MALTON BERHAD ("MALTON" OR "COMPANY")

PROPOSED DISPOSAL BY REGAL PATH SDN BHD, A 51% JOINT VENTURE OF MALTON, OF THE PAVILION BUKIT JALIL MALL TO PAVILION REAL ESTATE INVESTMENT TRUST FOR A TOTAL INDICATIVE DISPOSAL CONSIDERATION OF RM2,200,000,000 ("PROPOSED DISPOSAL")

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1. INTRODUCTION

On 24 December 2021, the Company announced that MTrustee Berhad ("**MTrustee**"), acting as the trustee of Pavilion Real Estate Investment Trust ("**Pavilion REIT**"), has accepted an invitation from Regal Path Sdn Bhd ("**Regal Path**"), a 51% joint venture of Malton, to commence discussion for the potential sale of the Pavilion Bukit Jalil Mall (as defined below) by Regal Path to MTrustee.

On behalf of the board of directors of Malton ("**Board**"), RHB Investment Bank Berhad ("**RHB Investment Bank**") wishes to announce that Regal Path had on 22 November 2022 entered into a conditional Sale and Purchase Agreement ("**CSPA**") with MTrustee, acting as the trustee of Pavilion REIT ("**Purchaser**"), to dispose of 1 block of 5-storey retail mall with 2 basement car park levels located within Bukit Jalil City, Bukit Jalil, Kuala Lumpur, together with the related assets and rights, known as "**Pavilion Bukit Jalil Mall**" to Pavilion REIT, for a total indicative disposal consideration of RM2,200,000,000 ("**Disposal Consideration**") to Regal Path to be satisfied either by fully in cash, or a combination of new units in Pavilion REIT ("**Consideration Units**") of up to the equivalent sum of RM600,000,000 and the balance in cash.

For information purpose, Malton had previously on 10 October 2019 completed the sale of the Pavilion Bukit Jalil Mall to Regal Path simultaneously with a dilution of its 49% equity interest in Amberstraits Sdn Bhd ("**Amberstraits**") to Jelang Tegas Sdn Bhd ("**Jelang Tegas**") ("**Disposal of 49%**"). Following the Disposal of 49%, the Pavilion Bukit Jalil Mall was duly registered in the name of Regal Path on 21 October 2019 with effect from that date.

In addition, pursuant to a shareholders' agreement documenting the shareholders' mutually agreed rights, duties, liabilities and obligations via-à-vis, amongst others, the management and operation of Regal Path, the management of Malton believes that the Malton group of companies ("**Malton Group**" or "**Group**") has lost the control over Amberstraits (as a holding company of Regal Path) and Regal Path as a result of the Disposal of 49%. Arising therefrom, Malton's investments in Amberstraits and Regal Path have been derecognised as subsidiaries and are treated as investments in joint ventures in its financial statements since the financial year ended ("**FYE**") 30 June 2020. For the avoidance of doubt, in view of the above, the indicative Disposal Consideration, including the Consideration Units, will entirely be accrued to Regal Path only.

For shareholders' information, the Proposed Disposal is regarded as a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") in view of the interests of certain directors and major shareholders of the Company, further details of which are set out in Section 9 of this Announcement. Accordingly, MIDF Amanah Investment Bank Berhad has been appointed as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Malton on the Proposed Disposal.

Further details of the Proposed Disposal are set out in the ensuing sections of this Announcement.

2. DETAILS OF THE PROPOSED DISPOSAL

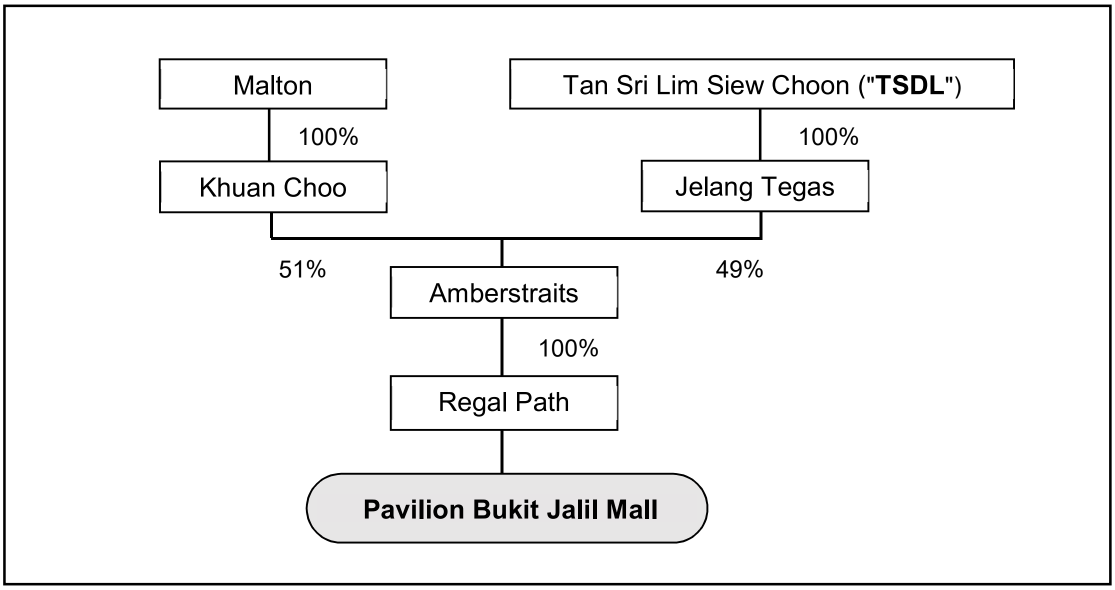
Pursuant to the terms of the CSPA, Regal Path agrees to sell and Pavilion REIT agrees to purchase the Pavilion Bukit Jalil Mall on an "as is where is basis" free from all encumbrances and with vacant possession subject to the contractual easement granted pursuant to an agreement dated 24 August 2020 made between Bukit Jalil Development Sdn Bhd, Pioneer Haven Sdn Bhd and Regal Path, and all conditions of title and all restrictions-in-interest (whether express or implied) in the issue document of title to the Pavilion Bukit Jalil Land at the indicative Disposal Consideration.

The Proposed Disposal entails the disposal of the Pavilion Bukit Jalil Mall, including all fixtures, fittings, equipment, machinery, systems and all other appurtenant thereto affixed to or installed in or within the Pavilion Bukit Jalil Mall or any part thereof, by Regal Path to Pavilion REIT for the indicative Disposal Consideration of RM2,200,000,000 to be satisfied either by fully in cash, or a combination of Consideration Units up to the equivalent sum of RM600,000,000 and the balance in cash, subject to the terms and conditions of the CSPA, details of which are set out in Appendix I of this Announcement.

Arising from the above, upon completion of the Proposed Disposal, Regal Path will cease to be the asset owner of the Pavilion Bukit Jalil Mall.

The structure for the Proposed Disposal is depicted as follow:

<u>Current structure</u>



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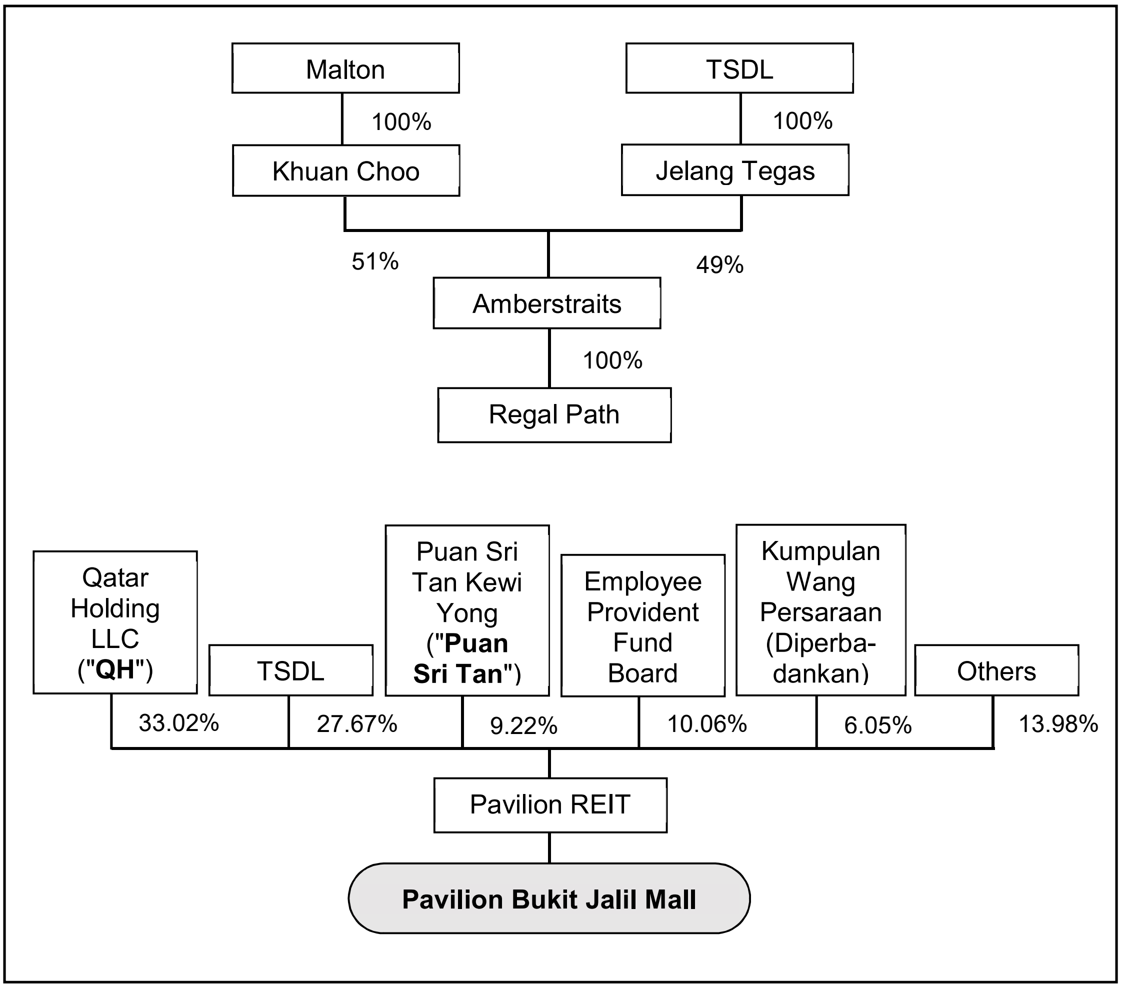
Scenario 1: Structure after completion of the Proposed Disposal, assuming the Disposal Consideration is satisfied fully in cash



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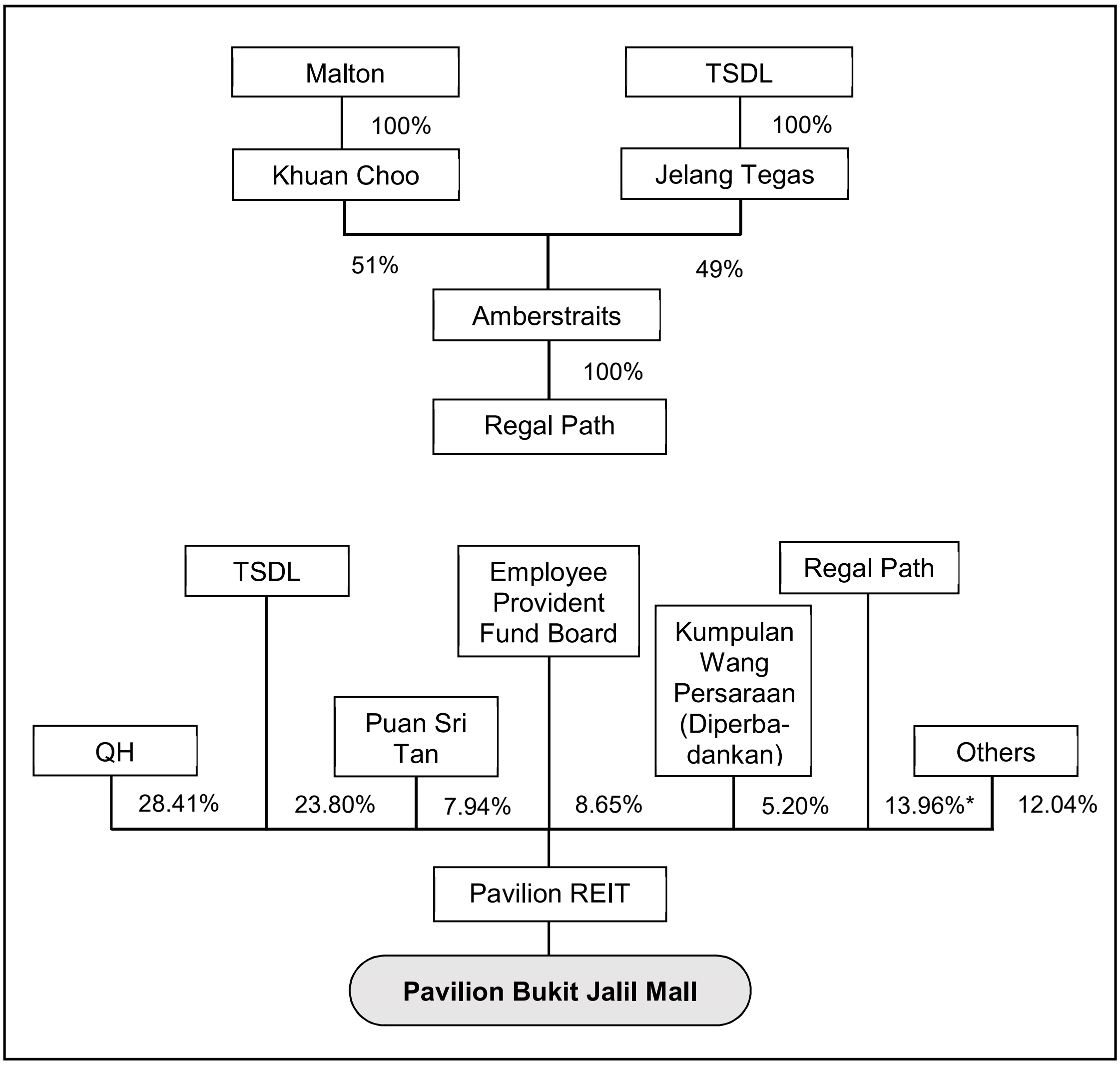
Scenario 2: Structure after completion of the Proposed Disposal, assuming the Disposal Consideration is satisfied via a combination of Consideration Units up to the equivalent sum of RM600,000,000 and the balance in cash



Note:

* *Solely for illustrative purpose only, assuming if the issue price of the Consideration Units is RM1.21 per unit as detailed in note (1) of Section 2.1 of this Announcement, the number of new Consideration Units to be issued up to an equivalent sum of RM600,000,000 is 495,867,768 units in Pavilion REIT.*

2.1 Mode of settlement

The indicative Disposal Consideration of RM2,200,000,000 to Regal Path will be satisfied either by fully in cash, or a combination of new Consideration Units up to the equivalent sum of RM600,000,000 and the balance in cash.

For shareholders' information, pursuant to the Disposal of 49%, Malton's investments in Regal Path has been derecognised as subsidiary and is treated as investment in joint venture in its financial statements since the FYE 30 June 2020. In view of the above, the indicative Disposal Consideration, including the Consideration Units, will entirely be accrued to Regal Path only.

The indicative Disposal Consideration shall be satisfied by Pavilion REIT in the manner set out below:

Details	Timing	Indicative Disposal Consideration RM
Completion Date Payment		
Upon completion date		
To be satisfied either fully in cash, or a combination of Consideration Units up to the equivalent sum of RM200,000,000 and the balance of not less than RM1,450,000,000 in cash. (1)	60 days from the date on which the last of the conditions precedent of the CSPA is satisfied, suspended or waived by Pavilion REIT ("**Unconditional Date**") or extended further by 30 days ("**Completion Date**").	1,650,000,000
Balance Consideration		
Upon completion of defect rectification period		
To be satisfied fully in cash.	Within 45 days from the date of completion of the rectification of defects, where such rectification of defects is to be completed within 6 months from the Completion Date, in accordance with Paragraph 2.1(b)(i) of Appendix I of this Announcement.	50,000,000
Upon issuance of strata title		
To be satisfied fully in cash.	Within 30 days from receipt of the last documents as set out in Paragraph 2.1(b)(ii) of Appendix I of this Announcement.	100,000,000
Final balance		
To be satisfied either fully in cash, or a combination of Consideration Units up to the equivalent sum of RM400,000,000 and the balance (if any) in cash in accordance with Paragraph 2.1(b)(iii) of Appendix I of this Announcement. (1)	Within the period set out in Paragraph 2.1(b)(iii) of Appendix I of this Announcement.	400,000,000
		2,200,000,000

Note:

(1) The issue price per Consideration Unit shall be based on the following:

(a) book build price in the event the placement exercises are undertaken by Pavilion REIT; or

*(b) in the event a placement exercise is not undertaken, the Consideration Units will be issued based on the 5-day volume weighted average price ("**VWAP**") of the units in Pavilion REIT up to and including the day preceding the day in which Pavilion REIT decides to issue the Consideration Units as settlement of the Disposal Consideration.*

*Solely for illustrative purpose only, based on the 5-day VWAP of the units in Pavilion REIT up to and including the day preceding the date on which the terms of the transaction were agreed upon ("**LTD**") of RM1.2053, assuming if the issue price of the Consideration Units is RM1.21 per unit, the number of new Consideration Units to be issued up to an equivalent sum of RM600,000,000 is 495,867,768 units in Pavilion REIT.*

The new Consideration Units will be allotted and issued to Regal Path free from all encumbrances and will rank equally in all respects with the existing units Pavilion REIT with all rights and entitlement attached, including dividends, rights, allotments and/or other distributions, save and except that Regal Path will not be entitled to any dividend, right, allotment and/or other distribution that may be declared, made or paid prior to the date on which the Consideration Units are credited into the Central Depository System accounts of Regal Path.

The Consideration Units will be listed on the Main Market of Bursa Securities. Regal Path do not intend to retain the Consideration Units allotted and issued to it and endeavours to place out the Consideration Units to monetise them.

The Disposal Consideration shall be paid in tranches, further details of which are set out in Appendix I of this Announcement.

In addition to the Pavilion Bukit Jalil Mall, Regal Path also agrees to sell and Pavilion REIT agrees to purchase the additional movable assets required for the operations of Pavilion Bukit Jalil Mall, which include laptops, buggies and mobile elevating work platform ("**Additional Assets**") based on net book value ("**NBV**") of the Additional Assets as at the Completion Date in cash and does not form part of the Purchase Consideration. For illustrative purposes, the indicative disposal consideration of the Additional Assets based on the NBV of the Additional Assets after taking into consideration the additional depreciation to be incurred in accordance with Paragraph 2.3 of Appendix I of this Announcement as at 30 June 2022 is RM3,727,676.96.

2.2 Information on the Pavilion Bukit Jalil Mall

Pavilion Bukit Jalil Mall is a stratified 5-storey shopping mall with 2 basement car park levels, located within a 50-acre integrated commercial development known as Bukit Jalil City, Bukit Jalil, Kuala Lumpur. The mall, which has approximately 1.8 million square feet in retail space, opened its door to shoppers on 3 December 2021.

Pavilion Bukit Jalil Mall houses several anchor tenants, namely Parkson (spanning across three levels), Harvey Norman and The Food Merchant (both located on Level 1 of the mall) together with many other prominent tenants such as HOHM, Tsutaya Bookstore, Blue Ice Snow Park (ice skating rink), Padini Concept Store, Brands Outlet, Uniqlo, Sports Direct & USC, Adidas, Toys'R'Us, Watsons, Guardian, Din Tai Fung and Grand Harbour Restaurant & Banquet.

In addition to the shopping, dining and leisure outlets, Pavilion Bukit Jalil has an exhibition hall located on Level 5 catering to major events and exhibitions. It also has a piazza theatre located outside of Level 3 of the mall to cater for outdoor events.

Regal Path is the sole legal and beneficial owner of all that piece of freehold land on which Pavilion Bukit Jalil Mall is constructed.

Further information on the Pavilion Bukit Jalil Mall and its parent title is as follows:

Parent Lot No.	:	Lot 101899, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Parent Title No.	:	Geran 79550
Tenure	:	Interest in perpetuity
Category of land use	:	*Bangunan*
Building erected	:	A retail mall known as Pavilion Bukit Jalil Mall
Age of building	:	Approximately one year
Land area	:	113,900 square metres (28.15 acres/11.39 hectares)

Quit rent	:	RM392,955 per annum
Registered proprietor	:	Regal Path
Express conditions	:	*Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan pembangunan komersial dan kawasan lapang sahaja*
Restrictions-in-interest	:	*Tanah ini tidak boleh dipindahmilik, dipajak, digadai atau diurusniagakan dalam apa-apa bentuk lain melainkan setelah mendapat persetujuan bertulis daripada Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur kecuali bagi pindahmilik pertama dan kedua*
Encumbrances	:	Charged to CIMB Investment Bank Berhad, registered on 21 October 2019
Endorsements	:	<u>*No. Perserahan PDSC25163/2020 Pemberian Ismen*</u> *Lot Menanggung Mukim Petaling GRN 79551 Lot 101900* *Lot Menguasai Mukim Petaling GRN 79550 Lot 101899 bagi tempoh selama-lamanya* registered on 17 September 2020. <u>*No. Perserahan PDSC27569/2020 Pemberian Ismen*</u> *Lot Menanggung Mukim Petaling GRN 79554 Lot 101903* *Lot Menguasai Mukim Petaling GRN 79550 Lot 101899 bagi tempoh selama-lamanya* registered on 2 October 2020. <u>*No. Perserahan PDN550/2021 Kelulusan Serahbalik Sebahagian Tanah*</u> *ke atas Permohonan Serahbalik Sebahagian Tanah No. Perserahan PDN4237/2020 seluas lebih kurang 294 meter persegi* registered on 20 April 2021. <u>*No. Perserahan PDSC33061/2021 Pajakan Sebahagian Tanah*</u> *kepada Tenaga Nasional Berhad seluas 195.95 meter persegi bagi tempoh selama 30 tahun mulai dari 30 Januari 2021 dan berakhir pada 29 Januari 2051* registered on 15 October 2021. <u>*No. Perserahan PDSC33060/2021 Pajakan Sebahagian Tanah*</u> *kepada Tenaga Nasional Berhad seluas 218.32 meter persegi bagi tempoh selama 30 tahun mulai dari 30 Januari 2021 dan berakhir pada 29 Januari 2051* registered on 15 October 2021.
Gross floor area	:	5,764,519 square feet
Proposed strata floor area [(1)]	:	Main parcel: 3,606,211 square feet Accessory parcel: 3,599,753 square feet
Net lettable area	:	1,822,041 square feet

Percentage of committed occupancy	:	78% as at 31 October 2022
Net Property Income ("**NPI**") (2)	:	RM30.1 million
Audited NBV as at 30 June 2022	:	RM2,176,718,963, based on the audited financial statements of Regal Path for the FYE 30 June 2022
Market value ascribed by the Valuer	:	RM2,200,000,000
Date of valuation	:	31 October 2022

Notes:

*(1) As at 31 October 2022, being the latest practicable date prior to the date of this Announcement ("**LPD**"), Regal Path has filed the schedule of parcels with the Commissioner of Building in accordance with the Strata Management Act 2013 and the strata titles to Pavilion Bukit Jalil Mall have yet to be issued by the relevant land office.*

(2) Refers to the unaudited net property income attributable to the Pavilion Bukit Jalil Mall since the opening date on 3 December 2021 until 30 June 2022 (excluding opening incentive and rebate to the tenants).

2.3 Information on Regal Path, MTrustee and Pavilion REIT

(i) Information on Regal Path

Regal Path was incorporated in Malaysia on 21 January 2016 and its principal activity is property investment. Its registered address is at 19-0, Level 19, Pavilion Tower, 75, Jalan Raja Chulan, 50200 Kuala Lumpur, W.P. Kuala Lumpur.

Regal Path is a wholly-owned subsidiary of Amberstraits, which is 51% jointly owned by Khuan Choo Realty Sdn Bhd ("**Khuan Choo**"), which in turn is a wholly-owned subsidiary of Malton. For information purpose, Malton had previously on 10 October 2019 completed the Disposal of 49% and pursuant to a shareholders' agreement documenting the shareholders' mutually agreed rights, duties, liabilities and obligations via-à-vis, amongst others, the management and operation of Regal Path, the management of Malton believes that the Malton Group has lost the control over Amberstraits (as a holding company of Regal Path) and Regal Path. Arising therefrom, Malton's investments in Regal Path has been derecognised as subsidiary and is treated as investment in joint venture in its financial statements since the FYE 30 June 2020.

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

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

Directors

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

Notes:

*(1) Deemed interested by virtue of his shareholdings in Amberstraits through Jelang Tegas pursuant to Section 8(4) of the Companies Act 2016 ("**Act**").*

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

Shareholders

		<----------Direct---------->		<---------Indirect--------->	
Name	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Amberstraits	Malaysia	100,000 ordinary shares	100.0	-	-
Jelang Tegas	Malaysia	229,823,586 preference shares	-	(1) 100,000 ordinary shares	100.0
Khuan Choo	Malaysia	239,034,752 preference shares	-	(1) 100,000 ordinary shares	100.0
Q PBJ Sdn Bhd ("**Q PBJ**")	Malaysia	488,040,000 preference shares	-	-	-
Malton	Malaysia	-	-	(1) 100,000 ordinary shares (2) 239,034,752 preference shares	100.0
Malton Corporation Sdn Bhd	Malaysia	-	-	(1) 100,000 ordinary shares (2) 239,034,752 preference shares	100.0
TSDL	Malaysian	-	-	(1) 100,000 ordinary shares (3) 468,858,338 preference shares	100.0

Name	Nationality	<----------Direct----------> No. of shares	%	<---------Indirect---------> No. of shares	%
Puan Sri Tan	Malaysian	-	-	(1) 100,000 ordinary shares (4) 239,034,752 preference shares	100.0
QH	Qatar	-	-	(5) 488,858,338 preference shares	-

Notes:

(1) *Deemed interested by virtue of his/her/its shareholdings in Amberstraits through Jelang Tegas pursuant to Section 8(4) of the Act.*

(2) *Deemed interested by virtue of its shareholdings in Khuan Choo pursuant to Section 8(4) of the Act.*

(3) *Deemed interested by virtue of his shareholdings in Jelang Tegas and Khuan Choo pursuant to Section 8(4) of the Act.*

(4) *Deemed interested by virtue of her shareholdings in Khuan Choo pursuant to Section 8(4) of the Act.*

(5) *Deemed interested by virtue of its shareholdings in Q PBJ pursuant to Section 8(4) of the Act.*

(ii) Information on MTrustee

MTrustee is acting as the trustee of Pavilion REIT. MTrustee was incorporated in Malaysia on 28 July 1987 and commenced its operation in March 1992. Its business address is at Level 15, Menara AmFirst, No.1, Jalan 19/3, 46300 Petaling Jaya, Selangor Darul Ehsan. It is governed under the Trustee Act 1949, the Trust Companies Act 1949, the Companies Commission of Malaysia in respect of the administration, Securities Commission Malaysia ("**SC**") in respect of the services rendered and by Bank Negara Malaysia in respect of Anti-Money Laundering and Counter Financing of Terrorism matters.

As at the LPD, MTrustee has an issued share capital of RM500,000 comprising 100,000 ordinary shares in MTrustee.

As at the LPD, the directors and shareholders of MTrustee and their respective shareholdings in MTrustee are as follows:

<u>**Directors**</u>

Name	Nationality	<-------Direct-------> No. of shares	%	<-----Indirect-----> No. of shares	%
Dato' Ng Mann Cheong	Malaysian	-	-	-	-
Wong Yew Sen	Malaysian	-	-	-	-
Chan Mo Lin	Malaysian	-	-	-	-
Johari Low Bin Abdullah	Malaysian	-	-	(1) 40,000	40.0
Saw Leong Aun	Malaysian	-	-	(2) 20,000	20.0
Lum Sing Fai	Malaysian	-	-	-	-

Notes:

(1) *Deemed interested by virtue of his shareholdings in Rockwills International Berhad and PL Advisory Services Sdn Bhd pursuant to Section 8(4) of the Act.*

(2) *Deemed interested by virtue of his shareholdings in Rockwills International Berhad pursuant to Section 8(4) of the Act.*

Shareholders

Name	Country of Incorporation	<------Direct------> No. of shares	%	<------Indirect------> No. of shares	%
Rockwills International Berhad	Malaysia	20,000	20.0	-	-
PL Advisory Services Sdn Bhd	Malaysia	20,000	20.0	-	-
PLAS Holdings Sdn Bhd	Malaysia	20,000	20.0	-	-
PLAS Capital Sdn Bhd	Malaysia	20,000	20.0	-	-
PLAS Equity Sdn Bhd	Malaysia	20,000	20.0	-	-

(iii) Information on Pavilion REIT

Pavilion REIT is a Malaysia-domiciled real estate investment trust constituted pursuant to the first amended and restated trust deed dated 18 February 2019 between Pavilion REIT Management Sdn Bhd and MTrustee.

Further details of Pavilion REIT are set out in Appendix II of this Announcement.

2.4 Basis and justification of arriving at the Disposal Consideration

The indicative Disposal Consideration for the Proposed Disposal was arrived at on a 'willing-buyer willing-seller' basis and after taking into consideration the following:

(i) the market value of the Pavilion Bukit Jalil Mall as appraised by Jones Lang Wootton ("**Valuer**") vide its valuation certificate dated 22 November 2022 ("**Valuation Certificate**") of RM2,200,000,000 on the basis that the strata titles in respect of the Pavilion Bukit Jalil Mall conveying an interest in perpetuity is forthcoming and when issued, will be free of all encumbrances and restrictive conditions;

(ii) the audited NBV of the Pavilion Bukit Jalil Mall of RM2,176,718,963 based on the audited financial statements of Regal Path as at 30 June 2022; and

(iii) the rationale for the Proposed Disposal, further details of which are set out in Section 3 of this Announcement.

The Company, through Regal Path, had appointed the Valuer to undertake an independent valuation on the Pavilion Bukit Jalil Mall and the Valuer had vide its Valuation Certificate ascribed a market value of RM2,200,000,000 for the Pavilion Bukit Jalil Mall using the following valuation methodologies:

(i) Income Approach by way of Investment Method in view that the Pavilion Bukit Jalil Mall is an income-generating property. This involves the capitalisation of net rent from a property, where net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees; and

(ii) Comparison Approach to compare the Pavilion Bukit Jalil Mall with sales of other shopping malls in the region as a reference only, given the uniqueness of the Pavilion Bukit Jalil Mall as well as the comparables which arises mainly due to wide-ranging difference in terms of location, concept, facilities, tenant mix, market catchment and retail business profiling.

The indicative Disposal Consideration of the Pavilion Bukit Jalil Mall of RM2,200,000,000 equals to the market value of the Pavilion Bukit Jalil Mall of RM2,200,000,000 as ascribed by the Valuer.

In addition, the indicative Disposal Consideration represents a premium of approximately RM23.28 million or 1.07% to the audited NBV of the Pavilion Bukit Jalil Mall of RM2,176.72 million as at 30 June 2022 based on the audited financial statements of Regal Path for the FYE 30 June 2022.

2.5 Salient terms of the CSPA

Please refer to Appendix I of this Announcement for the salient terms of the CSPA.

2.6 Original cost of investment and date of investment

The original date of investment by Regal Path in the Pavilion Bukit Jalil Mall is 10 October 2019 and the original cost of investment is RM1,930,029,656.

2.7 Expected loss arising from the Proposed Disposal

Based on the latest audited financial statements of Regal Path for the FYE 30 June 2022, Regal Path is expected to realise an estimated one-off pro forma loss of approximately RM19.02 million in relation to the Proposed Disposal as set out below:

	RM'000	**RM'000**
Disposal Consideration		2,200,000
Less:		
(i) NBV of the Pavilion Bukit Jalil Mall as at 30 June 2022		
- Cost of investment of Pavilion Bukit Jalil Mall as at 30 June 2022	(1,930,030)	
- NBV of plant and machinery as at 30 June 2022	(26,491)	
- Unrealised fair value gain on the Pavilion Bukit Jalil Mall as at 30 June 2022 (1)	(220,198)	(2,176,719)
(ii) Additional expenses expected to be incurred pursuant to the Proposed Disposal		
- Additional capital expenditure to be incurred by Regal Path for fixtures and fittings for the Pavilion Bukit Jalil Mall (2)	(19,222)	
- Estimated charged out of capitalised expenses following the Proposed Disposal (3)	(21,410)	
- Estimated loss on disposal of Additional Assets (4)	(339)	
- Estimated expenses for the Proposed Disposal (5)	(1,330)	(42,301)
Estimated pro forma loss on the Proposed Disposal by Regal Path		**(19,020)**

Notes:

(1) As the Pavilion Bukit Jalil Mall was completed during the FYE 30 June 2022 of Regal Path, Regal Path had engaged a valuer to assess the fair value of the Pavilion Bukit Jalil Mall as at 30 June 2022 against the book value of the Pavilion Bukit Jalil Mall which was previously recognised based on the construction cost of the Pavilion Bukit Jalil Mall. This resulted in an unrealised fair value gain on the Pavilion Bukit Jalil Mall of approximately RM220.20 million as at 30 June 2022.

(2) The additional capital expenditure is for fixtures and fittings which Regal Path has committed to install in the Pavilion Bukit Jalil Mall but has yet to be completed as at the date of signing of the CSPA. The additional fixtures and fittings are part of the sale of the Pavilion Bukit Jalil Mall to Pavilion REIT.

(3) The estimated charged out of capitalised expenses involves expenses which was to be amortised over their respective terms. However, with the Proposed Disposal, these capitalised expenses would be required to be expensed off.

(4) The estimated loss on disposal of Additional Assets is based on the additional depreciation to be incurred by Regal Path as at 30 June 2022 in accordance with Paragraph 2.3 of Appendix I of this Announcement.

(5) The estimated expenses for the Proposed Disposal comprise professional fees, valuation fees and legal fees to be incurred by Regal Path.

As Regal Path is recognised as an investment in joint venture in the consolidated financial statements of Malton Group, Malton Group is expected to realise a 51% share of losses of approximately RM9.70 million from the one-off estimated pro forma loss on the Proposed Disposal.

Despite the pro forma loss on disposal arising from the Proposed Disposal, the Company wishes to highlight that Regal Path had previously recognised an unrealised fair value gain of approximately RM220.20 million in arriving at the NBV of the Pavilion Bukit Jalil Mall as at 30 June 2022 of RM2,176.72 million based on the audited financial statements of Regal Path for the FYE 30 June 2022.

For illustrative purposes, if the unrealised fair value gain of approximately RM220.20 million was to be excluded from the NBV of the Pavilion Bukit Jalil Mall as at 30 June 2022, Regal Path would recognise a one-off estimated pro forma gain of approximately RM201.18 million from the Proposed Disposal and Malton Group would realise a 51% share of gains of approximately RM102.60 million from the one-off estimated pro forma gain on the Proposed Disposal recognised by Regal Path.

2.8 Liabilities and guarantees

Save for the obligations and liabilities arising from or in connection with the CSPA pursuant to the Proposed Disposal as set out in Appendix I of this Announcement, there are no other liabilities, including any contingent liabilities, to be assumed by Malton Group upon completion of the Proposed Disposal.

In addition, the Proposed Disposal does not involve the issuance of any guarantee by Malton to Pavilion REIT or the Pavilion Bukit Jalil Mall.

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2.9 Utilisation of proceeds

For shareholders' information, pursuant to the Disposal of 49%, Malton's investments in Regal Path has been derecognised as subsidiary and is treated as investment in joint venture in its financial statements since the FYE 30 June 2020. In view of the above, the indicative Disposal Consideration, including the Consideration Units, will entirely be accrued to Regal Path only.

As disclosed in Section 2.1 of this Announcement, in the event if part of the Disposal Consideration is satisfied in Consideration Units and the balance in cash, Regal Path does not intend to retain the Consideration Units allotted and issued to it and Regal Path endeavours to place out the Consideration Units to monetise them.

The total indicative proceeds of RM2,200,000,000 arising from the Proposed Disposal as illustrated in Section 2.1 of this Announcement, including the proceeds from placing out the Consideration Units, is intended to be utilised by Regal Path in the following manner:

Proposed utilisation	**Expected timeframe for utilisation**	**Amount RM'000**
(a) Repayment of all the outstanding loan facilities that were obtained by Regal Path in relation to the Pavilion Bukit Jalil Mall	Upon Completion Date	1,133,244
(b) Redemption of all outstanding Redeemable Preference Shares ("**RPS**") issued by Regal Path	Within 27 months from the Completion Date *	1,058,801
(c) General working capital requirement of Regal Path	Within 12 months from the Completion Date	6,625
(d) Defray estimated expenses relating to the Proposed Disposal by Regal Path	Within 1 month from the Completion Date	1,330
Total proceeds		**2,200,000**

Notes:

* *The Disposal Consideration shall be paid in tranches as set out in Section 2.1 and Appendix I of this Announcement. Pursuant to Paragraph 2.1(b)(iii) of Appendix I of this Announcement, the Final Balance Payment is to be paid by Pavilion REIT to Regal Path within 27 months from the Completion Date.*

(a) Repayment of all the outstanding loan facilities that were obtained by Regal Path in relation to the Pavilion Bukit Jalil Mall

Regal Path intends to allocate up to approximately RM1,133.24 million from the Disposal Consideration for the repayment of all the outstanding loan facilities that were obtained by Regal Path in relation to Pavilion Bukit Jalil Mall. As at 30 June 2022, all the outstanding loan facilities that were obtained by Regal Path in relation to the Pavilion Bukit Jalil Mall amounted to approximately RM1,133.24 million.

For illustration purpose, the repayment of all the outstanding loan facilities that were obtained by Regal Path in relation to the Pavilion Bukit Jalil Mall of up to approximately RM1,133.24 million is expected to result in an interest cost savings of up to approximately RM53.82 million per annum, which translates into an effective interest rate of approximately 4.75% per annum for the term loan and 4.72% per annum for the hire purchase.

(b) ***Redemption of all outstanding RPS issued by Regal Path***

As at the LPD, Regal Path had issued RPS-A, RPS-B, RPS-C and RPS-D to the parties listed in the table below, where the indicative redemption amount is calculated based on an assumed redemption date of 30 June 2022:

Party	***RPS***	***Indicative redemption amount RM'000***
Q PBJ	*RPS-A*	*461,662*
Khuan Choo	*RPS-B*	*271,028*
Jelang Tegas	*RPS-B*	*260,604*
Q PBJ	*RPS-C*	*19,948*
Khuan Choo	*RPS-D*	*23,235*
Jelang Tegas	*RPS-D*	*22,324*
Total		***1,058,801***

(c) ***General working capital requirement of Regal Path***

The proceeds are proposed to be utilised towards the general working capital requirements of Regal Path, which include amongst others, staff and workers related expenses such as wages and salaries, office rental, administrative and other operating expenses.

Premised on the above, Regal Path intends to utilise approximately RM6.63 million of the proceeds for working capital purposes as follows:

		RM'000
(i)	*Staff and workers related expenses such as wages and salaries*	*5,000*
(ii)	*Office rental*	*1,000*
(iii)	*Administrative and other operating expenses*	*625*
	Total	***6,625***

The actual utilisation may vary and is dependent on Regal Path's working capital requirements at that relevant point in time.

(d) ***Estimated expenses relating to the Proposed Disposal by Regal Path***

The estimated expenses of approximately RM1.33 million in relation to the Proposed Disposal is expected to be utilised for the professional fees, valuation fees and legal fees to be incurred by Regal Path.

Any excess/shortfall in the amount allocated for the defrayment of estimated expenses in relation to the Proposed Disposal will be adjusted to/from the gross proceeds which have been earmarked for the general working capital of Regal Path.

Pending utilisation of the proceeds from the Proposed Disposal for the above purposes, such proceeds will be placed in interest-bearing accounts with licensed financial institution(s) and/or short-term money market instrument(s). The profit derived from the interest-bearing accounts with licensed financial institution(s) and/or any gain arising from the short-term money market instrument(s) will be used for Regal Path's working capital requirements.

Malton is expected to incur an estimated expenses of RM1.00 million of professional fees and other expenses including fees payable to regulatory authorities, printing and despatch costs for the circular to shareholders in relation to the Proposed Disposal to be issued, cost to convene the extraordinary general meeting and other incidental expenses relating to the Proposed Disposal. The expenses to be incurred by Malton will not be funded by the Disposal Consideration but from the internal funds of Malton Group.

2.10 Cash company or Practice Note 17 of the Listing Requirements ("PN17")

The Proposed Disposal is not expected to result in Malton becoming a cash company or a PN17 company as defined under the Listing Requirements.

3. RATIONALE AND BENEFIT OF THE PROPOSED DISPOSAL

The Pavilion Bukit Jalil Mall officially opened its doors to the public on 3 December 2021, which coincided with the relaxation of COVID-19 prevention measures and the economic recovery of Malaysia. The Proposed Disposal allows Malton Group to immediately unlock the potential value and monetise its investment in the Pavilion Bukit Jalil Mall as the Disposal Consideration will be utilised mainly for the repayment of all the outstanding loan facilities that were obtained by Regal Path in relation to the Pavilion Bukit Jalil Mall as well as the redemption of all outstanding RPS issued by Regal Path, including the RPS-B and RPS-D held by Khuan Choo, a wholly-owned subsidiary of Malton.

The Proposed Disposal is in line with Malton's strategy of constantly evaluating its portfolio of investments and where possible seeking opportunities to unlock and realise the value of its investments for the benefit of the shareholders of Malton. Based on the indicative Disposal Consideration and the audited NBV of the Pavilion Bukit Jalil Mall of approximately RM2,176.72 million as at 30 June 2022 based on the audited financial statements of Regal Path for the FYE 30 June 2022, Malton Group is expected to record a pro forma loss on disposal of approximately RM9.70 million pursuant to the Proposed Disposal as illustrated in Section 2.7 of this Announcement.

Despite the pro forma loss on disposal arising from the Proposed Disposal, the Company wishes to highlight that Regal Path had previously recognised an unrealised fair value gain of approximately RM220.20 million in arriving at the NBV of the Pavilion Bukit Jalil Mall as at 30 June 2022 of RM2,176.72 million based on the audited financial statements of Regal Path for the FYE 30 June 2022.

For illustrative purposes, if the unrealised fair value gain of approximately RM220.20 million was to be excluded from the NBV of the Pavilion Bukit Jalil Mall as at 30 June 2022, Regal Path would recognise a one-off estimated pro forma gain of approximately RM201.18 million from the Proposed Disposal and Malton Group would realise a 51% share of gains of approximately RM102.60 million from the one-off estimated pro forma gain on the Proposed Disposal recognised by Regal Path.

In addition, part of the proceeds from the Proposed Disposal which are utilised for the redemption of RPS-B and RPS-D held under Khuan Choo, a wholly-owned subsidiary of Malton, will be channelled towards the Malton Group's business operations as it will be utilised for general working capital requirements of the Malton Group. For shareholders' information, the estimated redemption amount for RPS-B and RPS-D computed as at 30 June 2022 to be received by Khuan Choo is RM271.03 million and RM23.24 million respectively, as compared to the initial subscription price for RPS-B and RPS-D paid by Khuan Choo of RM215.80 million and RM23.24 million respectively. This can help to improve the Malton Group's cash flow position and the Malton Group will be able to conserve its internally generated funds to strengthen its financial position.

4. PROSPECTS, OUTLOOK AND FUTURE PLAN

4.1 Overview and outlook of the Malaysian economy

Malaysia's economy expanded by 6.9% in the first half ("**1H**") of 2022 underpinned by favourable momentum in the domestic economy and steady expansion in the external sector, as well as continued improvement of the labour market conditions. The strong performance is expected to sustain, backed by an increase in private consumption and business activities as the economy transitions to endemicity phase of COVID-19 with the surging tourist arrivals. Furthermore, the growth momentum was attributed to the Malaysian government's consistent policy support, particularly with the implementation of initiatives under the Budget 2022 since the start of the year, as well as the spillover effects from the Budget 2021 measures coupled with various assistance and stimulus packages.

In tandem with continued implementation of development programmes and projects, the economy is expected to expand further in the second half ("**2H**") of the year. The growth prospects have been supported by the resumption of economic and social activities and improvement in international travel activities following the relaxation of COVID-19 restrictions regionally. With better prospects as indicated by the Leading Index, the economy is anticipated to gain its growth momentum in 2H 2022 attributed to strong domestic demand as the country transitions into endemicity. For the full year of 2022, the economic growth is expected to register a higher growth within the range of 6.5% – 7% (2021: 3.1%).

Malaysia's economy will remain in a positive growth trajectory in 2023 mainly driven by domestic demand following the transition to the endemic phase and the reopening of international borders. The Malaysian government continues to support the economy through implementing policies and measures to ensure a conducive business environment that facilitates economic activities and meet the needs of the *rakyat*. In enhancing economic resilience and sustainable growth, the Malaysian government will prioritise the structural reform agenda to sustain the post-COVID-19 economic recovery momentum, amid the challenges arising from geopolitical uncertainties and climate change. The Malaysian economy is therefore forecasted to expand between 4% – 5% in 2023. Nevertheless, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic, support for cost of living and efforts in mitigating the downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

4.2 Overview and outlook of the commercial property industry in Malaysia

The property market performance recorded a rebound in 1H 2022, a reflection of normalising economic activity as the country moved towards endemicity. With the positive projection on economic growth by Bank Negara Malaysia of between 5.3% to 6.3% in 2022, supported by the implementation of various government initiatives and assistance, the property market performance is expected to be on track. The property sector would also benefit from the improving labour market conditions and higher tourist arrivals as well as continued implementation of multi-year investments projects such as the East Coast Rail Link (ECRL).

(Source: Property Market Report First Half 2022, Valuation and Property Services Department, Ministry of Finance Malaysia)

4.2.1 Shopping complex sector

The performance of shopping complex sector continued to be moderate in 1H 2022, while the national occupancy rate saw a slight decline at 75.7% as compared to 2H 2021 (76.3%). There were 17.36 million square metres of existing retail space recorded, increased from 16.93 million square metres as recorded in H1 2021. Kuala Lumpur and Selangor recorded 81.6% and 77.7% occupancy rate respectively, whereas Johor and Pulau Pinang managed to secure an average occupancy of 72.2% and 71.5% respectively. Meanwhile, Negeri Sembilan and Melaka recorded lowest occupancy rate at 67.1% and 62.5% respectively.

Rentals of retail space were generally stable in Klang Valley with mixed movements in selected complexes. Suria KLCC continued to earn the highest monthly rentals, ranged from RM393 per square metre up to as high as RM2,231 per square metre. At concourse, 3rd and 4th floor level, a decrease between 2.2% to 17.5% were recorded. In Alamanda Shopping Centre Putrajaya, some retail spaces experienced a slight rental growth between 2.1% to 5.5%. In Selangor, rents of retail space were generally stable for most shopping centre except for D'Pulze Cyberjaya and Ikano Power Centre. Ground floor of D'Pulze Cyberjaya and first floor of Ikano Power Centre, Petaling Jaya recorded negative growth of 5.0% and 6.5% respectively with monthly rents between RM233 per square metre to RM278 per square metre and RM95 per square metre to RM273 per square metre.

(Source: Property Market Report First Half 2022, Valuation and Property Services Department, Ministry of Finance Malaysia)

4.2.2 Purpose-built office sector

The performance of purpose-built office sector decreased to 77.7% lower than 1H 2021 (78.5%). The purpose-built office sector consists of 1,565 private-owned buildings (18,155,972 square metres) and 1,010 public-owned buildings (6,018,590 s.m). As for the private office buildings sector, the average occupancy stood at 70.8%, declined marginally from 71.7% (1H 2021). Pulau Pinang secured a higher occupancy rate at 81.2% while Kuala Lumpur, Selangor and Johor recorded lower than the national level at 70.0%, 67.8%, and 61.1%, respectively. Private office buildings in Putrajaya recorded the lowest occupancy rate at 45.4%.

The price of the stratified office lot was generally stable, with a few exceptions. Heritage House and Menara KLH Business Centre decreased by 4.2% and 17.5% respectively.

The office space rental market was stable with minimal mixed movements recorded in selected buildings. Office space at G Tower and Menara AIA Sentral (Menara Standard Chartered) experienced a rental decrease of approximately 10% with rental ranging from RM40.00 per square metre. to RM90.00 per square metre. In Selangor, most office space rental rates remained stable with mixed performance showed in a few office buildings. Office space at Level 14, Sunway Pinnacle were tenanted at monthly rental of RM59.20 per square metre, up by 17.0% whilst Level 1 and 2, Plaza Flamingo, Gombak experienced a significant decline of 16.7% with montly rental ranging at RM13.70 per square metre to RM26.90 per square metre.

(Source: Property Market Report First Half 2022, Valuation and Property Services Department, Ministry of Finance Malaysia)

4.3 Prospects of Pavilion REIT

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

Currently, the properties under Pavilion REIT are as follows:

- Retail: Pavilion Kuala Lumpur Mall, Intermark Mall, DA MEN Mall and Elite Pavilion Mall; and
- Office: Pavilion Tower.

Retail property contributes to approximately 98% of Pavilion REIT's total portfolio in terms of gross revenue and NPI over the FYEs 31 December 2019 to 31 December 2021. During the FYE 31 December 2021, Pavilion REIT's overall portfolio achieved NPI margin of 48.4%, with retail and office segments achieving a NPI margin of 48.4% and 49.7% respectively.

Barring any unforeseen circumstances, the Company expects the prospects of Pavilion REIT to be positive as the growth momentum of the retail sector is expected to remain strong despite the purchasing power of consumers being affected by inflation and other economic factors which may result in some scale back on discretionary spending. The Company noted that Pavilion REIT Management Sdn Bhd, as the Manager of Pavilion Bukit Jalil Mall, will continue to enhance its properties occupancy and tenant mix through proactive lease management and manage its operating cost.

(Source: Annual Report 2021 and financial report for the quarter ended 30 September 2022 of Pavilion REIT)

Further details of Pavilion REIT are set out in Appendix II of this Announcement.

5. RISKS OF THE PROPOSED DISPOSAL

The risk factors relating to the Proposed Disposal are as follows:

(i) Delay or non-completion of the Proposed Disposal

Despite the execution of the CSPA, there can be no assurance that all the conditions precedent and terms and conditions as set out in the CSPA will be able to be fulfilled, and therefore, the Proposed Disposal may not be able to complete. There can also be no assurance that the Proposed Disposal can be completed within the timeframe set. Any delay or non-completion of the Proposed Disposal will delay or preclude Regal Path from receiving the Disposal Consideration and consequently affect the utilisation of proceeds in accordance with the manner as set out in Section 2.9 of this Announcement, as well as depriving the Malton Group from attaining the resultant benefits from the Proposed Disposal as set out in Section 3 of this Announcement.

Notwithstanding the above, the management and the Board will endeavour to take all reasonable steps necessary to ensure that the conditions precedent and terms and conditions of the CSPA which are within the Group's control are fulfilled and met on a timely basis to facilitate the Proposed Disposal. Nonetheless, there can be no assurance that the CSPA will not be terminated as a result of any breach or default attributable to any of the parties.

(ii) Political, economic and regulatory risk

Adverse developments in general political, economic and regulatory conditions in Malaysia including changes in administration, methods of taxation and/or introduction of new regulations could materially and/or adversely affect the Proposed Disposal which may result in a delay in the implementation of the Proposed Disposal or may also lead to the termination of the entire proposal.

Although measures will be taken to address and/or mitigate such developments, no assurance can be given that such measures will be sufficient or effective in the circumstances.

(iii) Capital market risk

As disclosed in Sections 2.1 and 2.9 of this Announcement, in the event if part of the Disposal Consideration is satisfied in Consideration Units and the balance in cash, Regal Path does not intend to retain the Consideration Units allotted and issued to it and Regal Path endeavours to place out the Consideration Units to monetise them.

The market prices of the Consideration Units are influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of the units in Pavilion REIT, the outlook of the industries in which Pavilion REIT operates, changes in regulatory requirements or market conditions, as well as the financial performance and fluctuations in Pavilion REIT's operating results. In addition, the performance of the Malaysian share market (where the units in Pavilion REIT are listed) is dependent on the economic and political conditions in Malaysia as well as external factors such as, amongst others, the performance of the world bourses and flows of foreign funds. In view of this, there can be no assurance that Regal Path can place the Consideration Units out at or higher than the issue price of the Consideration Units.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposal is not expected to have any effect on the issued share capital of Malton and the substantial shareholders' shareholdings of the Company as the Proposed Disposal will not involve the issuance of any new ordinary shares in Malton ("**Malton Shares**").

6.2 Net assets ("NA") per Malton Share and gearing

Based on the latest audited consolidated statements of financial position of Malton Group as at 30 June 2022 and assuming that the Proposed Disposal had been effected on that date, the pro forma effects of the Proposed Disposal on the NA per Malton Share and gearing of Malton Group are set out below:

	Audited as at 30 June 2022 RM'000	**After the Proposed Disposal RM'000**
Share capital	528,552	528,552
Non-distributable revaluation reserve	2,065	2,065
Non-distributable option reserve	943	943
Retained earnings	471,995	[(a)] 461,295
NA/Equity attributable to equity holders of the Company	**1,003,555**	**992,855**
Non-controlling interests	17,560	17,560
Total equity	**1,021,115**	**1,010,415**
No. of Malton Shares in issue ('000)	528,141	528,141
NA per Malton Share (RM) [(b)]	1.90	1.88
Total borrowings (RM'000)	573,325	573,325
Gearing ratio (times) [(c)]	0.56	0.57

Notes:

(a) After adjusting for pro forma loss on disposal of approximately RM9.70 million arising from the Proposed Disposal million and after deducting the estimated expenses in relation to the Proposed Disposal of approximately RM1.00 million.

(b) *Calculated based on NA/equity attributable to equity holders of the Company over number of Malton Shares in issue.*

(c) *Calculated based on total borrowings (comprises the redeemable preference shares, long and short-term borrowings and hire-purchase payables) over total equity.*

6.3 Earnings and earnings per Malton Share ("EPS")

The pro forma effects of the Proposed Disposal on the consolidated EPS of Malton assuming the Proposed Disposal had been effected at the beginning of the FYE 30 June 2022, is illustrated as follows:

	Audited as at 30 June 2022 RM'000	**After the Proposed Disposal RM'000**
Profit after tax attributable to the owners of the Company	76,234	76,234
Less: Pro forma loss on the Proposed Disposal	-	[(a)] (9,700)
Less: Estimated expenses	-	(1,000)
Total	**76,234**	**65,534**
Weighted average number of Malton Shares in issue ('000)	528,141	528,141
Basic EPS (sen)	14.43	12.41

Note:

(a) *Computed based on Malton Group's 51% share of losses from the one-off estimated pro forma loss on the Proposed Disposal to be recognised by Regal Path of approximately RM19.02 million.*

6.4 Convertible securities

As at the date of this Announcement, the Company does not have any convertible securities.

7. APPROVALS REQUIRED

The Proposed Disposal is subject to the following approvals being obtained:

(i) the shareholders of Malton at an EGM to be convened for the Proposed Disposal by way of poll;

(ii) the approvals of relevant authorities/parties, which form part of the conditions precedent of the CSPA as mentioned in Appendix I of this Announcement; and

(iii) any other relevant authorities and/or parties, if required.

The Proposed Disposal is not conditional upon any other corporate exercise undertaken or to be undertaken by the Malton Group.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 154.50% based on the Consideration Units of up to the equivalent sum of RM600,000,000 over the market value of all the Malton Shares as at the LPD of RM198.05 million.

For clarification purpose, pursuant to the Disposal of 49%, Malton's investments in Regal Path has been derecognised as subsidiary and is treated as investment in joint venture in its financial statements since the FYE 30 June 2020. In view of the above, the indicative Disposal Consideration, including the Consideration Units, will entirely be accrued to Regal Path only and the highest percentage ratio applicable to the Proposed Disposal is for illustrative purposes only.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVES AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the directors, major shareholders, chief executives of Malton and/or persons connected with them have any interest, whether direct and/or indirect, in the Proposed Disposal:

(i) TSDL, a major shareholder of Malton, holding a direct equity interest of 4.07% and a 39.36% indirect equity interest in Malton via Malton Corporation Sdn Bhd and Chairman and Non-Independent Non-Executive Director of Malton. He is also a major unitholder of Pavilion REIT, holding 27.67% of direct interest in Pavilion REIT and is the Chairman and Non-Independent Executive Director of Pavilion REIT Management Sdn Bhd, the Manager of Pavilion REIT; and

(ii) Puan Sri Tan, a major shareholder of Malton, holding 39.36% indirect equity interest in Malton via Malton Corporation Sdn Bhd and is an Executive Director of Malton. She is also a major unitholder of Pavilion REIT, holding 9.22% of direct interest in Pavilion REIT, as well as an Executive Director of Pavilion REIT Management Sdn Bhd, the Manager of Pavilion REIT. She is also the spouse of TSDL.

Accordingly, TSDL and Puan Sri Tan are deemed interested in the Proposed Disposal.

(TSDL and Puan Sri Tan are collectively referred to as the "**Interested Directors**" and "**Interested Major Shareholders**")

In view of the above, the Interested Directors have abstained and will continue to abstain from all board deliberations and voting at the relevant board meetings and on the resolution pertaining to the Proposed Disposal.

The Interested Directors and Interested Major Shareholders will also abstain from voting and/or undertake to ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect interest in Malton on the resolution pertaining to the Proposed Disposal to be tabled at an EGM to be convened.

The direct and indirect interest of the Interested Directors and Interested Major Shareholders in Malton as at the LPD are set out below:

	<-------------- Direct	**------------->**	**<------------ Indirect**	**------------>**
	No. of Malton Shares	**%**	**No. of Malton Shares**	**%**
Malton Corporation Sdn Bhd	207,901,489	39.36	-	-
TSDL	21,471,800	4.07	207,901,489 (1)	39.36
Puan Sri Tan	-	-	207,901,489 (1)	39.36

Note:

(1) Deemed interested by virtue of his/her interest in Malton Corporation Sdn Bhd.

10. AMOUNT TRANSACTED WITH THE INTERESTED DIRECTORS AND INTERESTED MAJOR SHAREHOLDERS FOR THE PRECEDING 12 MONTHS

Other than the Proposed Disposal and certain recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Malton Group as disclosed in the circular to shareholders dated 31 October 2022, there were no other transactions entered into by the Company with the Interested Directors and the Interested Major Shareholders for the preceding 12 months from the date of this Announcement.

11. DIRECTORS' STATEMENT

The Board (save for the Interested Directors), after having considered all aspects of the Proposed Disposal, including the basis and justification for arriving at the Disposal Consideration, salient terms of the CSPA, rationale and benefits of the Proposed Disposal, the effects of the Proposed Disposal as well as the evaluation of the Independent Adviser and the Valuer, is of the opinion that the Proposed Disposal is in the best interest of the Company.

12. AUDIT COMMITTEE’S STATEMENT

The Audit Committee, after having considered all aspects of the Proposed Disposal, including the basis and justification for arriving at the Disposal Consideration, salient terms of the CSPA, rationale and benefits of the Proposed Disposal, the effects of the Proposed Disposal as well as the evaluation of the Independent Adviser and the Valuer, is of the opinion that the Proposed Disposal is:

(i) in the best interest of the Company;

(ii) fair, reasonable, and on normal commercial terms; and

(iii) not detrimental to the interest of the minority shareholders of the Company.

13. APPLICATIONS TO THE AUTHORITIES

Barring any unforeseen circumstances, the valuation report will be submitted to Bursa Securities within a period of 1 month from the date of this Announcement.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all requisite approvals/consents being obtained, the Proposed Disposal is expected to be completed by the second quarter of 2023.

15. ADVISERS

RHB Investment Bank has been appointed as the Principal Adviser to the Company for the Proposed Disposal.

Jones Lang Wootton has been appointed as the Valuer for Pavilion Bukit Jalil Mall.

The Proposed Disposal is regarded as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain directors and major shareholders of the Company as set out in Section 9 of this Announcement. Accordingly, MIDF Amanah Investment Bank Berhad has been appointed as the Independent Adviser to provide the non-interested directors and non-interested shareholders of the Company in respect of the Proposed Disposal with:

(i) an independent evaluation of the Proposed Disposal;

(ii) an opinion as to whether the Proposed Disposal is fair and reasonable and whether the Proposed Disposal is detrimental to the non-interested shareholders of the Company; and

(iii) a recommendation as to whether the non-interested shareholders of the Company should vote for or against the resolution pertaining to the Proposed Disposal to be tabled at an EGM to be convened.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the CSPA and the Valuation Certificate will be made available for inspection at the registered office of Malton at 19-0, Level 19, Pavilion Tower, 75, Jalan Raja Chulan, 50200 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this Announcement.

This Announcement is dated 22 November 2022.

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SALIENT TERMS OF THE CSPA

The salient terms of the CSPA are set out below:

1. Agreement for Sale

Regal Path agrees to sell and Pavilion REIT agrees to purchase the Pavilion Bukit Jalil Mall on an "as is where is basis" free from all encumbrances and with vacant possession subject to the contractual easement granted pursuant to an agreement dated 24 August 2020 made between Bukit Jalil Development Sdn Bhd, Pioneer Haven Sdn Bhd and Regal Path, and all conditions of title and all restrictions-in-interest (whether express or implied) in the issue document of title to the Pavilion Bukit Jalil Land ("**Land Title**") at the Disposal Consideration upon the terms and conditions contained in the CSPA.

2. Payment of Disposal Consideration

2.1 Satisfaction or Settlement of the Disposal Consideration

The Disposal Consideration of RM2,200,000,000 shall be satisfied by Pavilion REIT as follows:

(a) Completion Date Payment

RM1,650,000,000.00 only either by cash, or a combination of Consideration Units up to the equivalent sum of RM200,000,000.00 and the balance of not less than RM1,450,000,000.00 in cash ("**Completion Date Payment**") on the date which must take place within the period of 60 days from the date on which the last of the Conditions Precedents (as defined in Paragraph 3.1 of Appendix I) is satisfied, suspended or waived by Pavilion REIT subject to the extended period ("**Completion Period**") ("**Completion Date**") as follows:

(i) a redemption sum shall be paid to the security agent agreed by the parties provided that Pavilion REIT or its solicitors have received satisfactory evidence confirming that Regal Path has paid the shortfall amount to the security agent. Shortfall amount means the shortfall amount required to be paid to the security agent in the event that the redemption sum exceeds the portion of the Completion Date Payment to be settled in cash;

(ii) an amount equivalent to the purchase price for the purchase of all the equipment, assets, devices and items required for the operation of Pavilion Bukit Jalil Mall under the hire purchase agreements entered into with CIMB Factorlease Berhad shall be paid to CIMB Factorlease Berhad, as the owner under the hire purchase agreements; and

(iii) the remaining sum to Regal Path and/or such other person(s) as may be nominated by Regal Path provided that such notification of nomination must be accompanied by a certified true copy (by Regal Path’s company secretary) of the relevant board and shareholders’ resolutions of Regal Path approving the nomination of such person(s) to receive the remaining sum;

and

(b) Balance Consideration

the remaining balance of the Disposal Consideration ("**Balance Consideration**") shall be satisfied by the issuance of the payment confirmation by Pavilion REIT to Regal Path be settled in the following manner:

(i) Defect Rectification Payment

RM50,000,000.00 in cash ("**Defect Rectification Payment**").

A. If Regal Path has completed the rectification of all defects notified in writing by Pavilion REIT to Regal Path ("**Existing Defects**") within 6 months from the Completion Date ("**Defects Rectification Period**"), the Defect Rectification Payment to be paid to Regal Path within 45 days from the date of completion of the Existing Defects; or

B. If Regal Path is unable to complete the rectification of all Existing Defects by the Defects Rectification Period, Pavilion REIT to pay Regal Path the balance of the Defect Rectification Payment (after deducting RM10,000,000 or the aggregate amount of the costs assessed by an independent quantity surveyor ("**QS**") required to complete the remaining outstanding Existing Defects, whichever is higher) within 45 days from the date of Pavilion REIT's receipt of the report from the QS;

(ii) Strata Title Payment

RM100,000,000.00 ("**Strata Title Payment**") to be paid to Regal Path in cash within 30 days from the date of receipt of the last documents set out below:

(i) by the financiers or the security agent/trustee of the financing facility which Pavilion REIT may obtain to assist in the payment of the Completion Date Payment, and/or Pavilion REIT of the strata titles, the written consent of the state authority in respect of the transfer of the strata titles in favour of Pavilion REIT, the valid and registrable memorandum of transfer in respect of the Pavilion Bukit Jalil Mall ("**Transfer**"), all such documents as may be required for presentation of the Transfer for registration at the Land Office, the declaration of trust relating to the strata titles and the power of attorney relating to the strata titles;

(ii) by Pavilion REIT of the two original stamped maintenance agreements to be entered into with Dewan Bandaraya Kuala Lumpur ("**DBKL**") in respect of the two link bridges constructed over Lebuhraya Bukit Jalil and Persiaran Jalil Utama respectively, and original stamped maintenance agreement to be entered into with DBKL in respect of the underpass constructed below the State land, in the event the said documents have not been delivered to Pavilion REIT on Completion Date; and

(iii) by Pavilion REIT of the written confirmation from DBKL that the condition of at least 30% of the retail spaces comprised in the Pavilion Bukit Jalil Mall are to be reserved for Bumiputera purchasers and the Bumiputera purchasers are entitled to 5% discount from the normal sale price as stated in the development orders ("**Bumiputera Conditions**") has been waived and is not applicable or such documentary evidence that the Bumiputera Conditions has been waived and is not applicable, that is acceptable to Pavilion REIT, in the event the said written confirmation and/or document have not been delivered to Pavilion REIT on Completion Date.

(iii) Final Balance Payment

RM400,000,000.00 ("**Final Balance Payment**") to be paid either by cash, or a combination of Consideration Units up to the equivalent sum of the entire Final Balance Payment and the balance (if any) in cash, subject to the net property income ("**NPI**") for the Pavilion Bukit Jalil Mall having achieved at least RM146,000,000.00 on an annualise basis ("**Targeted NPI**") within 24 months from Completion Date ("**NPI Determination Period**").

If at any time during the NPI Determination Period, the Targeted NPI is achieved, the Final Balance Payment shall then be paid by Pavilion REIT to Regal Path within 60 days from the date of receipt by Pavilion REIT of the certification of the auditor appointed by Pavilion REIT.

In the event that the Targeted NPI is not achieved by the expiry of the NPI Determination Period, Pavilion REIT shall be entitled to appoint a registered valuer agreed between Regal Path and Pavilion REIT, to value the Pavilion Bukit Jalil Mall. If:

A. the valuation of the Pavilion Bukit Jalil Mall is not less than the Disposal Consideration, Pavilion REIT pay the sum of RM400,000,000.00 to Regal Path either in cash, or a combination of Consideration Units up to the equivalent sum of RM400,000,000.00 and the balance (if any) in cash, within 60 days from the date of Pavilion REIT's receipt of the valuation report; or

B. the valuation is less than the Disposal Consideration ("**Lower Value**"), Pavilion REIT shall be entitled to deduct from the Final Balance Payment a sum equivalent to the difference between the Disposal Consideration and the Lower Value and the remaining balance thereof shall be paid within 60 days from the date of Pavilion REIT's receipt of the valuation report, either in cash, or a combination of Consideration Units up to the equivalent sum payable and the balance (if any) in cash,

For the purposes of the payment by way of issue of Consideration Units, such payment shall be deemed made once the Consideration Units are credited into Regal Path's and/or Regal Path's nominee(s)' securities account opened and maintained with Bursa Malaysia Depository Sdn Bhd as per the notice of allotment issued by Pavilion REIT's shares registrar. The price of the Consideration Units payable shall be based on the book build price in the event placement exercises are undertaken by Pavilion REIT. In the event a placement exercise is not undertaken, the Consideration Units will be issued based on the 5-day volume weighted average market price of the units in Pavilion REIT up to and including the day preceding the day in which Pavilion REIT decides to issue the Consideration Units as settlement of the Disposal Consideration.

2.2 <u>Interest</u>

In the event that Pavilion REIT fails to pay (i) the Completion Date Payment, (ii) the Defect Rectification Period, (iii) the Strata Title Payment or (iv) the Final Balance Payment by the expiry of the deadlines under Paragraph 2.1 of Appendix I, other than as a result of any fault attributed to Regal Path, Pavilion REIT shall pay to Regal Path an interest of 8% on such relevant payment or such part remains unpaid calculated from the day immediately after the expiry of the Completion Period or the relevant deadline to the date of payment of such part of the sum as remains unpaid, based on a 365-day year on the actual number of days elapsed and shall accrue from a day to day basis.

2.3 Additional Assets

In addition to the Pavilion Bukit Jalil Mall, Regal Path agrees to sell and Pavilion REIT agrees to purchase the additional movable assets agreed between Regal Path and Pavilion REIT ("**Additional Assets**") including but not limited to the assets leased by Regal Path under the hire purchase agreements made between Regal Path and CIMB Factorlease Berhad free from all encumbrances for the purchase price ("**Additional Asset Price**") based on net book value as at Completion Date.

The Additional Asset Price shall be paid in cash by Pavilion REIT on Completion Date to:

(a) CIMB Factorlease Berhad the sum stated in the confirmation from CIMB Factorlease Berhad; and

(b) Regal Path the remaining balance.

The Additional Asset Price shall be based on net book value as at Completion Date. It is agreed that the IT equipment shall be depreciated over a period of 3 years and the other Additional Assets shall be depreciated over a period of 5 years from the Vendor's acquisition date of such IT equipment and other Additional Assets.

3. Conditions Precedent

3.1 Conditions Precedent

The sale, purchase and transfer of the Pavilion Bukit Jalil Mall is conditional upon:

(a) the approvals of the shareholders of Regal Path on the sale of the Pavilion Bukit Jalil Mall upon the terms and conditions contained in the CSPA, having been obtained by Regal Path;

(b) the approvals of the shareholders of Malton on the sale of the Pavilion Bukit Jalil Mall upon the terms and conditions contained in the CSPA, having been obtained by Regal Path;

(c) the consent of the state authority to the transfer of the Pavilion Bukit Jalil Mall by Regal Path to Pavilion REIT pursuant to the restrictions in interest endorsed on the Land Title, having been obtained by Regal Path;

(d) at least 80% of the total net lettable area ("**NLA**") of the Pavilion Bukit Jalil Mall have commenced rental billing with average total rental of the tenanted NLA must not be less than RM9.50 per square foot per month ("**Minimum NLA and Rental Rate**"). For clarity, the Minimum NLA and Rental Rate for this paragraph shall be in accordance with the verification by the Pavilion REIT's valuer based on the monthly base rent, percentage rent (and similar rent by whatever called, as adjusted and verifiable by Pavilion REIT's valuer),service charges and promotional charges and Pavilion REIT's valuer shall carry out its verification based on the same methodology used by Regal Path in computing the Minimum NLA and Rental Rate as at the date of the CSPA. Total NLA refers to the total NLA excluding own use areas, i.e. 1,760,289 square feet, and the percentage rent is based on the average of tenant's latest 6 months reported sales. It is agreed that once the Minimum NLA and Rental Rate has been achieved, prior to the date falling on the expiry of 9 months from the date of the CSPA or such extended date as Regal Path and Pavilion REIT may agree in writing ("**Stop Date**"), it would be considered that this Condition Precedent has been fulfilled and any subsequent fluctuation shall not be taken into account;

(e) the written confirmation from DBKL that upon completion of the CSPA, DBKL will enter into a maintenance agreement as per the mutually pre-agreed form with Pavilion REIT as owner in respect of the Piazza;

(f) the approval of Pavilion REIT's unitholders for the acquisition of the Pavilion Bukit Jalil Mall, having been obtained by Pavilion REIT;

(g) the approval from Securities Commission and/or Bursa Securities, if required, having been obtained by Pavilion REIT;

(h) the written confirmation of the Economic Planning Unit ("**EPU**") confirming that the approval of EPU is not required for the purchase of the Pavilion Bukit Jalil Mall by Pavilion REIT from Regal Path, if required, having been obtained by Pavilion REIT; and

(i) the receipt by Pavilion REIT's Solicitors of the written confirmation from Pavilion Reit Management Sdn Bhd ("**Manager**") addressed to Pavilion REIT's Solicitors confirming that the Manager has satisfied the relevant conditions, variations or revisions imposed by the SC and Bursa Securities in respect of the acquisition of the Pavilion Bukit Jalil Mall which are capable of being satisfied up to the date of such written confirmation,

(collectively, "**Conditions Precedent**")

3.2 <u>Termination when Conditions Precedent not Satisfied</u>

If any of the Conditions Precedent are not fulfilled, suspended or waived in accordance with the provisions of the CSPA by the Stop Date, either Party, provided non fulfilment of the Conditions Precedent is not attributable to any fault or omission of the Party, may terminate the CSPA forthwith by written notice to the other Party.

3.3 <u>Waiver</u>

To the extent permitted by law, Pavilion REIT reserves the right to waive or suspend any of the Conditions Precedent by notice in writing to Regal Path and thereafter the Parties will proceed to completion subject to any remaining suspended Conditions Precedent being satisfied or fulfilled.

3.4 <u>Effect of Termination</u>

Upon the termination of the CSPA, the CSPA ceases to have any effect and becomes null and void and neither Party has any claims against the other Party save and except for any antecedent breach.

3.5 <u>Unconditional Date</u>

The CSPA shall become unconditional on the date on which the last of the Conditions Precedent is satisfied, suspended or waived by Pavilion REIT.

4. Completion

4.1 Subject to the satisfaction or waiver of the Conditions Precedent and the performance of all Regal Path's obligations set out in the CSPA, completion shall take place on the Completion Date and Pavilion REIT shall settle the payment of the Disposal Consideration in accordance with the provisions set out in the CSPA.

4.2 On the Completion Date, in simultaneous exchange of the payment of the Disposal Consideration by Pavilion REIT, vacant possession of the Pavilion Bukit Jalil Mall shall be delivered by Regal Path to Pavilion REIT save and except those parts tenanted in respect of which legal possession of the same shall be deemed to have been delivered by Regal Path to Pavilion REIT.

4.3 Regal Path agrees and acknowledges that, with effect from the Completion Date, Pavilion REIT shall be the beneficial owner of the Pavilion Bukit Jalil Mall and become entitled to and Regal Path is deemed to have absolutely transferred and assigned to Pavilion REIT all Regal Path's rights, title, interest, benefits and claim in and to the Pavilion Bukit Jalil Mall and shall not be entitled to and covenants not to deal with the Pavilion Bukit Jalil Mall in any manner whatsoever.

5. Default by Pavilion REIT

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

5.2 In the event the default is not remedied by Pavilion REIT within 14 days after Pavilion REIT's receipt of Regal Path's said notice or such extended date as the Parties may agree in writing, Regal Path shall be entitled at Regal Path's absolute discretion to terminate the CSPA by written notice to MTrsutee and Regal Path shall be entitled to a forfeiture sum equivalent to 1% of the Disposal Consideration as agreed liquidated damages and thereafter, no Party shall have any further rights or obligations under the CSPA save and except for any antecedent breach.

6. Default by Regal Path

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

(i) if Regal Path fails to complete the sale and purchase in accordance with the terms and conditions of the CSPA or is in breach of any term or condition of the CSPA (including the representations and warranties given by Regal Path) or if it fails to perform or observe any undertaking, obligation or agreement expressed in the CSPA;

(ii) if a receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of Regal Path;

(iii) if Regal Path is or becomes unable to pay its debts when they are due or become unable to pay its debts within the meaning of the Companies Act 2016 or any other legislation regarding insolvency of the jurisdiction in which it carries on business;

(iv) if Regal Path enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;

(v) if a resolution is passed or an application or order is made for the winding up or dissolution of Regal Path otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of Pavilion REIT;

(vi) if Regal Path threatens to cease carrying on a substantial portion of its business; or

(vii) if Regal Path commits any act or omits to do any act which results in the breach or non-fulfilment of any term or condition of any banking, finance or credit facility which has the effect of causing the events specified in (d), (e) and/or (f) to occur.

6.2 In the event the default is not remedied by Regal Path, within 14 days after Regal Path's receipt of Pavilion REIT's said notice or such extended date as Pavilion REIT may agree in writing, Pavilion REIT shall be entitled at Pavilion REIT's absolute discretion to the remedy of specific performance of the CSPA against Regal Path together with all damages or to terminate the CSPA by written notice to Regal Path and Regal Path shall pay to Pavilion REIT a sum equivalent to 1% of the Purchase Consideration as agreed liquidated damages and thereafter, no Party shall have any further rights or obligations under the CSPA save and except for any antecedent breach.

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INFORMATION ON PAVILION REIT

1. HISTORY AND BUSINESS

Pavilion REIT is a Malaysia-domiciled real estate investment trust constituted pursuant to the first amended and restated trust deed dated 18 February 2019 ("**Deed**") between Pavilion REIT Management Sdn Bhd ("**Manager**") and MTrustee. The Deed is regulated by the Securities Commission Act 1993, the SC's Guidelines on Real Estate Investment Trusts, the Listing Requirements of Bursa Securities, the Rules of the Depository and taxation laws and rulings. Its principal place of business is at Lot 10.00.00, Level 10, Pavilion Kuala Lumpur, 168, Jalan Bukit Bintang, 55100 Kuala Lumpur.

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

Pavilion REIT was listed on the Main Market of Bursa Securities on 7 December 2011.

The salient features of Pavilion REIT are as below:

Category of fund	:	Real estate investment trust
Type of fund	:	Income and growth
Duration of fund/termination date	:	The earlier of: • The occurrence of any events listed under Clause 27.2 of the Deed; • 999 years falling on 17 October 3010; or • the date on which Pavilion REIT is terminated by the Manager under Clause 27.1(b) of the Deed
Investment objective	:	To provide unitholders with regular and stable distributions as well as to achieve long-term growth in net asset value per unit, while maintaining an appropriate capital structure
Distribution policy	:	Half yearly distribution of 100% of distributable income for the FYE 31 December 2022 with at least 90% of distributable income for each subsequent financial year
Gearing policy	:	Up to 50% of the total asset value of the fund
Revaluation policy	:	Annually by independent registered valuers
Financial year ending	:	31 December
Property manager	:	Henry Butcher Malaysia Sdn Bhd
Trustee	:	MTrustee Berhad
Manager	:	Pavilion REIT Management Sdn Bhd
Properties	:	Pavilion Kuala Lumpur Mall Intermark Mall DA MEN Mall Elite Pavilion Mall Pavilion Tower

Further details of the properties under Pavilion REIT are set out in Section 7 of Appendix II of this Announcement.

2. UNITHOLDERS' CAPITAL

As at the LPD, the total issued unitholders' capital of Pavilion REIT is RM2,952,256,271 comprising 3,055,721,661 units in Pavilion REIT.

3. DIRECTORS

As at the LPD, the directors of Pavilion REIT and their respective unitholdings in Pavilion REIT are as follows:

		<---------Direct--------->		<--------Indirect-------->	
Name	**Nationality**	**No. of unit**	**%**	**No. of unit**	**%**
TSDL	Malaysian	845,425,000	27.7	-	-
Puan Sri Tan	Malaysian	281,875,000	9.2	-	-
Dato' Lee Tuck Fook	Malaysian	100,000	*	-	-
Ahmed Ali H A Al-Hammadi	Qatari	-	-	-	-
Ahmad Mohammed F Q Al-Khanji	Qatari	-	-	-	-
Mohd Abdulrazzaq A A Al-Hashmi	Qatari	-	-	-	-
Navid Chamdia	British	100,000	*	-	-
Ooi Ah Heong	Malaysian	100,000	*	-	-
Dato' Mohzani Bin Abdul Wahab	Malaysian	-	-	-	-
Dato' Maznah Binti Abdul Jalil	Malaysian	100,000	*	-	-
Dato' Choo Chuo Siong	Malaysian	-	-	-	-
Baljeet Kaur Grewal A/P Jaswant Singh	Malaysian	-	-	-	-

Note:

* *Negligible*

4. SUBSTANTIAL UNITHOLDERS

As at the LPD, the substantial unitholders of Pavilion REIT and their respective shareholdings in Pavilion REIT are as follows:

	Country of Incorporation/	<----------Direct-------->		<------Indirect----->	
Name	**Nationality**	**No. of unit**	**%**	**No. of unit**	**%**
QH	Qatar	1,008,900,000	33.0	-	-
TSDL	Malaysian	845,425,000	27.7	-	-
Puan Sri Tan	Malaysian	281,875,000	9.2	-	-
Employee Provident Fund Board	Malaysia	307,325,003	10.1	-	-
Kumpulan Wang Persaraan (Diperbadankan)	Malaysia	184,722,300	6.1	-	-

5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

As at the LPD, the subsidiaries of Pavilion REIT are as follows:

Name	Date/Place of incorporation	Share capital	Effective equity interest (%)	Principal activities
Pavilion REIT Venture Capital Sdn Bhd	20 June 2011/Malaysia	2	100.00	Raise financing for and on behalf of Pavilion REIT
Pavilion REIT Bond Capital Berhad	15 January 2015/Malaysia	2	100.00	Raise financing for and on behalf of Pavilion REIT

As at the LPD, Pavilion REIT does not have any associated company and joint venture.

6. SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of Pavilion REIT as extracted from the audited consolidated financial statements of Pavilion REIT for the past 3 FYEs 31 December 2019 to 31 December 2021 and the unaudited consolidated financial statements of Pavilion REIT for the 9-month FPE 30 September 2022 are as follows:

	<------Audited FYE 31 December------>			Unaudited 9-month FPE 30 September	
	2019 (RM'000)	**2020 (RM'000)**	**2021 (RM'000)**	**2021 (RM'000)**	**2022 (RM'000)**
Revenue	585,353	510,220	488,591	364,315	423,893
Revenue breakdown:					
- Revenue income	502,653	464,520	447,857	337,390	373,646
- Revenue from contract customers	56,172	34,918	31,468	20,504	39,201
- Other income	26,528	10,782	9,266	6,421	11,046
Income before taxation	262,630	46,345	125,240	71,674	181,384
Income after taxation/total comprehensive income attributable to unitholders	262,630	46,345	125,240	71,674	181,384
Current ratio (times)	3.02	0.30	0.69	0.26	0.38
Net asset value	3,979,738	3,859,317	3,858,453	3,804,887	3,843,592
Total asset value	6,357,015	6,241,907	6,238,695	6,214,743	6,259,090
Total borrowings	2,157,069	2,163,272	2,173,298	2,177,161	2,193,877
Gearing (times) (1)	0.34	0.35	0.35	0.35	0.35
Issued unitholders' capital	2,931,927	2,938,844	2,945,255	2,945,255	2,952,256
Number of units in circulation ('000)	3,041,090	3,045,307	3,050,059	3,050,059	3,055,722
Net income per unit (sen) (2)	8.64	1.52	4.11	2.35	5.94
Net asset value per unit (RM) (3)	1.31	1.27	1.27	1.25	1.26

Notes:

(1) Calculated based on total interest-bearing borrowings over total asset value.

(2) Calculated based on income after taxation/total comprehensive income attributable to unitholders over number of units in circulation.

(3) Calculated based on net asset value over number of units in circulation.

Commentaries on financial performance

FYE 31 December 2020 compared to FYE 31 December 2019

For the FYE 31 December 2020, Pavilion REIT recorded revenue of RM510.22 million, representing a decrease of RM75.13 million or 12.84% as compared to the revenue of RM585.35 million in the preceding financial year. The decrease in revenue was mainly due to loss of income arising from the lower occupancy in the malls because of non-renewal of some expired tenancies. The income from percentage rent, marketing events and advertising income were also affected as a result of the movement control orders announced by the Government of Malaysia.

Pavilion REIT incurred higher operating costs for the FYE 31 December 2020 mainly due to rental relief given to support its tenant, higher provision for doubtful debts, regular sanitisation of the malls, purchase of hygiene equipment and tools, consultancy costs incurred for evaluating the cooling tower system, replacement of LED lights in the mall and contributions made to the Government of Malaysia to support Malaysia's effort to fight against COVID-19 pandemic. However, these were mitigated by savings in electricity cost, general repair and maintenance, cost for tenancy lots enhancement and marketing expenses. As a result, Pavilion REIT's income after taxation decreased by RM216.28 million or 82.35% to RM46.35 million for the FYE 31 December 2020 as compared to RM262.63 million for the FYE 31 December 2019.

FYE 31 December 2021 compared to FYE 31 December 2020

For the FYE 31 December 2021, Pavilion REIT recorded revenue of RM488.59 million, representing a decrease of RM21.63 million or 4.24% as compared to the revenue of RM510.22 million in the preceding financial year. The decrease in revenue was mainly due to loss of income arising from the lower occupancy in the investment properties because of non-renewal of some expired tenancies. The income from percentage rent, marketing events and advertising income were also affected as a result of the movement control orders announced by the Government of Malaysia.

However, Pavilion REIT incurred lower operating costs for the FYE 31 December 2021 mainly due to savings from utilities, maintenance and marketing expenses as well as lower provision for doubtful debts. As a result, Pavilion REIT's income after taxation increased by RM78.89 million or 170.20% to RM125.24 million for the FYE 31 December 2021 as compared to RM46.35 million for the FYE 31 December 2020.

9-month FPE 30 September 2022 compared to 9-month FPE 30 September 2021

For the 9-month FPE 30 September 2022, Pavilion REIT recorded revenue of RM423.89 million, representing an increase of RM59.58 million or 16.35% as compared to the revenue of RM364.32 million for the 9-month FPE 30 September 2021. The increase in revenue was mainly due to higher revenue rent, income from advertising and marketing events after all economic sectors and businesses were allowed to reopen.

Pavilion REIT incurred lower operating costs for the 9-month FPE 30 September 2022 mainly due to no pandemic rebates given to tenants. However, this was offset by the following:

(i) higher utility cost, as the 10% electricity rebate given by the Government of Malaysia has ended in December 2021 and the imposition of electricity tariff surcharge of 3.7 sen per kilowatt hour (kWh) to non-domestic sector from 1 February 2022;

(ii) higher maintenance cost, due to remobilising ad-hoc upkeeps, installation of rain harvesting and air handling condensate water recycling systems as well as adjustment in the contract sum of labour-intensive services due to the higher minimum wage requirements; and

(iii) higher market expenses, as marketing activities and events had resumed with the reopening of the economy.

As a result, Pavilion REIT's income after taxation increased by RM109.71 million or 153.07% to RM181.38 million for the 9-month FPE 30 September 2022 as compared to RM71.67 million for the 9-month FPE 30 September 2021.

<u>Accounting policies and audit qualification</u>

For the FYEs 31 December 2019 to 2021, Pavilion REIT has not adopted any accounting policy which is peculiar to Pavilion REIT due to the nature of its business or the industry in which it is involved.

There is no audit qualification for the financial statements of Pavilion REIT for the FYEs 31 December 2019 to 2021.

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7. INFORMATION ON THE PROPERTIES OF PAVILION REIT

The details of the properties of Pavilion REIT as at the LPD are as follows:

	Pavilion Kuala Lumpur Mall	Intermark Mall	DA MEN Mall	Elite Pavilion Mall	Pavilion Tower
Location	168 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia	Da:men USJ 1, Persiaran Kewajipan, USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan	166 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	75 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia
Description	7-storey shopping mall (including 4 split-levels of car parking bays together with a 3-storey retail office block sited atop and annexed with a 4-storey retail/entertainment connection block) and 3 levels of basement car parks	6-storey retail podium with a roof pavilion together with 367 designated car parking bays	5-storey retail mall together with a lower ground floor and 2 levels of basement car parks	10-storey shopping mall with stratified parcels consisting of car park bays on Level B3 to Level 2, interconnected to Pavilion Kuala Lumpur Mall via pedestrian link bridges and seating/retail areas on Level 4 to Level 10 ("**Extension-Connections**"), and an underground pedestrian tunnel with retail outlets which contractual rights will expire on 10 October 2037	20-storey office building together with 6 mechanical/electrical levels
Existing use	Retail mall	Retail mall	Retail mall	Retail mall	Office
Year of completion	2007	Refurbished in 2012	2015	2016	2007
Age of building (years)	15 years	10 years	7 years	6 years	15 years
Tenure	99-year lease expiring on 26 October 2109	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity for Elite Pavilion Mall 99-year lease expiring on 26 October 2109 for Extension-Connections	99-year lease expiring on 26 October 2109
Gross floor area	2,250,684 square feet	337,427 square feet	732,925 square feet	464,689 square feet	243,288 square feet
Net lettable area	1,347,361 square feet	222,494 square feet	419,517 square feet	227,785 square feet	163,844 square feet

INFORMATION ON PAVILION REIT *(CONT'D)*

	Pavilion Kuala Lumpur Mall	Intermark Mall	DA MEN Mall	Elite Pavilion Mall	Pavilion Tower
Occupancy rate	90.2% as at 31 December 2021	83.6% as at 31 December 2021	62.3% as at 31 December 2021	86.4% as at 31 December 2021	79.1% as at 31 December 2021
Encumbrances	Private caveats have been lodged in favour of MTrustee and Alliance Investment Bank Berhad	Nil	Nil	Nil	Private caveats have been lodged in favour of MTrustee and Alliance Investment Bank Berhad
Date of latest valuation	31 December 2021	31 December 2021	31 December 2021	31 December 2021	31 December 2021
Method of valuation	Income approach by investment method	Income approach by investment method	Income approach by investment method	Income approach by investment method	Income approach by investment method
Independent valuer	C H Williams Talhar & Wong Sdn Bhd	Knight Frank Malaysia Sdn Bhd	Knight Frank Malaysia Sdn Bhd	C H Williams Talhar & Wong Sdn Bhd	C H Williams Talhar & Wong Sdn Bhd
Appraised value	RM4,850 million	RM180 million	RM180 million	RM540 million	RM130 million
Audited net book value as at 31 December 2021 (RM)	RM4,850 million	RM180 million	RM180 million	RM540 million	RM130 million

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