so arrived at is then capitalised at a suitable rate of return consistent with the type and quality of investment to arrive at the market value.

Comparison Approach

As a check, we have adopted the Comparison Approach. The Comparison Approach entails analysing recent transactions and asking prices of similar property in the locality for comparison purposes with adjustments made for differences in location, accessibility, age and condition of the building, design and quality, tenure, size, title restrictions if any and other relevant characteristics to arrive at the market value.

The table below is a summary of Market Values for the properties valued:-

No.	Property Details	Market Value
1.	**A 5-star hotel known as Banyan Tree Kuala Lumpur** **held under Strata Title No. Geran 34208/M1/B2/1** **erected on Parent Lot No. 383 Section 57** **Town and District of Kuala Lumpur** **Federal Territory of Kuala Lumpur** Banyan Tree Kuala Lumpur, No. 2, Jalan Conlay, 50450 Kuala Lumpur (Our Ref : WTW/01/V/003040A/24/LKC)	RM140,000,000/-
2.	**A 5-star hotel known as Pavilion Hotel Kuala Lumpur** **held under Strata Title Nos. Pajakan Negeri 53757/M1/B3/3** **and Pajakan Negeri 53757/M1/1/4** **erected on part of Parent Lot No. 20020 Section 63** **Town and District of Kuala Lumpur** **Federal Territory of Kuala Lumpur** Pavilion Hotel Kuala Lumpur, No. 170, Jalan Bukit Bintang, 55100 Kuala Lumpur (Our Ref : WTW/01/V/003040B/24/LKC)	RM350,000,000/-
	Total	**RM490,000,000/-**

Yours faithfully
for and on behalf of
CBRE WTW Valuation & Advisory Sdn Bhd
(formerly known as C H Williams Talhar & Wong Sdn Bhd)

Sr HENG KIANG HAI
MBA (Real Estate), B.Surv (Hons) Prop.Mgt,
MRICS, FRISM, FPEPS, MMIPFM
Registered Valuer (V-486)

MASTER CERTIFICATE OF VALUATION

1. A 5-star hotel known as Banyan Tree Kuala Lumpur
(Our Ref : WTW/01/V/003040A/24/LKC)

TERMS OF REFERENCE

The valuation is carried out based on the following **BASIS:-**

Basis I – "As Is" Basis

i. The subject property is a 5-star rating hotel with a total of 55 rooms;

ii. The hotel is operated by Banyan Tree Hotels & Resorts Pte. Ltd. and issued with a 5-star rating by the relevant authorities; and

iii. It is valued based on the historical 5 years actual profit and loss and 5 years projection as provided to us.

Basis II – With Lease Arrangement

i. The subject property is a 5-star rating hotel with a total of 55 rooms;

ii. The hotel is operated by Banyan Tree Hotels & Resorts Pte. Ltd. and issued with a 5-star rating by the relevant authorities;

iii. It is valued based on the historical 5 years actual profit and loss and 5 years projection as provided to us; and

iv. The agreed upon lease agreement between MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT ("Lessor") and Harmoni Perkasa Sdn Bhd ("Lessee") for leasing the demised premises for a period of 10 years, with an option for renewal exercisable by the Lessee for two (2) additional successive.

IT IS TO BE NOTED THAT THE VALUATION IS BASED ON THE ABOVE BASIS WHICH ARE ASSUMED TO BE VALID AND CORRECT. WE RESERVE THE RIGHT TO MAKE AMENDMENTS (INCLUDING THE MARKET VALUE) IF ANY OF THE ABOVE BASIS IS INVALID/INCORRECT.

PROPERTY IDENTIFICATION

The property : A 5-star hotel with 55 rooms known as Banyan Tree Kuala Lumpur

Address : Banyan Tree Kuala Lumpur, No. 2, Jalan Conlay, 50450 Kuala Lumpur

Strata Title No. / Building No. / Storey No. / Parcel No. / Strata Floor Area / Accessory Parcel No. and Share Unit of Parcel :

Strata Title No.	Parcel No.	Storey No.	Building No.	Strata Floor Area	Accessory Parcel No.	Share Unit of Parcel
Geran 34208/M1/B2/1	1	B2	M1	10,212 square metres (Approximately 109,921 square feet)	A1 to A8 (inclusive), A11, A26 to A30 (inclusive), A35 to A42 (inclusive), A44 to A56 (inclusive), A59 to A88 (inclusive), A90 to A101 (inclusive), A107 to A116 (inclusive), A646 to A649 (inclusive)	16,524

Parent Title No. : Geran 34208

Parent Lot No. : Lot 383 Section 57, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur

Total share units of all subdivided buildings on the land : 103,960

Tenure : Term in Perpetuity (Freehold)

Category of Land Use : Building

Registered Owner : LUMAYAN INDAH SDN BHD

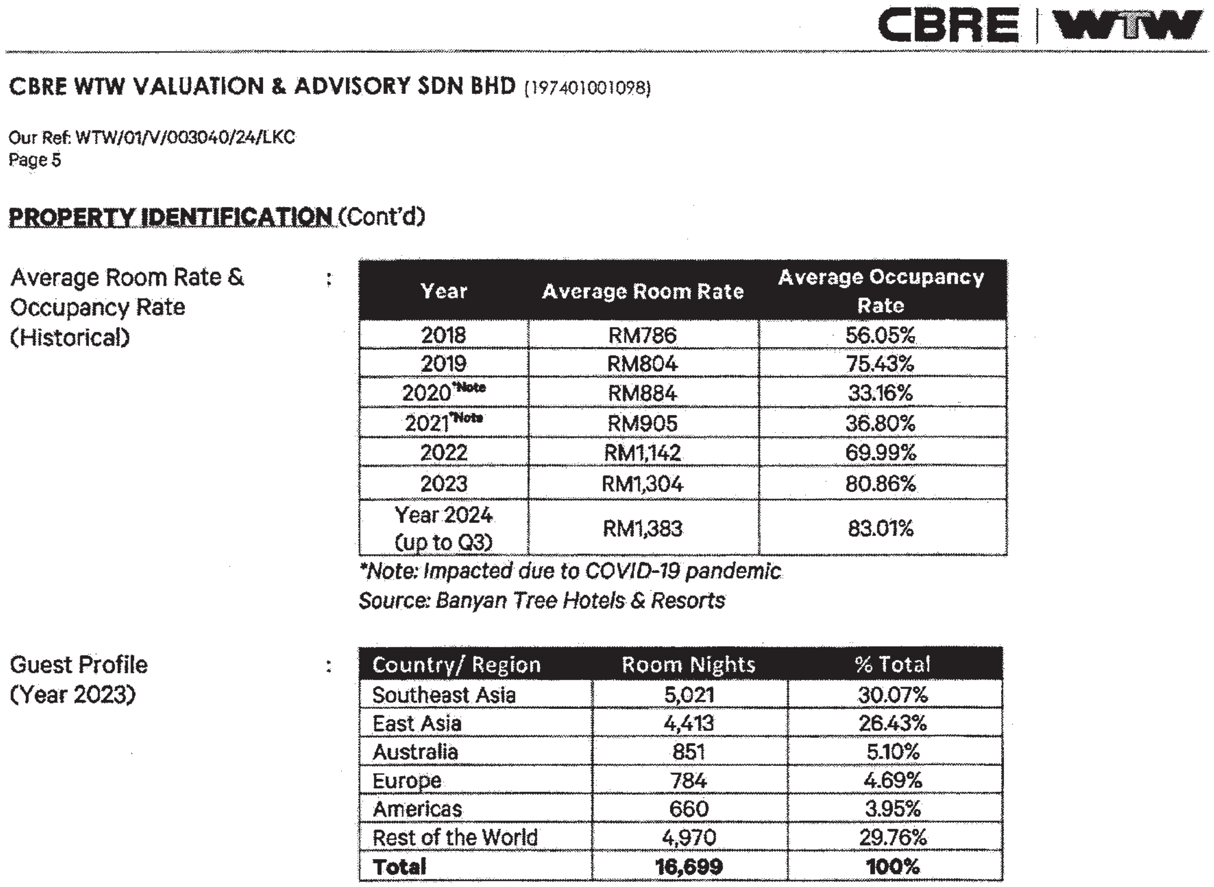
Express Condition : Hotel.

Caveat : Nil

Restriction in Interest : -.

Encumbrances : Charged to AFFIN BANK BERHAD

Building Age : Approximately 6 years as per the Certificate of Completion and Compliance bearing Certificate No. LAM / WP / No. 8874 dated 27 April 2018



PROPERTY IDENTIFICATION (Cont'd)

Average Room Rate & Occupancy Rate (Historical) :

Year	Average Room Rate	Average Occupancy Rate
2018	RM786	56.05%
2019	RM804	75.43%
2020*Note	RM884	33.16%
2021*Note	RM905	36.80%
2022	RM1,142	69.99%
2023	RM1,304	80.86%
Year 2024 (up to Q3)	RM1,383	83.01%

**Note: Impacted due to COVID-19 pandemic*
Source: Banyan Tree Hotels & Resorts

Guest Profile (Year 2023) :

Country/ Region	Room Nights	% Total
Southeast Asia	5,021	30.07%
East Asia	4,413	26.43%
Australia	851	5.10%
Europe	784	4.69%
Americas	660	3.95%
Rest of the World	4,970	29.76%
Total	**16,699**	**100%**

GENERAL DESCRIPTION

Based on the revised building plan approved by Dewan Bandaraya Kuala Lumpur on 21 February 2018, the subject development is a 59 storey block containing serviced apartments and a hotel component together with 2 levels of basement car park.

For the purposes of this valuation, we were instructed by client to value the hotel component, a 5-star hotel with 55 rooms located at the top 7 floors of the subject block together with 81 car parking bays known as Banyan Tree Kuala Lumpur.

The subject block is a modern-designed building constructed of reinforced concrete framework with reinforced concrete floors and covered with reinforced concrete flat roof slab with insulation and waterproofing.

The external walls/facade are generally cladded with tinted glazed and aluminium panel curtain walling. Vertical access within the building is by means of passenger lifts, escalators and reinforced concrete staircases.

Based on our site inspection together with the Revised Renovation Building Plan prepared by NWKA Architects Sdn Bhd and approved by DBKL on 18 October 2024, we noted that part of Level 59, Level 59M and Roof had undergone renovation with new viewing deck, lift motor room, new toilet and glass box.

We were given to understand that the above renovation works have yet to be issued with a CCC, and the building plan approval for the renovation works is targeted to be obtained by end of January 2025, following which an inspection will be carried out by the Fire and Rescue Department of Malaysia prior to the issuance of the CCC.

Based on the above, we were given to understand that the application and issuance of the CCC is conditional and subject to the successful completion and receipt of the necessary inspection and approvals and may be contingent on the final confirmation from the relevant authorities.

Guest Rooms

There are 8 types of rooms namely the Banyan Retreat, Signature Banyan Retreat, Signature Sky Retreat, Signature Wellbeing Retreat, Sky Suite, Sanctuary Suite, Sky Sanctuary Suite and Banyan Tree Suite. The total number of various types of rooms and their estimated average floor area are as follows:-

Room Type	Average Floor Area (square metres)	No. of Rooms
Banyan Retreat	51 - 63	14
Signature Banyan Retreat	63 - 67	12
Signature Sky Retreat	54 - 67	18
Signature Wellbeing Retreat	62	3
Sky Suite	62	4
Sanctuary Suite	90	2
Sky Sanctuary Suite	116	1
Banyan Tree Suite	313	1
Total		**55**

Source: Banyan Tree Hotels & Resorts

GENERAL DESCRIPTION (Cont'd)

The hotel has facilities and amenities as follows:-

Description	Facilities/ Amenities
Level 1	Hotel Arrival Lobby, Bake by Banyan Tree (Bakery / Café)
Level 53	Check-in Counter, Spa Reception, Spa Treatment Rooms, Swimming Pool, Gymnasium and Meeting Facilties, F & B – Torito
Level 58	F & B - Horizon Grill (All Day Dining + Steak House)
Level 59	F & B - Vertigo (Open Bar)
Level 60 (Roof Top)	F & B - Vertigo TOO (Extension of Vertigo)

Car Park facilities are located at Level 1, Basement 1 & 1A and Basement 2 & 2A for the hotel. The total number of car park bays is 81 bays.

Based on the Car Park License Agreement dated 25 January 2018 and the Commencement Letter dated 22 June 2018, Edisijuta Parking Sdn Bhd has been appointed as the car park operator to manage, operate and control the parking operation of the designated car park area and to take charge of all car park collections for a period of 6 years commencing from 15 June 2018 and expiring on 14 June 2024 with a further term of 3 years based on the terms and conditions stipulated in the Car Park License Agreement. During our site inspection, we noted that the car park is currently operated by Edisijuta Parking Sdn Bhd.

Based on the subsequent Car Park License Agreement dated 1 October 2024, Edisijuta Parking Sdn Bhd has continued to be appointed as the car park operator to manage, operate and control the parking operation of the designated car park area and to take charge of all car park collections for a period of 3 years commencing on 1 October 2024, with a further term of 3 years based on the same terms and conditions.

The above Car Park License Agreement stated that the operator shall pay the owner a monthly return equivalent to 65% of the Net Revenue*Note for the duration of the license.

We also noted that part of the subject building located at Level 1 has been tenanted to Malton Berhad and WCT Holdings Berhad for a period of 2 years commencing from 1 October 2020 and subsequently renewed for a further period of 3 years commencing from 1 October 2022 and expiring on 30 September 2025 with an option for renewal for 3 years. The total monthly rental is RM33,030.50 (inclusive of the monthly service charges).

At the time of our inspection, the subject property was generally in a good state of repair and maintenance.

***Note** : Net Revenue means Gross Revenue less Goods and Service Tax or any other government imposed taxes such as Sales and Service Tax and less the Direct Operational Expenses.

Hotel Management Agreement

Vide a Hotel Management Agreement between **LUMAYAN INDAH SDN BHD** ("Owner") and **BANYAN TREE HOTELS & RESORTS PTE. LTD.** ("Manager") dated 2 September 2016, the Owner has appointed the Manager for the management of the hotel on the terms and conditions stipulated therein. The operating term set out in the Hotel Management Agreement is for a term of 20 years commencing from 2 September 2016. Under the hotel management agreement, it provides that:

i. The Manager must operate and manage BTKL during the tenure as a world-class international branded five-star hotel, and in any case no less than the Banyan Tree Standards as defined in the agreement. This includes marketing, planning and executing proper maintenance and repair works for the hotels as well as ensuring adequate coverage for certain insurance.

Hotel Management Agreement (Cont'd)

ii. Manager will have control and discretion in the operation of BTKL including, among others, charges for rooms, food and beverages etc, wage rates and hiring and discharging of employees and maintenance of bank accounts and holding funds in the hotel name. The appointment of General Manager and Financial Controller will be subject to the Owner's prior approval.

iii. The Manager shall consult with the Owner on any exercise of its discretion that would materially impact the Hotel such as any transaction that exceeds US$60,000 or RM250,000 in value.

iv. For the services provided by the Manager, the Manager is compensated through a base management fee and an incentive fee that is paid monthly. The base management fee is computed based on an agreed upon formula derived as a percentage of BTKL's monthly revenue while the incentive fee is computed based on an agreed upon formula as a percentage of BTKL's monthly gross operating profit subject to meeting certain conditions. The incentive fee is not payable in the event that BTKL's monthly gross operating profit does not meet certain thresholds.

VALUE CONSIDERATION

Income Approach (Profits Method – Discounted Cash Flow)

The historical performance of BTKL from Year 2018 to Year 2023 as provided to us are as follows:-

Year	2018*Note	2019	2020	2021	2022	2023
Average Room Rate	RM786	RM804	RM884	RM905	RM1,142	RM1,304
Average Occupancy Rate	56.05%	75.43%	33.16%	36.80%	69.99%	80.86%
Total Revenue	RM13,367,359.00	RM32,076,945.00	RM20,575,443.38	RM20,424,365.36	RM42,692,438.47	RM50,373,224.81
Gross Operating Revenue	RM5,723,903.00	RM12,759,086.00	RM5,922,596.75	RM6,699,259.54	RM19,445,216.78	RM22,577,841.77
Gross Operating Profit	RM1,081,684.00	RM3,728,800.00	(RM1,346,872.29)	(RM364,237.35)	RM9,101,099.97	RM10,446,013.70
Net Operating Profit	RM566,727.00	RM2,652,813.00	(RM2,598,536.60)	(RM2,020,630.07)	RM5,873,866.54	RM7,073,705.79

Note: Hotel operation commenced in July 2018

In our valuation of the subject property by using the Income Approach (Profits Method - Discounted Cash Flow), we considered the past 5 years historical record as well as the 5 years projection provided to us. In our valuation, we have considered the 5 years projection provided to us and projected this for another 5 years. Therefore, we have run a 10-year projection.

The gross revenue and costs associated with the hotel operation and hotel ownership such as administrative costs, marketing costs, property operation and maintenance, human resources, information and telecommunication, utility costs, quit rent, assessment as well as fire insurance were forecasted/ projected and derived based on both the current and historical/ past performances of the subject property via projections that were provided and made available to us. Considerations were given to a wide range of parameters including the growth of average room rate, average occupancy rate, expenses ratios and other related expenses.

Reference is also made to the advice and expertise from the hotel management of BTKL as well as our past experience in valuing hotel premises. We have also used surveys conducted by CBRE | WTW Research with regards to hotel room rates and occupancy rates.

It is noted that the hotel only commenced operations in July 2018 and the performance of the hotel has not matured coupled with the impact of COVID-19 in year 2020 and 2021 to the hotel industry. Therefore, several key parameters are underperforming. We have made efforts to normalise these parameters so that it is in line with market norm.

VALUE CONSIDERATION (Cont'd)

The parameters adopted in the Income Approach (Profits Method – Discounted Cash Flow) for the hotel are as follows:-

<table>
<tr><th>Description</th><th>Parameters</th><th>Remarks</th></tr>
<tr><td>Projected Average Room Rate ("ARR")</td><td>Year 1 – RM1,386</td><td>
<table>
<tr><th colspan="6">ARR (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2018</td><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>RM786</td><td>RM804</td><td>RM884</td><td>RM905</td><td>RM1,142</td><td>RM1,304</td><td>RM1,383</td></tr>
</table>
Reference is made to the historical ARRs along with published room rates of other hotels located within the vicinity. It is noted that the historical ARRs for year 2018 to 2023 ranged from RM786 to 1,304 and the actual third quarter of Year 2024 is RM1,383. After taking into account the recovery of the tourism market post COVID-19 as well as the aforementioned 5-year projection furnished to us, we have adopted an ARR of RM1,386 as fair representation at Year 1 of our projections. An increase of 0.21% to 3.42% is adopted for the subsequent years up till Year 6 after which we have projected a more gradual increase up till Year 10 at 0.00% to 2.00%. This is after having taken into account the inflation rate and growth of the tourism industry post COVID-19. An ARR of RM1,621 for the terminal year is adopted as it is reflective of the long-term ARR of the subject property.
<table>
<tr><th colspan="2">Summary of ARR Growth</th></tr>
<tr><td>ARR (1st year)</td><td>0.21%</td></tr>
<tr><td>ARR (2nd-3rd year)</td><td>3.12% to 3.17%</td></tr>
<tr><td>ARR (year 4-5)</td><td>3.23% to 3.42%</td></tr>
<tr><td>ARR (year 6-10)</td><td>0.00% to 2.00%</td></tr>
</table>
</td></tr>
<tr><td>Projected Occupancy Rate</td><td>Year 1 – 85.00%</td><td>
<table>
<tr><th colspan="6">Occupancy Rate (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2018</td><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>56.05%</td><td>75.43%</td><td>33.16%</td><td>36.80%</td><td>69.99%</td><td>80.86%</td><td>83.01%</td></tr>
</table>
Reference is made to the historical occupancy rates along with the data obtained from STR, Inc., subsidiary of CoStar Group on the occupancy rate for similar 5-star hotels located within the locality of Bukit Bintang and KLCC. It is noted that the historical occupancy rates from Year 2018 to third quarter of Year 2024 ranged from 33.16% (due to the COVID-19 pandemic) to 83.01%. We have adopted an occupancy rate of 85.00% at Year 1 after taking into account the recovery of the tourism industry post COVID-19 as well as the aforementioned 5-year projection furnished to us. We have then increased the occupancy rate for Year 2 to Year 5 at 85.80% to 86.15% before a more gradual increase up to 86.50% in Year 6. We have adopted an increase of 0.00% to 0.50% for subsequent years up to 87.00% in Year 10. An occupancy rate of 85.00% for the terminal year is adopted as it is reflective of the long-term occupancy rate of the subject property.
</td></tr>
</table>

VALUE CONSIDERATION (Cont'd)

<table>
<tr><th>Description</th><th>Parameters</th><th>Remarks</th></tr>
<tr><td>Food & Beverage</td><td>Year 1 – 51.4% of the Total Revenue</td><td>
<table>
<tr><th colspan="6">Food & Beverage (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2018</td><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>63.6%</td><td>59.1%</td><td>68.2%</td><td>62.1%</td><td>57.1%</td><td>52.5%</td><td>48.8%</td></tr>
</table>
We have obtained and studied the historical food & beverage revenues of the subject property over the last 5 years, actual third quarter of Year 2024 and the aforementioned 5-year projection furnished to us. We have also compared it with other hotels within the vicinity. We have adopted the 5 year projections provided to us before normalising it at 51.9% for the remaining years.
</td></tr>
<tr><td>Other Operating Departments Revenue^{*Note1}</td><td>Year 1 – 4.3% of the Total Revenue</td><td>
In relation to the financial projections, we have evaluated the revenue from "Other Operated Departments" in total (which includes, among others, rental income and net income from car parks) as a percentage of total revenue, comparing this with historical trends. We are of the opinion that this approach ensures the rental income, reflected under "Other Operated Departments", has been appropriately considered in the valuation.
The historical trend of Other Operating Departments Revenue was provided to us. The 5 year historical trend and actual third quarter of Year 2024 provided is as follows:-
<table>
<tr><th colspan="6">Other Operating Departments Revenue Income (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2018</td><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>2.6%</td><td>2.5%</td><td>2.3%</td><td>4.3%</td><td>4.5%</td><td>4.6%</td><td>4.6%</td></tr>
</table>
We have then used the 5 year projections as provided to us and adopted at 4.1% to 4.3% for Year 1 to Year 5 (as per client projection) and normalised at 4.3% for the remaining years.
</td></tr>
<tr><td>Miscellaneous Income</td><td>Year 1 – 0.9% of the Total Revenue</td><td>
The historical trend of Miscellaneous Income was provided to us. The 5 year historical trend and actual third quarter of Year 2024 provided is as follows:-
<table>
<tr><th colspan="6">Miscellaneous Income (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2018</td><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>0.4%</td><td>0.4%</td><td>0.6%</td><td>0.8%</td><td>0.8%</td><td>0.9%</td><td>0.9%</td></tr>
</table>
We have then used the 5 year projections as provided to us and adopted at 0.9% to 1.0% for Year 1 to Year 5 (as per client projection) and normalised at 0.9% for the remaining years.
</td></tr>
<tr><td>Operating Costs and Expenses^{*Note2}</td><td></td><td>
Based on the historical costs provided to us on the operating costs and expenses, we noted that the costs and expenses from room upkeep are substantially high whilst the food and beverages and other operating income are inconsistent with similar type of hotels within the Klang Valley. Therefore, we have normalised the costs and expenses based on our experience valuing similar assets and analysis of other hotels within the vicinity.
<table>
<tr><th colspan="4">Summary of Operating Costs and Expenses - Ratio (% of Revenue)</th></tr>
<tr><td rowspan="2">Item</td><td>Historical</td><td colspan="2">Projection</td></tr>
<tr><td>2018 to 2023</td><td>Year 1 to Year 5</td><td>Year 6 to Year 10</td></tr>
<tr><td>Room Upkeep</td><td>38.8% to 54.5%</td><td>30.7% to 34.9%</td><td>33.0%</td></tr>
<tr><td>Food and Beverages</td><td>66.0% to 79.2%</td><td>60.0% to 67.7%</td><td>65.0%</td></tr>
<tr><td>Other Operated Departments</td><td>48.2% to 94.8%</td><td>40.8% to 47.8%</td><td>45.0%</td></tr>
</table>
</td></tr>
</table>

Note 1: We noted that the car park income is nominal and is considered a complementary service within the hotel's overall revenue. This income does not constitute a significant standalone revenue stream and is therefore classified under "Other Operated Departments" revenue. Based on the car park historical profit and loss data provided to us, the car park operation of BTKL reported a marginal profit in year 2020 and 2022, while other years have been reporting net losses. Hence, the car park income is not regarded as a major contributor to total revenue and has been treated accordingly in the valuation.

VALUE CONSIDERATION (Cont'd)

<table>
<tr><th>Description</th><th>Parameters</th><th>Remarks</th></tr>
<tr><td>Operating Costs and Expenses*Note2 (Cont'd)</td><td></td><td>Based on the historical profit and loss data for the hotel, specifically the Operating Costs and Expenses over the past three years (2022 to 2024 Q3), we observed that these expenses ranged between 54% and 56% of the total revenue. In reference to both the historical data and the 5 year projections provided, we have incorporated a gradual reduction in Operating Costs and Expenses, decreasing from 52% in Year 1 to 46% by Year 5. The adjustment has been made gradually rather than normalising immediately, in order to account for potential operational transitions and business dynamics. From Year 6 onwards, a stabilised rate of 50% has been adopted, which is maintained until the terminal year. We are of the opinion that the rate adopted is in line with the industry standards and adequate/sufficient to sustain the hotel business operation.

The industry range for Room Upkeep and Food & Beverage Cost is as follows:-

<table>
<tr><th>Item</th><th>Industry Range</th></tr>
<tr><td>Room Upkeep</td><td>20.0% - 35.0%</td></tr>
<tr><td>Food & Beverage Cost</td><td>45.0% - 70.0%</td></tr>
</table>

We have normalised these items as we are of the opinion that it is not in line with the industry norm. The normalisation was based on our past experience in valuing similar properties.</td></tr>
<tr><td>Undistributed Overhead Expenses*Note2</td><td></td><td>It is noted that the hotel only commenced operations in July 2018 and the performance of the hotel has not matured coupled with the impact of COVID-19 in year 2020 and 2021 to the hotel industry.

As such, based on the historical expenses provided to us, we noted that overhead expenses are high as compared to other similar type of hotels within the Klang Valley.

<table>
<tr><th colspan="4">Summary of Undistributed Overhead Expenses</th></tr>
<tr><th rowspan="3">Item</th><th colspan="3">Ratio (% of Total Revenue)</th></tr>
<tr><th>Historical</th><th colspan="2">Projection</th></tr>
<tr><th>2018 to 2023</th><th>Year 1 to Year 5</th><th>Year 6 to Year 10</th></tr>
<tr><td>Admin & General Expenses</td><td>8.2% to 12.8%</td><td>7.4% to 8.1%</td><td>8.0%*</td></tr>
<tr><td>Info & Telecommunication</td><td>1.4% to 2.4%</td><td>1.3% to 1.4%</td><td>2.0%*</td></tr>
<tr><td>Marketing Sales & Promotions</td><td>5.1% to 10.7%</td><td>5.3% to 5.6%</td><td>6.0%*</td></tr>
<tr><td>Repair & Maintenance</td><td>3.0% to 5.1%</td><td>3.2% to 3.3%</td><td>5.0%*</td></tr>
<tr><td>Utility</td><td>5.1% to 8.6%</td><td>4.5% to 5.1%</td><td>6.0%*</td></tr>
</table>

* We have normalised these items as we are of the opinion that it is not in line with the industry norm. The normalisation was based on our past experience in valuing similar properties.

<table>
<tr><th>Item</th><th>Industry Range</th></tr>
<tr><td>Admin & General Expenses</td><td>6.0% - 10.0%</td></tr>
<tr><td>Marketing Sales & Promotion</td><td>6.0% - 8.5%</td></tr>
<tr><td>Repair & Maintenance</td><td>5.0% - 6.0%</td></tr>
</table>
</td></tr>
<tr><td>Property Tax (Quit Rent & Assessment)</td><td>RM395,216</td><td>We have relied upon the actual rates provided to us.</td></tr>
</table>

VALUE CONSIDERATION (Cont'd)

Description	Parameters	Remarks
Insurance	0.32% of Total Revenue	We have adopted the average rate of insurance premium over the total revenue of year 2022 and 2023 at 0.32% for the 10 year forecast.
Base Management Fee, Incentive Management Fee and Reserve for Replacement (FF&E)	% of Total Revenue, % of Gross Operating Profit and % of Total Revenue	We have relied upon the 5-year projections provided to us. The base management fee, incentive management fee and reserve for replacement (FF&E) are in accordance with the terms as set out in the Hotel Management Agreement dated 2 September 2016. The total base management fees and incentive fees adopted in the projections from Year 1 to Year 10 range from RM1.5 million to RM2.2 million per annum over the 10-year projection period which have been computed in accordance with the hotel management agreement. Under Basis I, the FF&E has been accounted for as part of the overall valuation of the hotel property. However, for Basis II, we note that based on the lease agreement between the Lessor and the Lessee, the Lessee is responsible for maintaining and replacing the FF&E during the lease term and all the fixtures and fittings acquired by the Lessee will remain the property of the Lessee. As a result, no FF&E amount has been incorporated for Basis II.
Capitalisation Rate	6.25% - Basis I 6.00% - Basis II	We have benchmarked against the analysed net yields of hotels from the REIT annual report and analysed net yields of malls from the Bursa General Announcements. We noted that hotels usually attract higher yields than retail centres due to the higher risk involved. We have thus adopted a capitalisation rate of 6.25% for Basis I and 6.00% for Basis II; as in our opinion, it is the most probable expected rate of return achievable at the current moment for the subject property and due to the fact that the subject property is a freehold tenure property.
Discount Rate	10.0%	The discount rate is based on our perceived risk versus the return required. The hotel is discounted at a relatively secured rate with reference made to the Malaysian Government Securities ("**MGS**") rate.
Discount Period	10 years	We have projected the discounted cash flow of the subject property for 10 years. The projection of 10 years is a market norm and widely acceptable practise.

Note 2: We noted that the historical operating costs and expenses are higher than market norm. Typically, a hotel business requires certain years from opening to achieve cost stabilisation whereby after a period of time, the hotel operation can achieve long-term cost-efficiency and cost-savings.

The subject hotel commenced operations in July 2018. The hotel is considered relatively new, and performance of the hotel has yet to mature. Additionally, the impact of COVID-19 on the hotel industry in 2020 and 2022 disrupted the hotels' ability to achieve cost stabilisation. As a result, the performance of the hotel did not reflect a mature stage during the historical periods.

We noted that several key parameters were underperforming historically and decided to normalise these parameters during the forecasted period so that it is in line with market norm to reflect the mature state of the hotel. For the projection assumptions, we have adjusted the expenses, taking into account the market rate as well as the potential costs. This involves adjusting costs to align with current market rates and anticipated costs from Year 1 until terminal year to enable the hotel to remain competitive while maintaining profitability. We are of the opinion that the rate adopted is in line with the industry standards and adequate/sufficient to sustain the hotel business operation.

VALUE CONSIDERATION (Cont'd)

The capitalisation rate adopted in the terminal year is generally a long term yield that reflects the fluctuations and growth in the income and costs of the assets. The capitalisation rate associates with the general transacted yield of income generating commercial assets in the market.

Generally, it is difficult to analyse net yield of transacted hotels due to the limited information released to the public on the revenue and expenses of the hotels transacted.

The yields of recent transacted malls located in Klang Valley are analysed to be in the region of approximately 5.53% to 6.75%.

For the purpose of this valuation, we have not considered the yield derived from serviced apartments as serviced apartments are typically transacted as individual unit, whereas the subject property comprises an entire block or a portion of a building. The yield derived from Banyan Tree serviced apartments are analysed to be in the region of approximately 3% to 4%. As such, it is not appropriate to apply the yield from serviced apartment units to the hotel valuation. Consequently, we have made reference of the net yield of shopping malls for this purpose.

We are of the opinion that hotels usually attract a higher yield than shopping centres due to the higher risk involved. Therefore, we have adopted a capitalisation rate of 6.25% for Basis I and 6.00% for Basis II as a fair representation of the expected rate of return for the subject property after taking into consideration several factors such as location, tenure, building factors and other factors.

We have adopted different capitalisation rates to reflect the distinct operational characteristics of the subject property under two separate bases. For Basis I, a higher capitalisation rate of 6.25% has been adopted, as the property operates as a standard hotel business with no lease arrangement or fixed rental structure. This approach aligns with typical hotel operations, which typically involve more variable income streams.

In contrast, for Basis II, a lower capitalisation rate of 6.00% has been applied, given that whilst the property operates a hotel business, the owner receives a fixed rental income under a lease arrangement. The fixed nature of the lease is generally associated with a more stable and predictable income stream, which justifies a slightly lower capitalisation rate.

We have adopted 10.00% as the discount rate for the hotel. The discount rate is based on our perceived risk versus the return required. The hotel is discounted at a relatively secured rate with reference made to the MGS rate. We are of the opinion that the parameters adopted above are a fair representation and in line with the market conditions.

VALUE CONSIDERATION (Cont'd)

We have adopted the following parameters in our valuation:-

Forecast Operating Performance		
Year	Average Occupancy Rate	Average Room Rate
1	85.00%	RM1,386
2	85.80%	RM1,430
3	85.90%	RM1,475
4	85.78%	RM1,525
5	86.15%	RM1,575
6	86.50%	RM1,606
7	87.00%	RM1,638
8	87.00%	RM1,655
9	87.00%	RM1,671
10	87.00%	RM1,671
Terminal Year	85.00%	RM1,621

Based on the brief information as extracted from the forecasted data as provided to us, we have adopted the following parameters for the first year:-

Gross Operating Revenue : RM54,500,000.00

Gross Operating Expenses : RM41,046,000.00

Gross Operating Profit : RM13,454,000.00

Occupancy Rate : 85.00%

Capitalisation Rate : 6.25% - Basis I
6.00% - Basis II

Present Value rate : 10.00%

WHILST WE CONSIDER THE FIGURES IN THIS FORECAST TO BE REASONABLE FOR VALUATION PURPOSES BEING BASED UPON OUR KNOWLEDGE OF CURRENT MARKET CONDITIONS. WE DO NOT WARRANT THAT THE PROJECTED FIGURES WILL BE ACHIEVED.

Basis I – "As Is" Basis

Based on the abovementioned parameters, the market value of Basis I derived from Income Approach (Profits Method – Discounted Cash Flow) is RM140,000,000/-.

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VALUE CONSIDERATION (Cont'd)

Basis II – With Lease Arrangement

By a lease agreement agreed upon between the Lessor and the Lessee, the Lessor has agreed to grant a lease in respect of the demised premises for a period of 10 years with an option for renewal exercisable by the Lessee for a further two (2) additional successive terms of 10 years each, for a cumulative total of 30 years lease from the lease commencement date.

Based on the abovementioned lease agreement, the parameters adopted in the Income Approach (Profits Method – Discounted Cash Flow) for the subject property are as follows:-

Parameters		Remarks
Fixed Rental^Note1	Year 1 to 5 - RM10,000,000 per year Year 6 to 10 - RM10,500,000 per year	5.00% increase every 5 years
Variable Rental	Lessor 40% of the Surplus Sum Lessee 60% of the Surplus Sum	Surplus Sum - The Difference between Net Operating Income and Fixed Rental
Owner's Expenses^Note2	**Year 1**	
-Maintenance Charge	RM748,625	5.00% increase every 5 years
-Sinking Fund		
-Assessment		
-Quit Rent		
-Fire Insurance		5.00% increase every year
-Plate Glass Insurance		
Capitalisation Rate	6.00%	-
Discount Rate	10.00%	-

Note 1: Based on the lease agreement, the fixed rental from year 1 to year 5 is RM10,000,000 per year, or approximately RM15,152 per room per month. We are of the opinion that the fixed rental is fair and reasonable, given that the subject property is a 5-star hotel in the luxury category, located in a prime location.

Note 2: Expenses borne by the Lessor, excluding FF&E, as per the lease agreement.

In a standard hotel valuation, the FF&E is typically accounted for as part of the overall valuation of the hotel property. However, we note that based on the lease agreement between the Lessor and the Lessee, the Lessee is responsible for maintaining and replacing the FF&E during the lease term and all the fixtures and fittings acquired by the Lessee will remain the property of the Lessee. As a result, no FF&E amount has been incorporated into this valuation.

The market value of Basis II derived from Income Approach (Profits Method – Discounted Cash Flow) is RM140,000,000/-.

VALUE CONSIDERATION (Cont'd)

Comparison Approach

Details	Comparable 1	Comparable 2	Comparable 3
Source	Bursa Announcement dated 6 December 2023 & Valuation and Property Services Department	Bursa Announcement dated 26 May 2017 & Circular dated 29 September 2017	Bursa Announcement dated 15 August 2016 & Valuation and Property Services Department
Location	W Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur	The Majestic Hotel Kuala Lumpur, No. 5, Jalan Sultan Hishamuddin, 50000 Kuala Lumpur	Renaissance Kuala Lumpur Hotel, Jalan Ampang, 50450 Kuala Lumpur
Type	5-star hotel with 150 rooms	5-star hotel with 300 rooms	5-star hotel with 910 rooms
Tenure	Term in Perpetuity (Freehold)	Registered lease granted for a term of 90 years expiring on 11 May 2091	Term in Perpetuity (Freehold)
No. of Rooms	150	300	910
Date	6 December 2023	26 May 2017	15 August 2016
Consideration inclusive of car park	RM270,000,000/-	RM380,000,000/-	RM765,000,000/-
Vendor	TROPICANA RESIDENCES SDN BHD, (wholly owned subsidiary of TROPICANA CORPORATION BHD)	YTL MAJESTIC HOTEL SDN BHD, (subsidiary of YTL CORPORATION BERHAD)	GREAT UNION PROPERTIES SDN BHD, (wholly owned subsidiary of IGB CORPORATION BERHAD)
Purchaser	IOI PFCC HOTEL SDN BHD and FLORA DEVELOPMENT SDN BHD, (both indirect subsidiaries of IOI PROPERTIES GROUP BERHAD)	MAYBANK TRUSTEES BERHAD, (as trustee for YTL HOSPITALITY REIT)	VENTURA INTERNATIONAL SDN BHD
Analysis (RM per room)	RM1,800,000/-	RM1,266,667/-	RM840,659/-
Adjustment	Adjustment is made on time, location – general, visibility, facilities/services, category : standard / luxury, size of room, number of rooms, level/storey, building age/condition, tenure and type of ownership – en bloc / stratified		
Adjusted Value (RM per room)	RM2,457,000/-	RM2,153,333/-	RM1,507,933/-

In arriving at the adjusted value, adjustments have been made as follows:-

VALUE CONSIDERATION (Cont'd)

Comparison Approach (Cont'd)

No.	Factors	Remarks
1.	Time	Adjustments have been made to reflect the market growth and decline in the hotel industry since the date of the transaction of the comparables.
2.	Location - General	The subject property is situated in the prime location of Bukit Bintang. An upward adjustment was made to Comparables 2 and 3 since they are situated in less prime locations. No adjustment was made to Comparable 1 as it is also situated in the prime location of KLCC.
3.	Visibility	The subject property is located in a highly visible area as it is opposite the Pavilion Kuala Lumpur development. An upward adjustment was made to Comparables 2 and 3 as they are situated in less visible locations. No adjustment was made to Comparable 1 as it is located opposite the KLCC development.
4.	Facilities/services	The subject property does not have ballrooms and multiple meeting rooms to cater for large groups. Hence, a downward adjustment has been made to the comparables, which include ballrooms and meeting rooms.
5.	Category : standard / luxury	We have evaluated the subject property against the **BAR** of hotels in Kuala Lumpur to determine the category of the hotel i.e. standard or luxury 5-star hotel. The subject property is a luxury 5-star hotel as it has a BAR of above RM800. No adjustment was made to Comparable 1 as it is a luxury 5-star hotel with a BAR of above RM800 whilst an upward adjustment was made to Comparables 2 and 3 as they are standard 5-star hotels with a BAR of below RM800.
6.	Size of room	Adjustments were made based on the majority average room size located within the hotel. The subject property has the largest average room size as compared to the comparables. Hence, an upward adjustment was made to the comparables accordingly.
7.	Number of rooms	Adjustments were made based on the total number of rooms. Hotels with fewer rooms may be considered more manageable, allowing for personalised service, which makes them more attractive for high-end or premium markets. Such hotels can command higher room rates due to their exclusive guest experience. Since the subject property has fewer rooms compared to the comparables, an upward adjustment was made to the comparables accordingly.
8.	Level/storey	Adjustments were made based on the height of the property. We have classified the level/storey into 3 categories i.e. below 20 level/storey, between 20 to 30 level/storey and above 30 level/storey. The subject property is located on the highest floors of the building, from Level 53 to Level 60, whereas Comparable 1 is located from Level 14 to Level 23. Comparable 2 comprises 2 to 5 storey buildings and a new 15 storey tower wing building, while Comparable 3 is a 26-storey building. Based on the above, an upward adjustment was made to the comparables accordingly.

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VALUE CONSIDERATION (Cont'd)

Comparison Approach (Cont'd)

No.	Factors	Remarks
9.	Building age/condition	Adjustments were made based on the building age / condition of the property. The building age of the subject property is approximately 6 years old. No adjustment has been made to Comparables 1 and 2 as their building ages range from 4 to 5 years. An upward adjustment was made for Comparable 3 as the building is approximately 20 years old.
10.	Tenure	Adjustments were made based on the tenure of the property, i.e. freehold tenure or leasehold tenure. The subject property is a freehold tenure property, similar to Comparables 1 and 3. Hence, no adjustment was made to Comparables 1 and 3. As Comparable 2 is a leasehold tenure property, an upward adjustment was made.
11.	Type of ownership – En bloc / stratified	Adjustments were made based on the type of ownership of the property, i.e. en bloc or stratified. The subject property is a stratified property, similar to Comparable 1. Hence, no adjustment was made to Comparable 1. As Comparables 2 and 3 are en bloc type of ownership, downward adjustment was made.

Comparable 1 and Comparable 3 were transacted without lease arrangements, while Comparable 2 involved a lease arrangement.

From the above analysis, the adjusted values range from RM1,507,933/- per room to RM2,457,000/- per room.

Having regard to the foregoing, we have adopted Comparable 1 as the best comparable because it is the latest transaction among the comparables and similar in terms of building age, type of ownership i.e. stratified and star rating with the subject property.

Therefore, we have adopted a rounded value of RM2,500,000/- per room in our valuation.

Basis I – "As Is" Basis

Having regards to the foregoing, we have thus adopted a rounded value of RM140,000,000/- (analysed to be RM2,545,455 per room) for Basis I.

Basis II – With Lease Arrangement

Under Basis II, we have considered the lease arrangement in our computation of Comparison Approach by analysing the differences in market value derived from the Income Approach (Profits Method – Discounted Cash Flow) both with and without the lease arrangement. The adjusted value is RM0, as no difference in value was found between the two scenarios. Since the adjusted value is zero, the market value of Basis II derived from Comparison Approach remains at RM140,000,000/-.

VALUE CONSIDERATION (Cont'd)

RECONCILIATION OF VALUE

The market value for the hotel derived from both Income Approach (Profits Method - Discounted Cash Flow) and Comparison Approach are shown as follows:-

Basis I – "As Is" Basis

Income Approach
(Profits Method -Discounted Cash Flow) - RM140,000,000/-

Comparison Approach - RM140,000,000/-

Basis II – With Lease Arrangement

Income Approach
(Profits Method -Discounted Cash Flow) - RM140,000,000/-

Comparison Approach - RM140,000,000/-

We have adopted the market value derived from Income Approach (Profits Method - Discounted Cash Flow) as a fair representation of the market value of the subject property in view of the fact that the subject property is an income generating property.

For the purpose of injection of subject property into Real Estate Investment Trust (REIT), we have adopted the market value of Basis II, which incorporates the Lease Arrangement. The market value of Basis II derived from Income Approach (Profits Method – Discounted Cash Flow) is RM140,000,000/-.

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AND PROVISO AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** and free from all encumbrances at **RM140,000,000/- (Ringgit Malaysia: One Hundred and Forty Million Only).**

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

2. A 5-star hotel known as Pavilion Hotel Kuala Lumpur (Our Ref : WTW/01/V/002603C/2022/SHS)

TERMS OF REFERENCE

The valuation is carried out based on the following **BASIS:-**

Basis I – "As Is" Basis

i. The subject property is a 5-star rating hotel with a total of 325 rooms;

ii. The hotel is operated by Banyan Tree Hotels & Resorts Pte. Ltd. and issued with a 5-star rating by the relevant authorities; and

iii. It is valued based on the historical 5 years actual profit and loss and 5 years projection as provided to us.

Basis II – With Lease Arrangement

i. The subject property is a 5-star rating hotel with a total of 325 rooms;

ii. The hotel is operated by Banyan Tree Hotels & Resorts Pte. Ltd. and issued with a 5-star rating by the relevant authorities;

iii. It is valued based on the historical 5 years actual profit and loss and 5 years projection as provided to us; and

iv. The agreed upon lease agreement between MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT ("Lessor") and Harmoni Perkasa Sdn Bhd ("Lessee") for leasing the demised premises for a period of 10 years, with an option for renewal exercisable by the Lessee for two (2) additional successive.

IT IS TO BE NOTED THAT THE VALUATION IS BASED ON THE ABOVE BASIS WHICH ARE ASSUMED TO BE VALID AND CORRECT. WE RESERVE THE RIGHT TO MAKE AMENDMENTS (INCLUDING THE MARKET VALUE) IF ANY OF THE ABOVE BASIS IS INVALID/INCORRECT.

PROPERTY IDENTIFICATION

The property : A 5-star hotel with 325 rooms known as Pavilion Hotel Kuala Lumpur

Address : Pavilion Hotel Kuala Lumpur, No. 170, Jalan Bukit Bintang, 55100 Kuala Lumpur

Strata Title No. / Building No. / Storey No. / Parcel No. / Strata Floor Area / Accessory Parcel No. and Share Unit of Parcel :

Strata Title No.	Parcel No.	Storey No.	Building No.	Strata Floor Area	Accessory Parcel No.	Share Unit of Parcel
Pajakan Negeri 53757/M1/B3/3	3	B3	M1	31,612 square metres (Approximately 340,268 square feet)	A10 to A14 (inclusive), A264 to A266 (inclusive), A525 to A559 (inclusive), A563, A566 to A571 (inclusive), A668 to A672 (inclusive), A693 to A697 (inclusive), A702 to A706 (inclusive), A726 to A727 (inclusive), A730, A747 to A748 (inclusive), A758, A782, A786, A870 to A895 (inclusive)	52,460

Strata Title No. / Building No. / Storey No. / Parcel No. / Strata Floor Area / Accessory Parcel No. and Share Unit of Parcel (Cont'd) :

Strata Title No.	Parcel No.	Storey No.	Building No.	Strata Floor Area	Accessory Parcel No.	Share Unit of Parcel
Pajakan Negeri 53757/M1/1/4	4	1	M1	199 square metres (Approximately 2,142 square feet)	-	378

Parent Title No. : Pajakan Negeri 53757

Parent Lot No. : Lot 20020 Section 63, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur

Total share units of all subdivided buildings on the land : 506,470

PROPERTY IDENTIFICATION (Cont'd)

Tenure	:	Leasehold 99 years expiring on 26 October 2109 (Unexpired term of approximately 85 years)
Category of Land Use	:	Building
Registered Owner	:	URUSHARTA CEMERLANG SDN. BHD.
Express Condition	:	Hotel.
Caveat	:	Nil
Restriction in Interest	:	-.
Encumbrances	:	Nil
Building Age	:	Approximately 6 years as per the Certificate of Fitness for Occupation bearing Certificate No. 31360 dated 9 October 2018

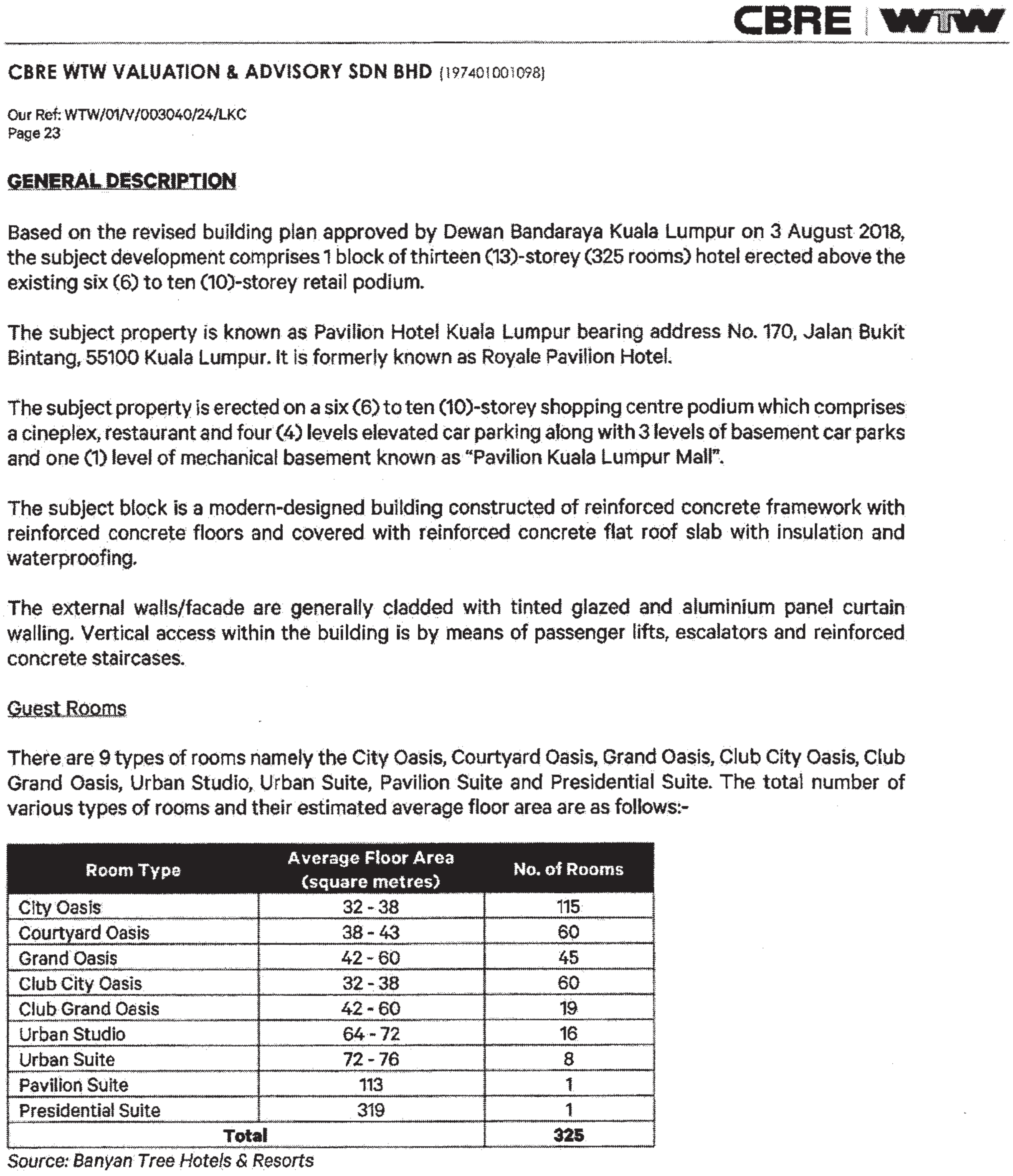
Average Room Rate & Occupancy Rate (Historical) :

Year	Average Room Rate	Average Occupancy Rate
2019	RM406	55.52%
2020*Note	RM397	16.60%
2021*Note	RM410	19.56%
2022	RM512	56.52%
2023	RM542	79.22%
Year 2024 (up to Q3)	RM573	82.24%

**Note: Impacted due to COVID-19 pandemic*
Source: Banyan Tree Hotels & Resorts

Guest Profile (Year 2023) :

Country/ Region	Room Nights	% Total
Southeast Asia	47,855	50.19%
East Asia	21,536	22.58%
Australia	4,182	4.39%
West Asia/ Middle East	1,385	1.45%
Rest of the World	20,399	21.39%
Total	**16,699**	**100%**



GENERAL DESCRIPTION

Based on the revised building plan approved by Dewan Bandaraya Kuala Lumpur on 3 August 2018, the subject development comprises 1 block of thirteen (13)-storey (325 rooms) hotel erected above the existing six (6) to ten (10)-storey retail podium.

The subject property is known as Pavilion Hotel Kuala Lumpur bearing address No. 170, Jalan Bukit Bintang, 55100 Kuala Lumpur. It is formerly known as Royale Pavilion Hotel.

The subject property is erected on a six (6) to ten (10)-storey shopping centre podium which comprises a cineplex, restaurant and four (4) levels elevated car parking along with 3 levels of basement car parks and one (1) level of mechanical basement known as "Pavilion Kuala Lumpur Mall".

The subject block is a modern-designed building constructed of reinforced concrete framework with reinforced concrete floors and covered with reinforced concrete flat roof slab with insulation and waterproofing.

The external walls/facade are generally cladded with tinted glazed and aluminium panel curtain walling. Vertical access within the building is by means of passenger lifts, escalators and reinforced concrete staircases.

Guest Rooms

There are 9 types of rooms namely the City Oasis, Courtyard Oasis, Grand Oasis, Club City Oasis, Club Grand Oasis, Urban Studio, Urban Suite, Pavilion Suite and Presidential Suite. The total number of various types of rooms and their estimated average floor area are as follows:-

Room Type	Average Floor Area (square metres)	No. of Rooms
City Oasis	32 - 38	115
Courtyard Oasis	38 - 43	60
Grand Oasis	42 - 60	45
Club City Oasis	32 - 38	60
Club Grand Oasis	42 - 60	19
Urban Studio	64 - 72	16
Urban Suite	72 - 76	8
Pavilion Suite	113	1
Presidential Suite	319	1
Total		**325**

Source: Banyan Tree Hotels & Resorts

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GENERAL DESCRIPTION (Cont'd)

The hotel has facilities and amenities as follows:-

Description	Facilities/ Amenities
Level 7	Banquet & Conference Facilities (Pavilion Ballroom (Pavilion 1 & 2), The Crescent, Brassia, Calypso, Disa, Laelia, Mokara, VIP)
Level 7M	F & B – The Cove (Whisky Bar)
Level 8	F & B - Jade Pavilion, The Courtyard and The Cove Restaurant
Level 14	Club Lounge
Level 18	Rooftop Infinity Swimming Pool and Sky Gymnasium

Car Park facilities are located at Basement 1 and Basement 2 for the hotel. The total number of car park bays is 147 bays.

Based on the Car Park License Agreement dated 27 June 2018 and the Commencement Letter dated 14 December 2018, Edisijuta Parking Sdn Bhd has continued to be appointed as the car park operator to manage, operate and control the parking operation of the designated car park area and to take charge of all car park collections for a period of six (6) years commencing from 21 December 2018 and expiring on 20 December 2024 with a further term of 3 years based on the same terms and conditions.

Based on the subsequent Car Park License Agreement dated 1 October 2024, Edisijuta Parking Sdn Bhd has been appointed as the car park operator to manage, operate and control the parking operation of the designated car park area and to take charge of all car park collections for a period of 3 years commencing on 1 October 2024, with a further term of 3 years based on the terms and conditions stipulated in the said Car Park License Agreement.

The above Car Park License Agreement stated that the operator shall pay the owner a monthly return equivalent to 65% of the Net Revenue*Note for the duration of the license.

At the time of our inspection, the subject property was generally in a good state of repair and maintenance.

***Note** : Net Revenue means Gross Revenue less Goods and Service Tax or any other government imposed taxes such as Sales and Service Tax and less the Direct Operational Expenses.

Hotel Management Agreement

Vide a Hotel Management Agreement between **HARMONI PERKASA SDN BHD** ("Owner") and **BANYAN TREE HOTELS & RESORTS PTE. LTD.** ("Manager") dated 30 March 2016, the Owner has appointed the Manager for the management of the hotel on the terms and conditions stipulated therein. The operating term set out in the Hotel Management Agreement is for a term of 20 years commencing from 30 March 2016. Under the hotel management agreement, it provides that:

i. The Manager must operate and manage PHKL during the tenure as a world-class international branded five-star hotel, and in any case no less than the Banyan Tree Standards as defined in the agreement. This includes marketing, planning and executing proper maintenance and repair works for the hotels as well as ensuring adequate coverage for certain insurance.

ii. Manager will have control and discretion in the operation of PHKL including, among others, charges for rooms, food and beverages etc, wage rates and hiring and discharging of employees and maintenance of bank accounts and holding funds in the hotel name. The appointment of General Manager and Financial Controller will be subject to the Owner's prior approval.

iii. The Manager shall consult with the Owner on any exercise of its discretion that would materially impact the Hotel such as any transaction that exceeds US$60,000 or RM250,000 in value.

Hotel Management Agreement (Cont'd)

iv. For the services provided by the Manager, the Manager is compensated through a base management fee and an incentive fee that is paid monthly. The base management fee is computed based on an agreed upon formula derived as a percentage of PHKL's monthly revenue while the incentive fee is computed based on an agreed upon formula as a percentage of PHKL's monthly gross operating profit subject to meeting certain conditions. The incentive fee is not payable in the event that PHKL's monthly gross operating profit does not meet certain thresholds.

VALUE CONSIDERATION

Income Approach (Profits Method – Discounted Cash Flow)

The historical performance of PHKL from Year 2019 to Year 2023 as provided to us are as follows:-

Year	2019	2020	2021	2022	2023
Average Room Rate	RM406	RM397	RM410	RM512	RM542
Average Occupancy Rate	55.52%	16.60%	19.56%	56.52%	79.22%
Total Revenue	RM45,062,595.18	RM13,041,074.28	RM15,012,837.09	RM54,938,691.71	RM79,621,080.91
Gross Operating Revenue	RM19,084,986.18	RM101,833.08	RM1,824,693.79	RM25,183,826.67	RM38,231,217.21
Gross Operating Profit	RM3,244,842.18	(RM11,067,405.70)	(RM9,158,872.68)	RM8,304,436.22	RM15,648,746.56
Net Operating Profit	RM1,858,993.45	(RM12,583,220.96)	(RM11,473,031.97)	RM3,795,945.87	RM9,676,813.08

In our valuation of the subject property by using the Income Approach (Profits Method - Discounted Cash Flow), we considered the past 5 years historical record as well as the 5 years projection provided to us. In our valuation, we have considered the 5 years projection provided to us and projected this for another 5 years. Therefore, we have run a 10-year projection.

The gross revenue and costs associated with the hotel operation and hotel ownership such as administrative costs, marketing costs, property operation and maintenance, human resources, information and telecommunication, utility costs, quit rent, assessment as well as fire insurance were forecasted/ projected and derived based on both the current and historical/ past performances of the subject property via projections that were provided and made available to us. Considerations were given to a wide range of parameters including the growth of average room rate, average occupancy rate, expenses ratios and other related expenses.

Reference is also made to the advice and expertise from the hotel management of PHKL as well as our past experience in valuing hotel premises. We have also used surveys conducted by CBRE | WTW Research with regards to hotel room rates and occupancy rates.

It is noted that the hotel only commenced operations in December 2018 and the performance of the hotel has not matured coupled with the impact of COVID-19 in year 2020 and 2021 to the hotel industry. Therefore, several key parameters are underperforming. We have made efforts to normalise these parameters so that it is in line with market norm.

VALUE CONSIDERATION (Cont'd)

The parameters adopted in the Income Approach (Profits Method – Discounted Cash Flow) for the hotel are as follows:-

<table>
<tr><th>Description</th><th>Parameters</th><th>Remarks</th></tr>
<tr><td>Projected Average Room Rate ("ARR")</td><td>Year 1 – RM582</td><td>
<table>
<tr><th colspan="5">ARR (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>RM406</td><td>RM397</td><td>RM410</td><td>RM512</td><td>RM542</td><td>RM573</td></tr>
</table>
Reference is made to the historical ARRs along with published room rates of other hotels located within the vicinity. It is noted that the historical ARRs for year 2019 to 2023 ranged from RM397 to RM542 and the actual third quarter of Year 2024 is RM573. After taking into account the recovery of the tourism market post COVID-19 as well as the aforementioned 5-year projection furnished to us, we have adopted an ARR of RM582 as fair representation at Year 1 of our projections. An increase of 1.59% to 3.95% is adopted for the subsequent years up till Year 6 after which we have projected a more gradual increase up till Year 10 at 0.00% to 4.00%. This is after having taken into account the inflation rate and growth of the tourism industry post COVID-19. An ARR of RM789 for the terminal year is adopted as it is reflective for the long-term ARR of the subject property.
<table>
<tr><th colspan="2">Summary of ARR Growth</th></tr>
<tr><td>ARR (1st year)</td><td>1.59%</td></tr>
<tr><td>ARR (2nd-3rd year)</td><td>3.67% to 3.95%</td></tr>
<tr><td>ARR (year 4-5)</td><td>3.61% to 3.80%</td></tr>
<tr><td>ARR (year 6-10)</td><td>0.00% to 4.00%</td></tr>
</table>
</td></tr>
<tr><td>Projected Occupancy Rate</td><td>Year 1 – 83.70%</td><td>
<table>
<tr><th colspan="5">Occupancy Rate (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>55.52%</td><td>16.60%</td><td>19.56%</td><td>56.52%</td><td>79.22%</td><td>82.24%</td></tr>
</table>
Reference is made to the historical occupancy rates along with the data obtained from STR, Inc., subsidiary of CoStar Group on the occupancy rate for similar 5-star hotels located within the locality of Bukit Bintang and KLCC. It is noted that the historical occupancy rates from Year 2019 to third quarter of Year 2024 ranged from 16.60% (due to the COVID-19 pandemic) to 82.24%. We have adopted an occupancy rate of 83.70% at Year 1 after taking into account the recovery of the tourism industry post COVID-19 as well as the aforementioned 5-year projection furnished to us. We have then increased the occupancy rate for Year 2 to Year 5 at 85.00% to 87.90% before a more gradual increase up to 88.00% in Year 6. We have adopted an increase of 0.00% for subsequent years up to 88.00% in Year 10. An occupancy rate of 88.00% for the terminal year is adopted as it is reflective of the long-term occupancy rate of the subject property.
</td></tr>
</table>

VALUE CONSIDERATION (Cont'd)

<table>
<tr><th>Description</th><th>Parameters</th><th>Remarks</th></tr>
<tr><td>Food & Beverage</td><td>Year 1 – 35.6% of the Total Revenue</td><td>
<table>
<tr><th colspan="5">Food & Beverage (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>38.5%</td><td>37.5%</td><td>35.4%</td><td>36.3%</td><td>34.8%</td><td>32.5%</td></tr>
</table>
We have obtained and studied the historical food & beverage revenues of the subject property over the last 5 years, actual third quarter of Year 2024 and the aforementioned 5-year projection furnished to us. We have also compared it with other hotels within the vicinity. We have adopted the 5 year projections provided to us before normalising it at 35.5% for the remaining years.</td></tr>
<tr><td>Other Operating Departments Revenue*Note1</td><td>Year 1 – 0.4% of the Total Revenue</td><td>In relation to the financial projections, we have evaluated the revenue from "Other Operated Departments" in total (which includes, among others, rental income and net income from car parks) as a percentage of total revenue, comparing this with historical trends. We are of the opinion that this approach ensures the rental income, reflected under "Other Operated Departments", has been appropriately considered in the valuation.
The historical trend of Other Operating Departments Revenue was provided to us. The 5 year historical trend and actual third quarter of Year 2024 provided is as follows:-
<table>
<tr><th colspan="5">Other Operating Departments Revenue Income (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>1.7%</td><td>1.7%</td><td>0.7%</td><td>0.4%</td><td>0.4%</td><td>0.4%</td></tr>
</table>
We have then used the 5 year projections as provided to us and adopted at 0.4% to 0.5% for Year 1 to Year 5 (as per client projection) and normalised at 0.4% for the remaining years.</td></tr>
<tr><td>Miscellaneous Income</td><td>Year 1 – 0.7% of the Total Revenue</td><td>The historical trend of Miscellaneous Income was provided to us. The 5 year historical trend and actual third quarter of Year 2024 provided is as follows:-
<table>
<tr><th colspan="5">Miscellaneous Income (Historical)</th><th>Actual</th></tr>
<tr><td>Year 2019</td><td>Year 2020</td><td>Year 2021</td><td>Year 2022</td><td>Year 2023</td><td>Q3 Year 2024</td></tr>
<tr><td>0.4%</td><td>0.8%</td><td>0.7%</td><td>0.8%</td><td>0.7%</td><td>0.6%</td></tr>
</table>
We have then used the 5 year projections as provided to us and adopted at 0.6% to 0.7% for Year 1 to Year 5 (as per client projection) and normalised at 0.6% for the remaining years.</td></tr>
<tr><td>Operating Costs and Expenses *Note2</td><td></td><td>Based on the historical costs provided to us on the operating costs and expenses, we noted that the costs and expenses from room upkeep are substantially high whilst the food and beverages and other operating income are inconsistent with similar type of hotels within the Klang Valley. Therefore, we have normalised the costs and expenses based on our experience valuing similar assets and analysis of other hotels within the vicinity.
<table>
<tr><th colspan="4">Summary of Operating Costs and Expenses - Ratio (% of Revenue)</th></tr>
<tr><td rowspan="2">Item</td><td>Historical</td><td colspan="2">Projection</td></tr>
<tr><td>2019 to 2023</td><td>Year 1 to Year 5</td><td>Year 6 to Year 10</td></tr>
<tr><td>Room Upkeep</td><td>37.8% to 72.3%</td><td>29.4% to 35.8%</td><td>30.0%</td></tr>
<tr><td>Food and Beverages</td><td>78.8% to 138.6%</td><td>62.8% to 70.7%</td><td>68.0%</td></tr>
<tr><td>Other Operated Departments</td><td>68.5% to 266.8%</td><td>59.3% to 76.0%</td><td>67.0%</td></tr>
</table></td></tr>
</table>

Note 1: We noted that the car park income is nominal and is considered a complementary service within the hotel's overall revenue. This income does not constitute a significant standalone revenue stream and is therefore classified under "Other Operated Departments" revenue. Based on the car park historical profit and loss data provided to us, the car park operation of PHKL have been reporting net losses since year 2019. Hence, the car park income is not regarded as a major contributor to total revenue and has been treated accordingly in the valuation.

VALUE CONSIDERATION (Cont'd)

<table>
<tr><th>Description</th><th>Parameters</th><th>Remarks</th></tr>
<tr><td>Operating Costs and Expenses*Note2 (Cont'd)</td><td></td><td>Based on the historical profit and loss data for the hotel, specifically the Operating Costs and Expenses over the past three years (2022 to 2024 Q3), we observed that these expenses ranged between 49% and 54% of the total revenue. In reference to both the historical data and the 5 year projections provided, we have incorporated a gradual reduction in Operating Costs and Expenses, decreasing from 48% in Year 1 to 41% by Year 5. The adjustment has been made gradually rather than normalising immediately, in order to account for potential operational transitions and business dynamics. From Year 6 onwards, a stabilised rate of 43% has been adopted, which is maintained until the terminal year. We are of the opinion that the rate adopted is in line with the industry standards and adequate/sufficient to sustain the hotel business operation.

The industry range for Room Upkeep and Food & Beverage Cost is as follows:-

<table>
<tr><th>Item</th><th>Industry Range</th></tr>
<tr><td>Room Upkeep</td><td>20.0% - 35.0%</td></tr>
<tr><td>Food & Beverage Cost</td><td>45.0% - 70.0%</td></tr>
</table>

We have normalised these items as we are of the opinion that it is not in line with the industry norm. The normalisation was based on our past experience in valuing similar properties.</td></tr>
<tr><td>Undistributed Overhead Expenses*Note2</td><td></td><td>It is noted that the hotel only commenced operations in December 2018 and the performance of the hotel has not matured coupled with the impact of COVID-19 in year 2020 and 2021 to the hotel industry.

As such, based on the historical expenses provided to us, we noted that overhead expenses are high as compared to other similar type of hotels within the Klang Valley.

<table>
<tr><th colspan="4">Summary of Undistributed Overhead Expenses</th></tr>
<tr><td rowspan="3">Item</td><td colspan="3">Ratio (% of Total Revenue)</td></tr>
<tr><td>Historical</td><td colspan="2">Projection</td></tr>
<tr><td>2019 to 2023</td><td>Year 1 to Year 5</td><td>Year 6 to Year 10</td></tr>
<tr><td>Admin & General Expenses</td><td>8.8% to 34.2%</td><td>7.2% to 8.1%</td><td>8.0%*</td></tr>
<tr><td>Info & Telecommunication</td><td>1.5% to 6.6%</td><td>1.5% to 1.7%</td><td>2.0%*</td></tr>
<tr><td>Marketing Sales & Promotions</td><td>6.4% to 14.2%</td><td>5.2% to 5.9%</td><td>6.0%*</td></tr>
<tr><td>Repair & Maintenance</td><td>3.6% to 11.5%</td><td>3.7% to 4.2%</td><td>5.0%*</td></tr>
<tr><td>Utility</td><td>6.9% to 19.2%</td><td>5.5% to 6.3%</td><td>6.0%*</td></tr>
</table>

* We have normalised these items as we are of the opinion that it is not in line with the industry norm. The normalisation was based on our past experience in valuing similar properties.

<table>
<tr><th>Item</th><th>Industry Range</th></tr>
<tr><td>Admin & General Expenses</td><td>6.0% - 10.0%</td></tr>
<tr><td>Marketing Sales & Promotion</td><td>6.0% - 8.5%</td></tr>
<tr><td>Repair & Maintenance</td><td>5.0% - 6.0%</td></tr>
</table>
</td></tr>
<tr><td>Property Tax (Quit Rent & Assessment)</td><td>RM887,349</td><td>We have relied upon the actual rates provided to us.</td></tr>
</table>

CBRE WTW VALUATION & ADVISORY SDN BHD (197401001098)

VALUE CONSIDERATION (Cont'd)

Description	Parameters	Remarks
Insurance	0.66% of Total Revenue	We have adopted the average rate of insurance premium over the total revenue of year 2022 and 2023 at 0.66% for the 10 year forecast.
Base Management Fee, Incentive Management Fee and Reserve for Replacement (FF&E)	% of Total Revenue, % of Gross Operating Profit and % of Total Revenue	We have relied upon the 5-year projections provided to us. The base management fee, incentive management fee and reserve for replacement (FF&E) are in accordance with the terms as set out in the Hotel Management Agreement dated 30 March 2016. The total base management fees and incentive fees adopted in the projections from Year 1 to Year 10 range from RM2.8 million to RM4.3 million per annum over the 10-year projection period which have been computed in accordance with the hotel management agreement. Under Basis I, the FF&E has been accounted for as part of the overall valuation of the hotel property. However, for Basis II, we note that based on the lease agreement between the Lessor and the Lessee, the Lessee is responsible for maintaining and replacing the FF&E during the lease term and all the fixtures and fittings acquired by the Lessee will remain the property of the Lessee. As a result, no FF&E amount has been incorporated for Basis II.
Capitalisation Rate	6.50% - Basis I 6.25% - Basis II	We have benchmarked against the analysed net yields of hotels from the REIT annual report and analysed net yields of malls from the Bursa General Announcements. We noted that hotels usually attract higher yields than retail centres due to the higher risk involved. We have thus adopted a capitalisation rate of 6.50% for Basis I and 6.25% for Basis II; as in our opinion, it is the most probable expected rate of return achievable at the current moment for the subject property and due to the fact that the subject property is a leasehold tenure property.
Discount Rate	9.0%	The discount rate is based on our perceived risk versus the return required. The hotel is discounted at a relatively secured rate with reference made to the Malaysian Government Securities (**"MGS"**) rate.
Discount Period	10 years	We have projected the discounted cash flow of the subject property for 10 years. The projection of 10 years is a market norm and widely acceptable practise.

Note: We noted that several key parameters were underperforming historically and decided to normalise these parameters during the forecasted period so that it is in line with market norm to reflect the mature state of the hotel. For the projection assumptions, we have adjusted the expenses, taking into account the market rate as well as the potential costs. This involves adjusting costs to align with current market rates and anticipated costs from Year 1 until terminal year to enable the hotel to remain competitive while maintaining profitability. We are of the opinion that the rate adopted is in line with the industry standards and adequate/sufficient to sustain the hotel business operation.

We noted that the historical operating costs and expenses are higher than market norm. Typically, a hotel business requires certain years from opening to achieve cost stabilisation whereby after a period of time, the hotel operation can achieve long-term cost-efficiency and cost-savings.

The subject hotel commenced operations in December 2018. The hotel is considered relatively new, and performance of the hotel has yet to mature. Additionally, the impact of COVID-19 on the hotel industry in 2020 and 2022 disrupted the hotels' ability to achieve cost stabilisation. As a result, the performance of the hotel did not reflect a mature stage during the historical periods

VALUE CONSIDERATION (Cont'd)

The capitalisation rate adopted in the terminal year is generally a long term yield that reflects the fluctuations and growth in the income and costs of the assets. The capitalisation rate associates with the general transacted yield of income generating commercial assets in the market.

Generally, it is difficult to analyse net yields of transacted hotels due to the limited information released to the public on the revenue and expenses of the hotels transacted.

The yields of recent transacted malls located in Klang Valley are analysed to be in the region of approximately 5.53% to 6.75%.

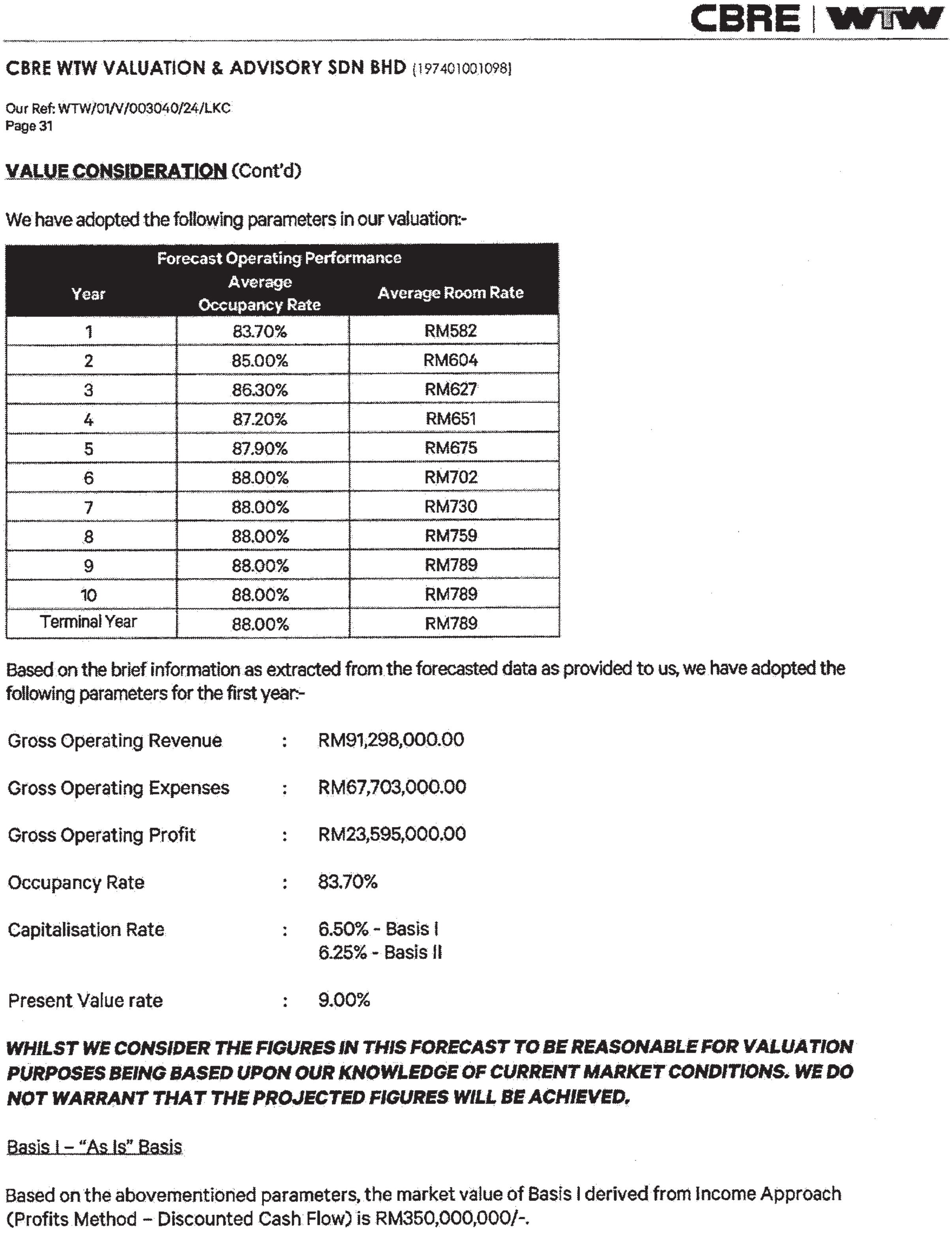
For the purpose of this valuation, we have not considered the yield derived from serviced apartments as serviced apartments are typically transacted as individual unit, whereas the subject property comprises an entire block or a portion of a building. The yield derived from Banyan Tree serviced apartments are analysed to be in the region of approximately 3% to 4%. As such, it is not appropriate to apply the yield from serviced apartment units to the hotel valuation. Consequently, we have made reference of the net yield of shopping malls for this purpose.

We are of the opinion that hotels usually attract a higher yield than shopping centres due to the higher risk involved. Therefore, we have adopted a capitalisation rate of 6.50% for Basis I and 6.25% for Basis II as a fair representation of the expected rate of return for the subject property after taking into consideration several factors such as location, tenure, building factors and other factors.

We have adopted different capitalisation rates to reflect the distinct operational characteristics of the subject property under two separate bases. For Basis I, a higher capitalisation rate of 6.50% has been adopted, as the property operates as a standard hotel business with no lease arrangement or fixed rental structure. This approach aligns with typical hotel operations, which typically involve more variable income streams.

In contrast, for Basis II, a lower capitalisation rate of 6.25% has been applied, given that whilst the property operates a hotel business, the owner receives a fixed rental income under a lease arrangement. The fixed nature of the lease is generally associated with a more stable and predictable income stream, which justifies a slightly lower capitalisation rate.

We have adopted 9.00% as the discount rate for the hotel. The discount rate is based on our perceived risk versus the return required. The hotel is discounted at a relatively secured rate with reference made to the MGS rate. We are of the opinion that the parameters adopted above are a fair representation and in line with the market conditions.



VALUE CONSIDERATION (Cont'd)

We have adopted the following parameters in our valuation:-

Forecast Operating Performance		
Year	Average Occupancy Rate	Average Room Rate
1	83.70%	RM582
2	85.00%	RM604
3	86.30%	RM627
4	87.20%	RM651
5	87.90%	RM675
6	88.00%	RM702
7	88.00%	RM730
8	88.00%	RM759
9	88.00%	RM789
10	88.00%	RM789
Terminal Year	88.00%	RM789

Based on the brief information as extracted from the forecasted data as provided to us, we have adopted the following parameters for the first year:-

Gross Operating Revenue	:	RM91,298,000.00
Gross Operating Expenses	:	RM67,703,000.00
Gross Operating Profit	:	RM23,595,000.00
Occupancy Rate	:	83.70%
Capitalisation Rate	:	6.50% - Basis I 6.25% - Basis II
Present Value rate	:	9.00%

WHILST WE CONSIDER THE FIGURES IN THIS FORECAST TO BE REASONABLE FOR VALUATION PURPOSES BEING BASED UPON OUR KNOWLEDGE OF CURRENT MARKET CONDITIONS. WE DO NOT WARRANT THAT THE PROJECTED FIGURES WILL BE ACHIEVED.

Basis I – "As Is" Basis

Based on the abovementioned parameters, the market value of Basis I derived from Income Approach (Profits Method – Discounted Cash Flow) is RM350,000,000/-.

VALUE CONSIDERATION (Cont'd)

Basis II – With Lease Arrangement

By a lease agreement agreed upon between the Lessor and the Lessee, the Lessor has agreed to grant a lease in respect of the demised premises for a period of 10 years with an option for renewal exercisable by the Lessee for a further two (2) additional successive terms of 10 years each, for a cumulative total of 30 years lease from the lease commencement date.

Based on the abovementioned lease agreement, the parameters adopted in the Income Approach (Profits Method – Discounted Cash Flow) for the subject property are as follows:-

Parameters		Remarks
Fixed Rental[*Note1]	Year 1 to 5 - RM23,500,000 per year Year 6 to 10 - RM24,675,000 per year	5.00% increase every 5 years
Variable Rental	Lessor 40% of the Surplus Sum Lessee 60% of the Surplus Sum	Surplus Sum - The Difference between Net Operating Income and Fixed Rental
Owner's Expenses[*Note2]	**Year 1**	-
-Maintenance Charge	RM1,485,337	5.00% increase every 5 years
-Sinking Fund		
-Assessment		
-Quit Rent		
-Fire Insurance		5.00% increase every year
-Plate Glass Insurance		
Capitalisation Rate	6.25%	-
Discount Rate	9.00%	-

Note 1: Based on the lease agreement, the fixed rental from year 1 to year 5 is RM23,500,000 per year, or approximately RM6,026 per room per month. We are of the opinion that the fixed rental is fair and reasonable, given that the subject property is a 5-star hotel situated in a prime location.

Note 2: Expenses borne by the Lessor, excluding FF&E, as per the lease agreement.

In a standard hotel valuation, the FF&E is typically accounted for as part of the overall valuation of the hotel property. However, we note that based on the lease agreement between the Lessor and the Lessee, the Lessee is responsible for maintaining and replacing the FF&E during the lease term and all the fixtures and fittings acquired by the Lessee will remain the property of the Lessee. As a result, no FF&E amount has been incorporated into this valuation.

The market value of Basis II derived from Income Approach (Profits Method – Discounted Cash Flow) is RM350,000,000/-.

VALUE CONSIDERATION (Cont'd)

Comparison Approach

Details	Comparable 1	Comparable 2	Comparable 3
Source	Bursa Announcement dated 6 December 2023 & Valuation and Property Services Department	Bursa Announcement dated 26 May 2017 & Circular dated 29 September 2017	Bursa Announcement dated 15 August 2016 & Valuation and Property Services Department
Location	W Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur	The Majestic Hotel Kuala Lumpur, No. 5, Jalan Sultan Hishamuddin, 50000 Kuala Lumpur	Renaissance Kuala Lumpur Hotel, Jalan Ampang, 50450 Kuala Lumpur
Type	5-star hotel with 150 rooms	5-star hotel with 300 rooms	5-star hotel with 910 rooms
Tenure	Term in Perpetuity (Freehold)	Registered lease granted for a term of 90 years expiring on 11 May 2091	Term in Perpetuity (Freehold)
No. of Rooms	150	300	910
Date	6 December 2023	26 May 2017	15 August 2016
Consideration inclusive of car park	RM270,000,000/-	RM380,000,000/-	RM765,000,000/-
Vendor	TROPICANA RESIDENCES SDN BHD, (wholly owned subsidiary of TROPICANA CORPORATION BHD)	YTL MAJESTIC HOTEL SDN BHD, (subsidiary of YTL CORPORATION BERHAD)	GREAT UNION PROPERTIES SDN BHD, (wholly owned subsidiary of IGB CORPORATION BERHAD)
Purchaser	IOI PFCC HOTEL SDN BHD and FLORA DEVELOPMENT SDN BHD, (both indirect subsidiaries of IOI PROPERTIES GROUP BERHAD)	MAYBANK TRUSTEES BERHAD, (as trustee for YTL HOSPITALITY REIT)	VENTURA INTERNATIONAL SDN BHD
Analysis (RM per room)	RM1,800,000/-	RM1,266,667/-	RM840,659/-
Adjustment	Adjustment is made on time, location – general, visibility, category : standard / luxury, size of room, number of rooms, level/storey, building age/condition, tenure and type of ownership – en bloc / stratified		
Adjusted Value (RM per room)	RM1,134,000/-	RM1,393,333/-	RM969,385/-

In arriving at the adjusted value, adjustments have been made as follows:-

VALUE CONSIDERATION (Cont'd)

Comparison Approach (Cont'd)

No.	Factors	Remarks
1.	Time	Adjustments have been made to reflect the market growth and decline in the hotel industry since the date of the transaction of the comparables.
2.	Location - General	The subject property is situated in the prime location of Bukit Bintang. An upward adjustment was made to Comparables 2 and 3 since they are situated in less prime locations. No adjustment was made to Comparable 1 as it is also situated in the prime location of KLCC.
3.	Visibility	The subject property is located in a highly visible area as it is part of the Pavilion Kuala Lumpur development. An upward adjustment was made to Comparables 2 and 3 as they are situated in less visible locations. No adjustment was made to Comparable 1 as it is located opposite the KLCC development.
4.	Category : standard / luxury	We have evaluated the subject property against the **BAR** of hotels in Kuala Lumpur to determine the category of the hotel i.e. standard or luxury 5-star hotel. The subject property is a standard 5-star hotel as it has a BAR of below RM800. An upward adjustment was made to Comparable 1 as it is a luxury 5-star hotel with a BAR of above RM800 whilst no adjustment was made to Comparables 2 and 3 as they are standard 5-star hotels with a BAR of below RM800.
5.	Size of room	Adjustments were made based on the majority average room size located within the hotel. The subject property has the smallest average room size as compared to the 3 comparables. Hence, a downward adjustment was made to the comparables accordingly.
6.	Number of rooms	Adjustments were made based on the total number of rooms. Hotels with fewer rooms may be considered more manageable, allowing for personalised service, which makes them more attractive for high-end or premium markets. Such hotels can command higher room rates due to their exclusive guest experience. A downward adjustment has been made to Comparable 1 as it has fewer rooms compared to the subject property while an upward adjustment has been made to Comparable 3 as it has more rooms. No adjustment was made to Comparable 2 as it has a very similar number of rooms to the subject property.
7.	Level/storey	Adjustments were made based on the height of the property. We have classified the level/storey into 3 categories i.e. below 20 level/storey, between 20 to 30 level/storey and above 30 level/storey. The subject property is located from Level 9 to Level 17, whereas Comparable 1 is located from Level 14 to Level 23. Comparable 2 comprises 2 to 5 storey buildings and a new 15 storey tower wing building, while Comparable 3 is a 26-storey building. The subject property has a lower level/storey compared to Comparable 1 and Comparable 3, falling under the category of below 20 level/storey, while comparable 2 has the lowest levels/storeys range among all 3 comparables. Based on the above, a downward adjustment was made to Comparables 1 and 3 while an upward adjustment was made to Comparable 2.

VALUE CONSIDERATION (Cont'd)

Comparison Approach (Cont'd)

No.	Factors	Remarks
8.	Building age/condition	Adjustments were made based on the building age / condition of the property. The building age of the subject property is approximately 6 years old. No adjustment has been made to Comparables 1 and 2 as their building ages range from 4 to 5 years. An upward adjustment was made for Comparable 3 as the building is approximately 20 years old.
9.	Tenure	Adjustments were made based on the tenure of the property, i.e. freehold tenure or leasehold tenure. The subject property is a leasehold tenure property with an unexpired term of approximately 85 years. A downward adjustment was made to Comparables 1 and 3 as they are freehold tenure property while Comparable 2 is a leasehold tenure property with an unexpired term of approximately 74 years, an upward adjustment was made.
10.	Type of ownership – En bloc / stratified	Adjustments were made based on the type of ownership of the property, i.e. en bloc or stratified. The subject property is a stratified property, similar to Comparable 1. Hence, no adjustment was made to Comparable 1. As Comparables 2 and 3 are en bloc type of ownership, downward adjustment was made.

Comparable 1 and Comparable 3 were transacted without lease arrangements, while Comparable 2 involved a lease arrangement.

From the above analysis, the adjusted values range from RM969,385/- per room to RM1,393,333/- per room.

Having regard to the foregoing, we have adopted Comparable 1 as the best comparable because it is the latest transaction among the comparables and similar in terms of building age, type of ownership i.e. stratified and star rating with the subject property.

Therefore, we have adopted a rounded value of RM1,100,000/- per room in our valuation.

Basis I – "As Is" Basis

Having regards to the foregoing, we have thus adopted a rounded value of RM360,000,000/- (analysed to be RM1,107,692 per room) for Basis I.

Basis II – With Lease Arrangement

Under Basis II, we have considered the lease arrangement in our computation of Comparison Approach by analysing the differences in market value derived from the Income Approach (Profits Method – Discounted Cash Flow) both with and without the lease arrangement. The adjusted value is RM0, as no difference in value was found between the two scenarios. Since the adjusted value is zero, the market value of Basis II derived from Comparison Approach remains at RM360,000,000/-.

VALUE CONSIDERATION (Cont'd)

RECONCILIATION OF VALUE

The market value for the hotel derived from both Income Approach (Profits Method - Discounted Cash Flow) and Comparison Approach are shown as follows:-

Basis I – "As Is" Basis

Income Approach (Profits Method -Discounted Cash Flow)	- RM350,000,000/-
Comparison Approach	- RM360,000,000/-

Basis II – With Lease Arrangement

Income Approach (Profits Method -Discounted Cash Flow)	- RM350,000,000/-
Comparison Approach	- RM360,000,000/-

We have adopted the market value derived from Income Approach (Profits Method - Discounted Cash Flow) as a fair representation of the market value of the subject property in view of the fact that the subject property is an income generating property.

For the purpose of injection of subject property into Real Estate Investment Trust (REIT), we have adopted the market value of Basis II, which incorporates the Lease Arrangement. The market value of Basis II derived from Income Approach (Profits Method – Discounted Cash Flow) is RM350,000,000/-.

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AND PROVISO AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** and free from all encumbrances at **RM350,000,000/- (Ringgit Malaysia: Three Hundred and Fifty Million Only)**.

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 the Subject Hotels and the Vendors in this Circular was obtained from the management of the respective Vendors and/or publicly available information 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 Placement 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.

The 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 clients 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 clients 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. Notwithstanding this, CIMB is of the view that the aforesaid lending relationship 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 Placement 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 Walls” policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations;

(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 2024 of approximately RM69.2 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 Placement 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 Placement 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 it appears 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, in the ordinary course of its banking business, extended credit facilities to Pavilion REIT. 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 Placement 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 2024 of approximately RM94.0 billion.

Save for the above, Maybank IB confirms that there is no conflict of interest which exists or is likely to exist in its capacity as the Joint Principal Adviser for the Proposals and Placement Agent for the Proposed Placement and Proposed Placement to EPF.

2.3 Interpac

Interpac, being the Independent Adviser for the Proposals, 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.

Interpac 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 Proposals.

2.4 CBRE | WTW

CBRE | WTW, being the Valuer for the Proposed Acquisitions, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Master Valuation Certificate, the Valuation Reports and all references thereto in the form and context in which they appear in this Circular.

CBRE | WTW 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 Acquisitions.

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, 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 may materially and adversely affect the business or financial position of Pavilion REIT.

As at the LPD, there is no material litigation, claim and/ or arbitration involving the Subject Hotels, save for the following:

Kuala Lumpur High Court Suit No. WA-22NCvC-483-08/2023
Cheah Ting Feng vs LISB and 1 Pavilion Property Consultancy Sdn Bhd

On 18 April 2019, Cheah Ting Feng ("**CTF**") entered into 51 sale and purchase agreements with LISB to acquire 51 duly completed residential units of the Banyan Tree Signatures Pavilion Kuala Lumpur development ("**Development**") ("**51 Units**") for a total purchase consideration of RM110,000,040.00 ("**51 Units Purchase Consideration**") (collectively, "**51 Units SPAs**"). The Development comprises residential units and a hotel. Between 18 April 2019 to 20 July 2020, CTF made full payments on the 51 Units Purchase Consideration and vacant possession of the 51 Units were handed by LISB to CTF between 17 July 2019 to 18 August 2020.

On 28 August 2023, CTF commenced proceedings against LISB and 1 Pavilion Property Consultancy Sdn Bhd (collectively, "**Defendants**"), seeking, a declaration that the 51 Units SPAs have been validly rescinded and/or void or in the alternative, the rescission of the 51 Units SPAs and repayment of the 51 Units Purchase Consideration, among others, under the grounds of alleged misrepresentation, illegality and/or a breach of contract alleging that, among others, (i) he was informed for the first time on 17 January 2023 that he is prohibited from using the 51 Units to operate his short-term rental business akin to a hotel, when the Defendants had purportedly represented to him that the 51 Units could be used for short-term rental purposes; and (ii) he has discovered deviations in the layout and floor plans of the 51 Units from the approved building plans of the Development ("**Main Suit**"). For the avoidance of doubt, the subject matter in dispute under the Main Suit pertains solely to the 51 Units, which do not form part of the Subject Hotels.

On 3 November 2023, the Defendants filed their defence, contending that, among others:

(i) no representations were made by the Defendants that CTF could use the 51 Units to operate his short-term rental business, and on the contrary, CTF had on 18 April 2019 executed Deeds of Mutual Covenants, whereby CTF covenanted that the 51 Units "*shall be used for residential purposes and for no other purpose*";

(ii) the 51 Units were sold to CTF on an "*as is where is*" basis, following CTF's inspection of the 51 Units. At the time of signing of the 51 Units SPAs, the Development had been completed, and the Certificate of Completion and Compliance relating to the Development had already been issued and a certified true copy of the same had been forwarded to CTF; and

(iii) CTF is not entitled to rescission due to his own conduct which amounts to estoppel or is inconsistent with a right of rescission, as he continued to use the 51 Units for short-term rental.

On 9 January 2025, CTF filed an application to the High Court for a Mareva injunction pending the disposal of the Main Suit, seeking an order restraining LISB from selling, disposing, transferring or in any way dealing with its assets and/or properties up to the value of RM110,000,040.00, including the proceeds from the BTKL SPA, and an order for LISB to disclose full accounts of its assets to CTF's solicitors, or in the alternative, an order for LISB to deposit a sum of RM110,000,040.00 as security with CTF's solicitors ("**Mareva Injunction Application**").

The Mareva Injunction Application was dismissed by the High Court on 14 March 2025 and CTF had on 20 March 2025 filed an appeal to the Court of Appeal against the High Court's decision ("**Mareva Injunction Appeal**"). No hearing date is fixed as at the date of this Circular, and a case management is scheduled for 7 July 2025.

In addition, CTF had on 4 April 2025 filed a Notice of Motion at the Court of Appeal for an Erinford injunction to restrain LISB from disposing the BTKL Property pending disposal of the Mareva Injunction Appeal ("**Erinford Injunction Motion**"). The hearing date is fixed for 19 May 2025.

In respect of the Mareva Injunction Appeal, the solicitors of LISB are of the opinion that the chances of CTF succeeding on the appeal are low. In respect of the Erinford Injunction Motion, the solicitors of LISB are similarly of the opinion that the chances of CTF being allowed on the motion are low.

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 BTKL SPA;

(iii) the PHKL SPA (which includes the agreed form of the Lease Agreements);

(iv) the Master Valuation Certificate referred to in **Appendix V** of this Circular, together with the Valuation Reports;

(v) the audited financial statements of Pavilion REIT for the past 2 FYEs 31 December 2023 and 31 December 2024; and

(vi) the letters of consent referred to in Section 2 of this Appendix; and

(vii) the relevant cause papers in respect of the material litigation referred to in Section 4 of this Appendix.

PAVILION

REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad (Company Registration No. 198701004362 (163032-V)) and Pavilion REIT Management Sdn Bhd (Company 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, 7 May 2025 at 11.30 a.m. or immediately following the conclusion of the 13th Annual General Meeting of Pavilion REIT, whichever is later, or any adjournment thereof, for the purpose of considering and if thought fit, passing the following ordinary resolutions, with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITIONS BY MTRUSTEE BERHAD, ACTING AS THE TRUSTEE FOR AND ON BEHALF OF PAVILION REIT ("TRUSTEE"), OF BANYAN TREE KUALA LUMPUR ("BTKL") FROM LUMAYAN INDAH SDN BHD ("LISB") AND PAVILION HOTEL KUALA LUMPUR ("PHKL") FROM HARMONI PERKASA SDN BHD ("HPSB") (LISB AND HPSB ARE COLLECTIVELY REFERRED TO AS "VENDORS") FOR A TOTAL PURCHASE CONSIDERATION OF RM480.00 MILLION ("PURCHASE CONSIDERATION") ("PROPOSED ACQUISITIONS")

"**THAT** subject to the passing of Ordinary Resolutions 2, 3 and 5, the fulfilment of all other conditions precedent under the conditional sale and purchase agreements dated 5 December 2024 between the Trustee and the Vendors ("**SPAs**"), 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 BTKL and PHKL (collectively, "**Subject Hotels**") together with (a) all furniture, furnishings, fixtures and equipment in the Subject Hotels and (b) major equipment such as the fixtures and equipment (as defined in the SPAs and the circular to the Unitholders dated 17 April 2025) from the Vendors for the Purchase Consideration, in accordance with the terms and conditions of the SPAs;

THAT the Board of Directors of Pavilion REIT Management Sdn Bhd ("**Manager**") ("**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 Acquisitions 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 Acquisitions;

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 Acquisitions be and are hereby confirmed and ratified."

ORDINARY RESOLUTION 2

PROPOSED ISSUANCE OF UP TO 172,377,600 NEW UNITS IN PAVILION REIT ("UNITS"), REPRESENTING UP TO APPROXIMATELY 4.7% OF THE EXISTING TOTAL UNITS IN ISSUE, AT AN ISSUE PRICE TO BE DETERMINED LATER TO THE VENDORS AND/OR THEIR AUTHORISED NOMINEE(S) TO PART SETTLE UP TO RM246.50 MILLION OF THE PURCHASE CONSIDERATION ("CONSIDERATION UNITS") ("PROPOSED ISSUANCE OF CONSIDERATION UNITS")

"**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 172,377,600 Consideration Units, representing up to approximately 4.7% of the existing total Units in issue, at an issue price to be determined later to (i) the Vendors and/or (ii) their authorised nominee(s), being any person who is (a) a direct or indirect shareholder of the Vendors, which may include Tan Sri Lim Siew Choon ("**TSLSC**"), Puan Sri Tan Kewi Yong ("**PSTKY**"), Qatar Holding LLC ("**QH**"), licensed by the Qatar Financial Centre ("**QFC**") Authority under QFC Authority Licence No. 00004, Serantau Optima Sdn Bhd and Urusharta Cemerlang Sdn Bhd; or (b) a person connected with TSLSC, PSTKY and QH, to part settle up to RM246.50 million of the Purchase Consideration in accordance with the terms and conditions of the Proposed Acquisitions;

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 will 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 the Vendors and/or their authorised nominee(s), 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 are 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 Issuance of Consideration Units."

ORDINARY RESOLUTION 3

PROPOSED PLACEMENT OF A MINIMUM OF 184,615,400 NEW UNITS AND A MAXIMUM OF 386,014,000 NEW UNITS ("PLACEMENT UNITS"), REPRESENTING APPROXIMATELY 5.0% AND APPROXIMATELY 10.5% OF THE EXISTING TOTAL UNITS IN ISSUE, RESPECTIVELY AT AN ISSUE PRICE TO BE DETERMINED LATER BY WAY OF BOOKBUILDING TO RAISE GROSS PROCEEDS OF A MINIMUM OF RM264.00 MILLION AND A MAXIMUM OF RM552.00 MILLION ("PROPOSED PLACEMENT")

"**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 Placement, and allot and issue a minimum of 184,615,400 Placement Units and a maximum of 386,014,000 Placement Units, representing approximately 5.0% and approximately 10.5%, of the existing total Units in issue, respectively at an issue price to be determined later by way of bookbuilding to raise gross proceeds of a minimum of RM264.00 million and a maximum of RM552.00 million, to such investors to be identified later;

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 will 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 are 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 Placement for the purposes as set out in the circular to the Unitholders dated 17 April 2025, 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 Placement."

ORDINARY RESOLUTION 4

PROPOSED PLACEMENT OF UP TO 162,877,200 NEW UNITS, REPRESENTING UP TO APPROXIMATELY 4.4% OF THE EXISTING TOTAL UNITS IN ISSUE, TO EMPLOYEES PROVIDENT FUND BOARD ("EPF"), BEING A MAJOR UNITHOLDER OF PAVILION REIT, AND/OR PERSONS CONNECTED WITH IT IN CONJUNCTION WITH THE PROPOSED PLACEMENT ("PROPOSED PLACEMENT TO EPF")

"**THAT** subject to the passing of Ordinary Resolution 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 162,877,200 Placement Units, representing up to approximately 4.4% of the existing total Units in issue, to EPF and/or persons connected with EPF at an issue price to be determined later by way of bookbuilding;

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 will 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 with 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 are 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."

ORDINARY RESOLUTION 5

PROPOSED LEASES OF THE SUBJECT HOTELS TO HPSB ("LESSEE") ("PROPOSED LEASES")

"**THAT** subject to the passing of Ordinary Resolution 1 and the full settlement of the Purchase Consideration on the Beneficial Ownership Transfer Date (as defined in the SPAs), approval be and is hereby given to the Trustee to lease, for and on behalf of Pavilion REIT, the Subject Hotels to HPSB in accordance with the terms and conditions of the agreed form of the lease agreements of the Subject Hotels to be entered between the Trustee, for and on behalf of Pavilion REIT, as the Lessor, and HPSB, as the Lessee ("**Lease Agreements**") under the terms and conditions of the conditional sale and purchase agreement dated 5 December 2024 for the proposed acquisition of PHKL;

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 the Lease Agreements or 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 Leases 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 Leases;

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 Leases be and are hereby confirmed and ratified."

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
17 April 2025

Notes:

1. A Unitholder who is entitled to attend the Unitholders' Meeting is entitled to appoint not more than two (2) proxies to attend instead of him. A proxy need not be a Unitholder. Where a Unitholder appoints two (2) proxies, the appointments shall be invalid unless the proportion to be represented by each proxy is specified (expressed as a percentage of the whole).

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 two (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 two (2) proxies, the appointments shall be invalid unless the proportion to be represented by each proxy is specified (expressed as a percentage of the whole).

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, 5 May 2025 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 28 April 2025 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 (Company Registration No. 198701004362 (163032-V)) and Pavilion REIT Management Sdn Bhd (Company 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, 7 May 2025 at 11.30 a.m. or immediately following the conclusion of the 13th 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 Acquisitions		
Proposed Issuance of Consideration Units		
Proposed Placement		
Proposed Placement to EPF		
Proposed Leases		

Dated this ………… day of ………………………….., 2025.

…………………………..……………………………..

Signature of Unitholder / Common Seal

Notes:

1. A Unitholder who is entitled to attend the Unitholders' Meeting is entitled to appoint not more than two (2) proxies to attend instead of him. A proxy need not be a Unitholder. Where a Unitholder appoints two (2) proxies, the appointments shall be invalid unless the proportion to be represented by each proxy is specified (expressed as a percentage of the whole).

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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 as set out in the Notice of Unitholders' Meeting dated 17 April 2025.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Manager of Pavilion Real Estate Investment Trust

PAVILION REIT MANAGEMENT SDN BHD
(Company 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

1st fold here