THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular including the valuation report and valuation certificate, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

MALTON BERHAD
(Registration No. 199401035205 (320888-T))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

PROPOSED DISPOSAL BY REGAL PATH SDN BHD, A 51% JOINT VENTURE OF MALTON BERHAD ("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")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MALTON IN RELATION TO THE PROPOSED DISPOSAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

RHB Investment Bank Berhad
(Registration No. 197401002639 (19663-P))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

MIDF Amanah Investment Bank Berhad
(Registration No. 197501002077 (23878-X))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of Malton will be conducted on a virtual basis through live streaming and online remote participation and voting from the broadcast venue at Level 19, Pavilion Tower, 75, Jalan Raja Chulan, 50200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia using Remote Participation and Voting ("**RPV**") facilities via online meeting platform at www.swsb.com.my provided by ShareWorks Sdn Bhd in Malaysia on Wednesday, 22 March 2023 at 10.00 a.m. The notice of EGM together with the Proxy Form are enclosed in this Circular.

You are entitled to attend, participate and vote at the EGM via RPV. If you are unable to attend, participate and vote at the EGM, you are entitled to appoint a proxy or proxies to attend, participate and vote on your behalf. In such event, you should complete, sign and deposit the Proxy Form at our share registrar's office at ShareWorks Sdn Bhd, No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia or email to ir@shareworks.com.my not less than 48 hours before the time fixed for the EGM. The lodging of the Proxy Form will not preclude you from attending, participating and voting at the EGM should you subsequently wish to do so.

Further details to attend, participate, vote and lodgment of Proxy Form for the EGM are set out in the Administrative Guide of the EGM which is separately enclosed to this Circular.

Last date and time for registration for RPV at the virtual EGM and for lodgment of the Proxy Form	:	Monday, 20 March 2023 at 10.00 a.m.
Date and time of the EGM	:	Wednesday, 22 March 2023 at 10.00 a.m.

This Circular is dated 3 March 2023

DEFINITIONS

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

"Act"	:	Companies Act, 2016
"Additional Assets"	:	Additional movable assets required for the operations of Pavilion Bukit Jalil Mall, which include, among others, laptops, buggies and mobile elevating work platform
"Amberstraits"	:	Amberstraits Sdn Bhd, a 51% joint venture of our Company
"Balance Consideration"	:	The balance of the indicative Disposal Consideration amounting to RM550,000,000 which shall be satisfied in the manner set out in Paragraph 2.1(b) of Appendix I of this Circular
"Board"	:	Board of Directors of our Company
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular to our shareholders dated 3 March 2023 in relation to the Proposed Disposal comprising Part A – Letter to shareholders of Malton in relation to the Proposed Disposal, Part B – IAL from MIDF to the non-interested shareholders of Malton in relation to the Proposed Disposal, and the Appendices
"Completion Date"	:	The date, which must take place within 60 days from the date on which the last of the conditions precedents of the CSPA is satisfied, suspended or waived by Pavilion REIT subject to the extended period
"Completion Date Payment"	:	The payment of the indicative Disposal Consideration on the Completion Date amounting to RM1,650,000,000 which shall be satisfied either by 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
"Consideration Units"	:	New units to be issued by Pavilion REIT as partial settlement of the Disposal Consideration
"COVID-19"	:	Coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019 and has been declared as pandemic affecting many countries globally by the World Health Organisation in 2020
"CSPA"	:	Conditional sale and purchase agreement dated 22 November 2022 entered into between Regal Path and MTrustee, acting as the trustee of Pavilion REIT, in relation to the Proposed Disposal
"Deloitte" or "Reporting Accountants"	:	Deloitte PLT (LLP0010145-LCA), the reporting accountants of our Company for the Proposed Disposal
"Directors"	:	The directors of Malton and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act, 2007
"Disposal of 49%"	:	The sale of the Pavilion Bukit Jalil Mall from Pioneer Haven to Regal Path and simultaneously with a dilution of our Company's 49% equity interest in Amberstraits to Jelang Tegas which was completed on 10 October 2019. Following the Disposal of 49%, the Pavilion Bukit Jalil Mall was duly registered in the name of Regal Path on 21 October 2019

"Disposal Consideration"	:	The indicative disposal consideration of RM2,200,000,000 to be satisfied either by fully in cash, or a combination of Consideration Units of up to the equivalent sum of RM600,000,000 and the balance in cash
"EGM"	:	Extraordinary General Meeting
"EPF"	:	Employee Provident Fund Board
"EPS"	:	Earnings per share
"FPE"	:	Financial period ended/ending, as the case may be
"FYE"	:	Financial year ended/ending, as the case may be
"IAL"	:	The independent advice letter dated 3 March 2023 from the Independent Adviser to the non-interested shareholders of Malton in relation to the Proposed Disposal, as set out in Part B of this Circular
"Interested Directors"	:	Collectively, TSDL and Puan Sri Tan
"Interested Major Shareholders"	:	Collectively, MCSB, TSDL and Puan Sri Tan
"Jelang Tegas"	:	Jelang Tegas Sdn Bhd, a company wholly-owned by TSDL
"Khuan Choo"	:	Khuan Choo Realty Sdn Bhd, a wholly-owned subsidiary of our Company
"KWAP"	:	Kumpulan Wang Persaraan (Diperbadankan)
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	15 February 2023, being the latest practicable date prior to the date of this Circular
"Malton" or "Company"	:	Malton Berhad
"Malton Group" or "Group"	:	Collectively, Malton and its subsidiaries
"Malton Share(s)"	:	Ordinary shares in our Company
"Manager"	:	Pavilion REIT Management Sdn Bhd, as the manager of Pavilion REIT
"MCSB"	:	Malton Corporation Sdn Bhd, a major shareholder of Malton
"MIDF" or the "Independent Adviser"	:	MIDF Amanah Investment Bank Berhad, the independent adviser to advise the non-interested Directors and the non-interested shareholders of Malton in relation to the Proposed Disposal
"MTrustee"	:	MTrustee Berhad, acting as the trustee of Pavilion REIT
"NA"	:	Net assets
"NBV"	:	Net book value
"NPI"	:	Net Property Income
"PAT"	:	Profit after tax

"Pavilion Bukit Jalil Land"	:	A piece of freehold land held under Geran No. 79550, Lot 101899, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur measuring approximately 113,900 square meters in area
"Pavilion Bukit Jalil Mall"	:	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
"Pavilion REIT" or "Purchaser"	:	Pavilion Real Estate Investment Trust, a real estate investment trust listed on the Main Market of Bursa Securities
"Pioneer Haven"	:	Pioneer Haven Sdn Bhd, a wholly-owned indirect subsidiary of our Company held through Kumpulan Gapadu Sdn Bhd, a wholly-owned subsidiary of our Company
"Proposed Disposal"	:	Proposed disposal by Regal Path, a 51% joint venture of our Company, of the Pavilion Bukit Jalil Mall to Pavilion REIT for the Disposal Consideration
"Puan Sri Tan"	:	Puan Sri Tan Kewi Yong, an indirect major shareholder and a Director of our Company
"Q PBJ"	:	Q PBJ Sdn Bhd, a wholly-owned subsidiary of QH
"QH"	:	Qatar Holding LLC (licensed by the Qatar Financial Centre Authority under QFC Authority Licence No. 00004), a substantial unitholder of Pavilion REIT
"Record of Depositors"	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
"Regal Path"	:	Regal Path Sdn Bhd, a wholly-owned subsidiary of Amberstraits which in turn a 51% joint venture of our Company
"RHB Investment Bank" or "Principal Adviser"	:	RHB Investment Bank Berhad, the Principal Adviser of our Company for the Proposed Disposal
"RM" and "sen"	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
"RPS"	:	Redeemable preference shares
"Rules"	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
"Rules of Bursa Depository"	:	Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991
"SC"	:	Securities Commission Malaysia
"TSDL"	:	Tan Sri Lim Siew Choon, an indirect major shareholder and a Director of our Company
"Valuation Certificate"	:	The valuation certificate dated 8 December 2022, prepared by the Valuer, in respect of the Pavilion Bukit Jalil Mall
"Valuation Report"	:	The valuation report dated 8 December 2022, prepared by the Valuer, in respect of the Pavilion Bukit Jalil Mall

"Valuer"	:	Jones Lang Wootton, an independent registered valuer appointed for the Pavilion Bukit Jalil Mall
"VWAP"	:	Volume Weighted Average Price

References to "**our Company**" in this Circular are to Malton and references to "**our Group**" are to our Company and subsidiaries. References to "**we**", "**us**", "**our**" and "**ourselves**" in this Circular are to our Company and where the context otherwise requires, shall include our subsidiaries. All references to "**you**" and "**your**" in this Circular are to our shareholders.

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

Any reference in this Circular to any statute, rules, regulation or rules of stock exchange shall (where the context admits) be construed as a reference to such statute, rules, regulation or rules of stock exchange (as the case may be) currently in force or as may be amended from time to time and any re-enactment thereof.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date respectively, unless otherwise specified.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures presented by our Company and Pavilion REIT, such as in the quarterly results, annual reports or annual accounts of our Company and Pavilion REIT (as the case may be), is due to rounding.

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

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NOTICE OF EGM **ENCLOSED**

PROXY FORM **ENCLOSED**

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EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the "Definitions" section.

This Executive Summary highlights the salient information on the Proposed Disposal as set out in Part A of this Circular. You are advised to read and carefully consider the contents of this Circular and the appendices contained herein before voting on the resolution pertaining to the Proposed Disposal at our forthcoming EGM.

Salient information	Description	Reference to Circular
Details of the Proposed Disposal	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 Circular. 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. For shareholders' information, pursuant to the Disposal of 49%, our Company's investments in Regal Path has been derecognised as subsidiary and is treated as investment in joint venture in our 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**.	Sections 1 and 2 of Part A of this Circular
Basis and justification of arriving at the indicative 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 the Valuer vide its Valuation Report 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 Part A of this Circular. 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.	Section 2.4 of Part A of this Circular

Salient information	Description	Reference to Circular
Utilisation of proceeds	The total indicative proceeds of RM2,200,000,000 arising from the Proposed Disposal as illustrated in Section 2.10 of Part A of this Circular, including the proceeds from placing out the Consideration Units, is intended to be utilised by Regal Path in the following manner:	Section 2.10 of Part A of this Circular

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	Immediately upon the receipt of the Completion Date Payment which is upon Completion Date	1,129,153
(b) Redemption of the outstanding RPS issued by Regal Path	Immediately upon the receipt of the Balance Consideration – final balance payment tranche which is within 27 months from the Completion Date *	1,062,892
(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**

Note:

* *The Disposal Consideration shall be paid in tranches as set out in Section 2.1 of Part A of this Circular and Appendix I of this Circular. Pursuant to Paragraph 2.1(b)(iii) of Appendix I of this Circular, the Balance Consideration – final balance payment tranche is to be paid by Pavilion REIT to Regal Path within 27 months from the Completion Date.*

Rationale and benefits of the Proposed Disposal	The Proposed Disposal allows our Group to immediately unlock the potential value and monetise our 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 the outstanding RPS issued by Regal Path, including the RPS-B held by Khuan Choo, a wholly-owned subsidiary of our Company.	Section 3 of Part A of this Circular

Salient information	Description	Reference to Circular
Risk factors relating to the Proposed Disposal	The risk factors which may arise from the Proposed Disposal include: (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 2.10 of Part A of this Circular, as well as depriving our Group from attaining the resultant benefits from the Proposed Disposal as set out in Section 3 of Part A of this Circular. (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 Proposed Disposal. (iii) Capital market risk The market prices of the Consideration Units are influenced by, among 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, among 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. In the event the market price of the units in Pavilion REIT is lower than the issue price of the Consideration Units, Regal Path intends to hold on to the Consideration Units while waiting for the market price of the units in Pavilion REIT to recover to a price which is the same or above the issue price of the Consideration Units. During the period of holding the Consideration Units, Regal Path is expected to benefit from the income distribution by Pavilion REIT attributable to the Consideration Units.	Section 5 of Part A of this Circular

Salient information	Description	Reference to Circular
Approvals required and conditionality	The Proposed Disposal is subject to the approvals/consents being obtained from the shareholders of our Company at our forthcoming EGM for the Proposed Disposal by way of poll and any other relevant regulatory authorities/parties, which form part of the conditions precedent of the CSPA, as well as any other relevant authorities and/or parties, if required. The Proposed Disposal and the disposal of the Additional Assets are inter-conditional upon each other. The Proposed Disposal is not conditional upon any other corporate exercise undertaken or to be undertaken by our Company.	Section 7 of Part A of this Circular
Interests of directors, major shareholders and/or persons connected with them	Save as disclosed below, none of the Directors, major shareholders of our Company and/or persons connected with them have any interest, whether direct and/or indirect, in the Proposed Disposal: (i) MCSB, a major shareholder of Malton, holding a direct equity interest of 39.36% in Malton as at the LPD; (ii) TSDL, a major shareholder of Malton, holding a direct equity interest of 4.29% and a 39.36% indirect equity interest in Malton via MCSB as at the LPD and is the 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 as at the LPD and is the Chairman and Non-Independent Executive Director of Pavilion REIT Management Sdn Bhd, the Manager of Pavilion REIT. He is also the spouse of Puan Sri Tan; and (iii) Puan Sri Tan, a major shareholder of Malton, holding 39.36% indirect equity interest in Malton via MCSB as at the LPD 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 at the LPD, 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, being the Interested Directors and Interested Major Shareholders, are deemed interested in the Proposed Disposal. 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 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 our forthcoming EGM.	Section 10 of Part A of this Circular

Salient information	Description	Reference to Circular
Directors' statement and recommendation	Our Board (save for the Interested Directors), after having considered all aspects of the Proposed Disposal, including the basis and justification for arriving at the indicative Disposal Consideration, the market value of the Pavilion Bukit Jalil Mall, 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 on the Proposed Disposal, is of the opinion that the Proposed Disposal is: (i) in the best interest of our Company; (ii) fair, reasonable, and on normal commercial terms; and (iii) not detrimental to the interest of the non-interested shareholders of our Company. Accordingly, our Board (save for the Interested Directors) recommends that you **vote in favour** of the resolution pertaining to the Proposed Disposal to be tabled at our forthcoming EGM.	Section 13 of Part A of this Circular
Audit Committee's statement	The Audit Committee, in arriving at their views, have sought the independent advice from the Independent Adviser for the Proposed Disposal. The Audit Committee, after having considered all aspects of the Proposed Disposal, including the basis and justification for arriving at the indicative Disposal Consideration, the market value of the Pavilion Bukit Jalil Mall, 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 on the Proposed Disposal, is of the opinion that the Proposed Disposal is: (i) in the best interest of our Company; (ii) fair, reasonable, and on normal commercial terms; and (iii) not detrimental to the interest of the non-interested shareholders of our Company.	Section 14 of Part A of this Circular

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PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL

MALTON BERHAD
(Registration No. 199401035205 (320888-T))
(Incorporated in Malaysia)

Registered office
19-0, Level 19
Pavilion Tower
75, Jalan Raja Chulan
50200 Kuala Lumpur

3 March 2023

Board of Directors

Tan Sri Lim Siew Choon *(Non-Independent Non-Executive Chairman)*
Guido Paul Philip Joseph Ravelli *(Deputy Chairman/Independent Non-Executive Director)*
Puan Sri Tan Kewi Yong *(Executive Director)*
Chua Thian Teck *(Executive Director)*
Hong Lay Chuan *(Executive Director)*
Hj Ahmad bin Hj Ismail, PJK *(Independent Non-Executive Director)*
Dato' Siew Mun Wai *(Independent Non-Executive Director)*

To: Our shareholders

Dear Sir/Madam,

PROPOSED DISPOSAL

1. INTRODUCTION

On 24 December 2021, our Company announced that MTrustee, acting as the trustee of Pavilion REIT, has accepted an invitation from Regal Path, a 51% joint venture of our Company, to commence discussion for the potential sale of the Pavilion Bukit Jalil Mall by Regal Path to MTrustee.

On 22 November 2022, RHB Investment Bank had, on behalf of our Board, announced that Regal Path had on even date entered into a CSPA with MTrustee to dispose of Pavilion Bukit Jalil Mall to Pavilion REIT, for a total indicative disposal consideration of RM2,200,000,000 to be satisfied either by fully in cash, or a combination of Consideration Units of up to the equivalent sum of RM600,000,000 and the balance in cash.

On 12 December 2022, RHB Investment Bank had, on behalf of our Board, announced that the following have been submitted to Bursa Securities on the even date:

(i) the Valuation Report prepared by the Valuer; and

(ii) a waiver application in relation to the requirement under Paragraph 5.14(h) of the Asset Valuation Guidelines issued by the SC, to allow for disclosure of the relevant tenancy details of the existing tenants of Pavilion Bukit Jalil Mall ("**Existing Tenants**") to be on an aggregated basis by individual floors of the premises, in place of disclosures of specific tenancy details of each of the Existing Tenants in the Valuation Report.

On 12 January 2023, RHB Investment Bank had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 11 January 2023, approved the application for waiver from complying with Paragraph 10.04(4) of the Main Market Listing Requirements vis-à-vis the application for waiver from complying with Paragraphs 4.12(e) and 5.14(h) of the Asset Valuation Guidelines issued by the SC pursuant to the submission of the Valuation Report in respect of the Proposed Disposal. For shareholders' information, Paragraph 4.12(e) of the Asset Valuation Guidelines issued by the SC requires that, in the case of tenanted properties, when applying the investment method of valuation, the valuer should consider and disclose (i) a schedule showing details of existing tenancies such as names of tenants, terms, rentals and service charges, as well as where tenants are related to the landlord/vendor; and (ii) analysis of comparable data on rentals, outgoings, voids and capitalisation rates and their comparability to the property being valued.

For information purpose, our Company had previously on 10 October 2019 completed the Disposal of 49%, where our Company had sold the Pavilion Bukit Jalil Mall to Regal Path simultaneously with a dilution of our 49% equity interest in Amberstraits to Jelang Tegas. 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. The shareholding structure of Regal Path upon completion of the Disposal of 49% can be referred to in Section 2 of Part A of this Circular.

Following the Disposal of 49%, Regal Path was expected to incur a total cost of RM1,932.6 million ("**Regal Path Estimated Cost**") to complete the development of the Pavilion Bukit Jalil Mall and bring it to a tenantable/operational state. Subsequently, Regal Path raised funds for the Regal Path Estimated Cost through a combination of bank borrowings of RM1,102.5 million, RM830.0 million of RPS and RM0.1 million of advances from Amberstraits. The RPS issued by Regal Path were subscribed by 3 investors, namely Khuan Choo, Jelang Tegas and Q PBJ as set out below:

Party	***RPS***	***No. of RPS subscribed '000***	***Amount subscribed RM'000***	***%***
Q PBJ	*RPS-A*	*406,700*	*406,700*	*49.00*
Khuan Choo	*RPS-B*	*215,800*	*215,800*	*26.00*
Jelang Tegas	*RPS-B*	*207,500*	*207,500*	*25.00*
Total		***830,000***	***830,000***	***100.00***

As a condition for the subscription of the RPS by the abovementioned 3 investors, a Regal Path shareholders' agreement was entered into by Amberstraits, Khuan Choo, Jelang Tegas, Q PBJ and Regal Path on 10 October 2019 ("**Regal Path Shareholders' Agreement**") to ensure that their respective interests are protected and that any decision relating to the Pavilion Bukit Jalil Mall would require the consent of Amberstraits, Khuan Choo, Jelang Tegas and Q PBJ, this effectively means that the control over the Pavilion Bukit Jalil Mall is shared across the abovementioned 3 investors and not solely by Amberstraits despite Amberstraits holding 100% of the ordinary shares in Regal Path. Nonetheless, any decision in relation to the Pavilion Bukit Jalil Mall made by Regal Path would still require the consent of Khuan Choo as one of the investors in Regal Path.

Additionally, Khuan Choo, Jelang Tegas and Amberstraits also entered into a shareholders' agreement dated 25 September 2019 ("**Amberstraits Shareholders' Agreement**") documenting their mutually agreed rights, duties, liabilities and obligations via-à-vis, among others, the management and operation of Amberstraits, board reserve matters of Amberstraits and shareholder reserve matters. This has resulted in Amberstraits being a jointly controlled company of both Jelang Tegas and Khuan Choo.

The key summary of the Regal Path Shareholders' Agreement and Amberstraits Shareholders' Agreement are set out below:

Regal Path Shareholders' Agreement		Amberstraits Shareholders' Agreement	
Board reserve matters of Regal Path which govern operational matters of Regal Path	• Require the approval of at least 1 director nominated by each of Khuan Choo, Jelang Tegas and Q PBJ	Board reserve matters of Amberstraits which govern strategic decisions, such as but not limited to decision to be taken by Amberstraits in relation to Regal Path's board reserve matters and shareholder reserve matter	• Require the approval of at least 1 director nominated by each of Jelang Tegas and Khuan Choo
Shareholder reserve matters of Regal Path which include any decisions relating to the development and land of Pavilion Bukit Jalil Mall, business of the Pavilion Bukit Jalil Mall such as business plan, leasing/tenancy plan and annual operating and capital expenditure budget, dividends and distribution and funding of Regal Path and any mergers and acquisitions or dissolution relating to Regal Path	• Require the consent of Amberstraits, Khuan Choo, Jelang Tegas and Q PBJ	Shareholder reserve matters of Amberstraits which include key matters such as but not limited to funding proposals, mergers and acquisitions	• Require the unanimous approval of Jelang Tegas and Khuan Choo

Pursuant to Malaysian Financial Reporting Standards ("**MFRS**") 10, a company shall only be consolidated when the company is controlled by one party. However, given that there will be joint control of Amberstraits by Khuan Choo and Jelang Tegas and joint control of Regal Path by Khuan Choo, Jelang Tegas and Q PBJ, the management of our Company believes that our 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, our Company's investments in Amberstraits and Regal Path have been derecognised as subsidiaries and are treated as investments in joint ventures in our financial statements since the FYE 30 June 2020.

Our Company did not retain the control over Amberstraits and Regal Path with Malton as Regal Path was intended to be a special purpose vehicle established solely for the purpose of owning and operating the Pavilion Bukit Jalil Mall until completion. The Disposal of 49% has allowed our Group to immediately unlock the potential value and monetise our investment in the development of the Pavilion Bukit Jalil Mall as well as enabled us to raise funds for the remaining development cost required to complete the development of Pavilion Bukit Jalil Mall without incurring further debt obligations and ensuring timely completion of the Pavilion Bukit Jalil Mall. In view of the high development cost, as our Company’s investments in Amberstraits and Regal Path have been derecognised as subsidiaries, this has also alleviated the financial burden of our Group. In addition, our Group retained 51% equity interest in Amberstraits, and in-turn the Pavilion Bukit Jalil Mall, to allow our Group to continue to benefit from the income generated from the rental of the retail space at the Pavilion Bukit Jalil Mall.

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 detailed information on the salient terms of the Regal Path Shareholders' Agreement, please refer to Appendix IV of the circular to shareholders of our Company dated 15 August 2019 which can be downloaded from our Company’s website at www.malton.com.my/circulars.

For shareholders' information, 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 our Company, further details of which are set out in Section 10 of Part A of this Circular.

Accordingly, our Board (save for TSDL and Puan Sri Tan, who are deemed interested in the Proposed Disposal) had appointed MIDF on 21 November 2022 to advise the non-interested Directors and non-interested shareholders of our Company on the Proposed Disposal. The IAL in relation to the Proposed Disposal is set out in Part B of this Circular.

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

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED DISPOSAL AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT OUR FORTHCOMING EGM. YOU SHOULD CONSIDER THE RECOMMENDATION OF THE INDEPENDENT ADVISER AS SET OUT IN PART B OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DISPOSAL

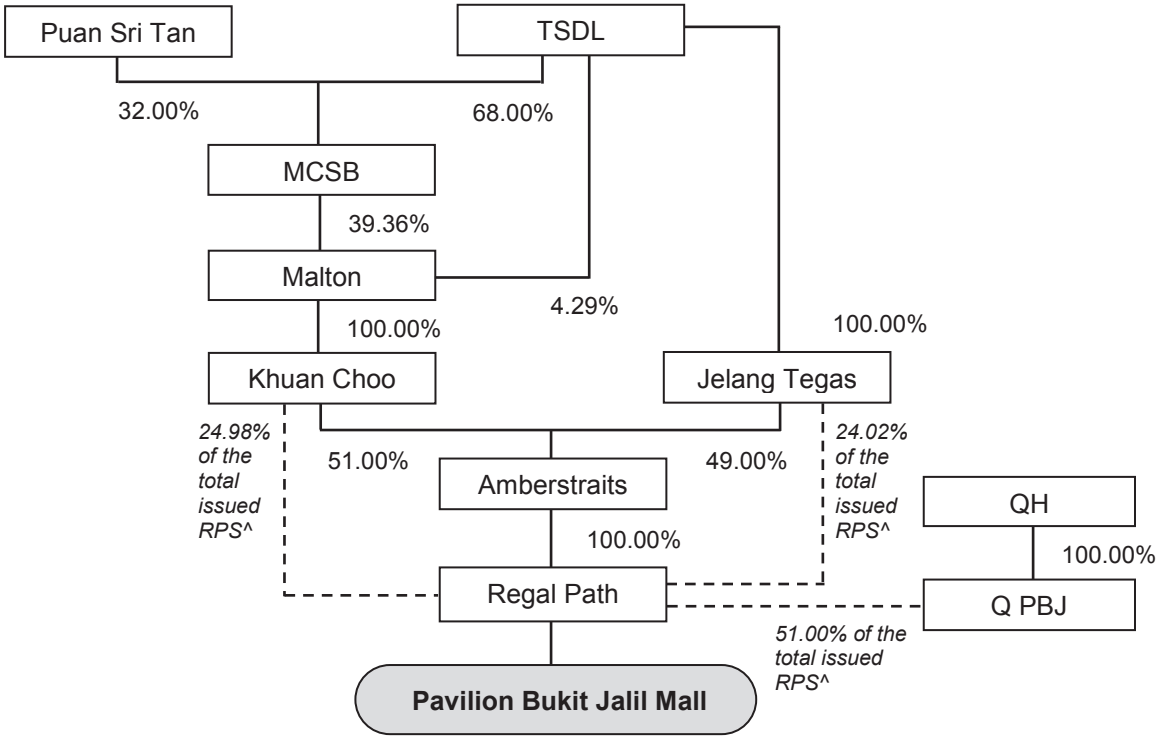
Pursuant to the terms of the CSPA, Regal Path agrees to sell and Pavilion REIT agrees to purchase the Pavilion Bukit Jalil Mall on an "as is where is basis" free from all encumbrances and with vacant possession subject to the contractual easement granted pursuant to an agreement dated 24 August 2020 in relation to the link bridge easement made between Bukit Jalil Development Sdn Bhd, Pioneer Haven and Regal Path to allow access from the link bridge to the Pavilion Bukit Jalil Mall, 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 Circular.

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:

Current shareholding structure as at the LPD



Note:

^ *In addition to the issuance of RPS by Regal Path to Q PBJ, Khuan Choo and Jelang Tegas as explained in Section 1 of Part A of this Circular, Q PBJ had also subscribed to 126,898,338 RPS-C in Regal Path, while Khuan Choo and Jelang Tegas subscribed for 23,234,752 RPS-D and 22,323,586 RPS-D in Regal Path respectively. As at the LPD, Regal Path has issued 956,898,338 RPS. The number of outstanding RPS held by Q PBJ, Khuan Choo and Jelang Tegas as at the LPD are as detailed in Note (b) of Section 2.10 of Part A of this Circular.*

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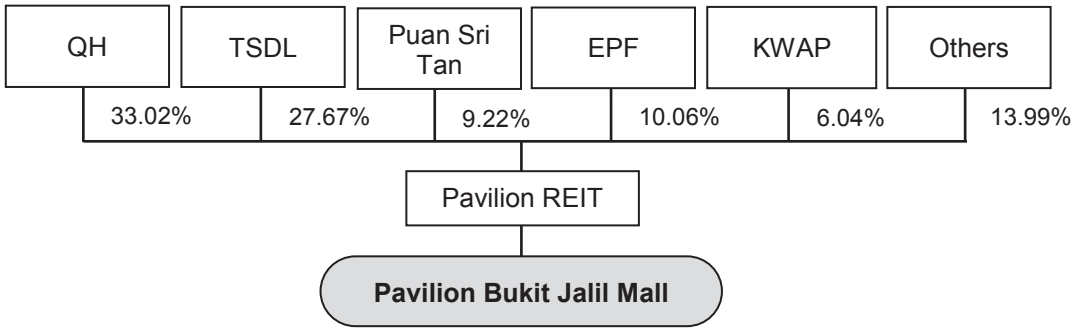
After completion of the Proposal Disposal

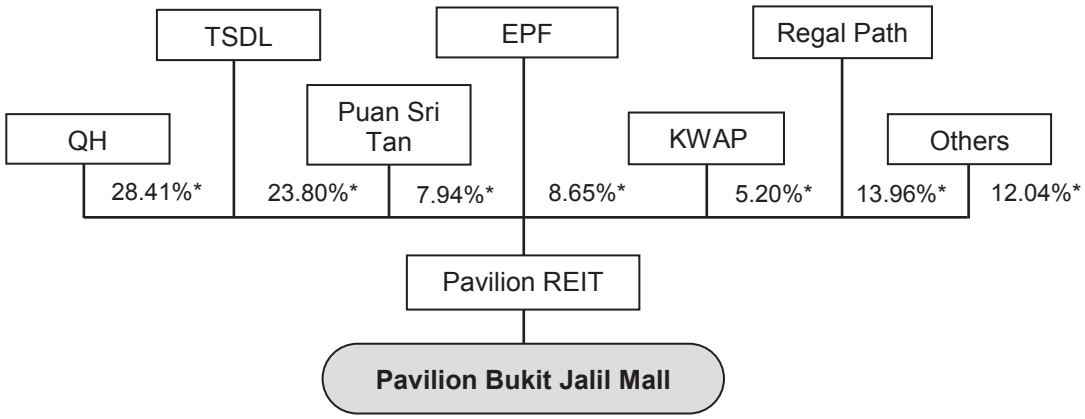
Scenario 1: Shareholding structure after completion of the Proposed Disposal, assuming the Disposal Consideration is satisfied fully in cash#



Note:

 # There will be no change to the shareholding structure of Malton after completion of the Proposed Disposal.

Scenario 2: Shareholding 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#



Notes:

 # There will be no change to the shareholding structure of Malton after completion of the Proposed Disposal.

** 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 Part A of this Circular, 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 total number of issued units in Pavilion REIT after the issuance of the Consideration Units is assumed to be 3,551,589,429 units in Pavilion REIT based on the 3,055,721,661 units in Pavilion REIT as at the LPD and assuming that there is no issuance of additional 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%, our Company's investments in Regal Path has been derecognised as subsidiary and is treated as investment in joint venture in our 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)	On the 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 Circular.	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 Circular, which is estimated to be by 1st quarter of 2024.	100,000,000
Final balance payment		
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 Circular. (1)	Within the period set out in Paragraph 2.1(b)(iii) of Appendix I of this Circular, which is expected to be within 27 months from the Completion Date.	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 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 of RM1.2053 on 21 November 2022, 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 in 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 (if any) will be listed on the Main Market of Bursa Securities upon allotment and issuance. The estimated timeframe to allot and issue the Consideration Units (if any) is set our below:

Payment tranche	***Estimated timeframe for allotment and issuance***
• *For the Consideration Units to be issued as part of the Completion Date Payment – upon Completion Date tranche*	• *2nd quarter of 2023*
• *For the Consideration Units to be issued as part of the Balance Consideration – final balance payment tranche*	• *2nd quarter of 2025*

Regal Path has accepted the Consideration Units as part of the settlement of the Disposal Consideration after considering, among others, the prospects of Pavilion REIT as detailed in Section 4.3 of Part A of this Circular. Regal Path does not intend to retain the Consideration Units allotted and issued to it and endeavours to place out the Consideration Units to monetise them upon receiving the Consideration Units based on the following schedule:

Payment tranche	***Estimated timeframe for placement***
• *For the Consideration Units to be issued as part of the Completion Date Payment – upon Completion Date tranche*	• *Immediately upon the receipt of such Consideration Units on the Completion Date for the purpose as detailed in Section 2.10 of Part A of this Circular*
• *For the Consideration Units to be issued as part of the Balance Consideration – final balance payment tranche*	• *Immediately upon the receipt of such Consideration Units which is within 27 months from the Completion Date for the purpose as detailed in Section 2.10 of Part A of this Circular*

However, 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. In the event the market price of the units in Pavilion REIT is lower than the issue price of the Consideration Units, Regal Path intends to hold on to the Consideration Units while waiting for the market price of the units in Pavilion REIT to recover to a price which is the same or above the issue price of the Consideration Units. During the period of holding the Consideration Units, Regal Path is expected to benefit from the income distribution by Pavilion REIT attributable to the Consideration Units. Further details of this capital market risk is as detailed in Section 5(iii) of Part A of this Circular.

For illustrative purposes, the estimated cost involved in placing out the Consideration Units is approximately up to RM6.00 million based on an assumed placement fee of 1% and that Regal Path receives Consideration Units up to the equivalent sum of RM600 million.

The Disposal Consideration shall be paid in tranches, further details of which are set out in Section 2 of Appendix I of this Circular.

Regal Path and Pavilion REIT have mutually agreed that the Completion Date Payment – upon Completion Date tranche is 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, after taking into consideration that Regal Path would require at least RM1,450.00 million in cash to allow it to repay all the outstanding loan facilities that were obtained by Regal Path in relation to the Pavilion Bukit Jalil Mall, to defray the estimated expenses relating to the Proposed Disposal, to have sufficient cash flow for its operation needs and partial redemption of its RPS.

Regal Path and Pavilion REIT have also mutually agreed that the Balance Consideration – final balance payment tranche is 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 Circular, after taking into consideration of the time gap between the execution of the CSPA on 22 November 2022 and the expected payment of the final balance which will be no later than the 2nd quarter of 2025. This would allow Pavilion REIT to have the flexibility in determining the manner of settlement for the final balance payment by taking into consideration the prevailing market sentiments of the equity markets at the time of payment of the final balance payment.

In addition to the Pavilion Bukit Jalil Mall, Regal Path also agrees to sell and Pavilion REIT agrees to purchase the Additional Assets required for the operations of Pavilion Bukit Jalil Mall based on the NBV of the Additional Assets as at the Completion Date in cash and this does not form part of the indicative Disposal Consideration. These Additional Assets are movable assets which was purchased by Regal Path for the operations of the Pavilion Bukit Jalil Mall and are being disposed separately from the Proposed Disposal as these Additional Assets' value were not considered in arriving at the valuation of the Pavilion Bukit Jalil Mall. 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 Circular as at 30 June 2022 is RM3,727,676.96.

The Proposed Disposal and the disposal of the Additional Assets are inter-conditional upon each other.

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 3 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 Mall 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 the Pavilion Bukit Jalil Land.

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 1 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.

		No. Perserahan PDSC33061/2021 Pajakan Sebahagian Tanah *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. *No. Perserahan PDSC33060/2021 Pajakan Sebahagian Tanah* *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
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 the LPD, Regal Path has filed the schedule of parcels with the Commissioner of Building in accordance with the Strata Management Act, 2013 and the strata titles to Pavilion Bukit Jalil Mall have yet to be issued by the relevant land office.

(2) Refers to the NPI 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) based on the audited financial statements of Regal Path for the FYE 30 June 2022.

2.3 Information on Regal Path, MTrustee and Pavilion REIT

2.3.1 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 subsidiary of Amberstraits, which is 51% jointly owned by Khuan Choo, which in turn is a wholly-owned subsidiary of our Company. For information purpose, our Company had previously on 10 October 2019 completed the Disposal of 49% and pursuant to a shareholders' agreement entered into by Amberstraits, Q PBJ, Khuan Choo, Jelas Tegas and Regal Path on 10 October 2019 documenting the shareholders' mutually agreed rights, duties, liabilities and obligations via-à-vis, among others, the management and operation of Regal Path, the management of our Company believes that our Group has lost the control over Amberstraits (as a holding company of Regal Path) and Regal Path. Arising therefrom, our Company's investments in Regal Path has been derecognised as subsidiary and is treated as investment in joint venture in our 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 and Khuan Choo pursuant to Section 8(4) of the Act.

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

Ordinary shareholders

Name	Nationality	<----------Direct----------> No. of shares	%	<---------Indirect---------> No. of shares	%
Amberstraits	Malaysia	100,000	100.0	-	-
Jelang Tegas	Malaysia	-	-	(1) 100,000	100.0
Khuan Choo	Malaysia	-	-	(1) 100,000	100.0
Malton	Malaysia	-	-	(2) 100,000	100.0
MCSB	Malaysia	-	-	(3) 100,000	100.0
TSDL	Malaysian	-	-	(4) 100,000	100.0
Puan Sri Tan	Malaysian	-	-	(5) 100,000	100.0

Notes:

(1) Deemed interested by virtue of its shareholdings in Amberstraits pursuant to Section 8(4) of the Act.

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

(3) Deemed interested by virtue of its shareholdings in Amberstraits through Malton pursuant to Section 8(4) of the Act.

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

(5) Deemed interested by virtue of her shareholdings in Amberstraits through MCSB pursuant to Section 8(4) of the Act.

Preference shareholders

Name	Nationality	<----------Direct----------> No. of shares	%	<---------Indirect---------> No. of shares	%
Jelang Tegas	Malaysia	229,823,586	24.02	-	-
Khuan Choo	Malaysia	239,034,752	24.98	-	-
Q PBJ	Malaysia	488,040,000	51.00	-	-
Malton	Malaysia	-	-	(1) 239,034,752	24.98
MCSB	Malaysia	-	-	(1) 239,034,752	24.98
TSDL	Malaysian	-	-	(2) 468,858,338	49.00
Puan Sri Tan	Malaysian	-	-	(3) 239,034,752	24.98
QH	Qatar	-	-	(4) 488,040,000	51.00

Notes:

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

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

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

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

2.3.2 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, the 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:

Directors

		<-------Direct------->		<-----Indirect----->	
Name	**Nationality**	**No. of shares**	**%**	**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

		<------Direct------>		<------Indirect------>	
Name	**Country of Incorporation**	**No. of shares**	**%**	**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	-	-

2.3.3 Information on Pavilion REIT

Pavilion REIT is a real estate investment trust listed on the Main Market of Bursa Securities since 7 December 2011 and is managed by Pavilion REIT Management Sdn Bhd.

Further details of Pavilion REIT are set out in Appendix IV of this Circular.

2.4 Basis and justification of arriving at the indicative 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 the Valuer vide its Valuation Report 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 as at 30 June 2022 based on the audited financial statements of Regal Path for the FYE 30 June 2022; and

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

Our 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 Report 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 comparable shopping malls identified are Intermark Mall at Jalan Tun Razak, Kuala Lumpur, Da:men USJ at Persiaran Kewajipan, UEP Subang Jaya and Tropicana City Mall (now known as 3Damansara) at Jalan SS 20/27, Petaling Jaya.

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 features of the Valuation Report

The Company had appointed the Valuer to undertake an independent valuation on the Pavilion Bukit Jalil Mall on the basis stated above, and the Valuer had vide its Valuation Report and Valuation Certificate ascribed a market value of RM2,200,000,000 as at the date of valuation of 31 October 2022 for the Pavilion Bukit Jalil Mall using the Income Approach by way of Investment Method.

In this approach, the net rent from the Pavilion Bukit Jalil Mall is capitalised at an appropriate rate of return, 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. The Valuer has taken into account the monthly main leasing income (which includes base rent, service charge and promotional charge), monthly percentage rent income, monthly other income (which includes income receivable from the push carts, storages, auto-teller machine, exhibition hall, event and promotional income, advertisement, light-emitting diode screen and others) and monthly car park income. The outgoings include the outgoings for retail space, car park, exhibition hall and promotion areas. The Valuer has also taken into account a void rate to reflect the rent free period and risk of vacancy due to changes in tenants.

The Valuer had also adopted the 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.

Please refer to Appendix II of this Circular for the Valuation Certificate for the Pavilion Bukit Jalil Mall.

2.6 Salient terms of the CSPA

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

2.7 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.

2.8 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)

	RM'000	RM'000
(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 disposal 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 Circular.

(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 our Group, our 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, our 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 our 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 view that Regal Path is a 51% joint venture of our Company, save for the one-off estimated pro forma loss on disposal amounting to RM9.70 million, the loss of contribution arising from the Proposed Disposal is not expected to negatively impact the financial performance of our Group.

2.9 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 Circular, there are no other liabilities, including any contingent liabilities, to be assumed by our Group upon completion of the Proposed Disposal.

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

2.10 Utilisation of proceeds

For shareholders' information, pursuant to the Disposal of 49%, our Company's investments in Regal Path has been derecognised as subsidiary and is treated as investment in joint venture in our 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 Part A of this Circular, 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 Part A of this Circular, 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	Immediately upon the receipt of the Completion Date Payment which is upon Completion Date	1,129,153	51.33
(b) Redemption of the outstanding RPS issued by Regal Path	Immediately upon the receipt of the Balance Consideration – final balance payment tranche which is within 27 months from the Completion Date *	1,062,892	48.31
(c) General working capital requirement of Regal Path	Within 12 months from the Completion Date	6,625	0.30
(d) Defray estimated expenses relating to the Proposed Disposal by Regal Path	Within 1 month from the Completion Date	1,330	0.06
Total proceeds		**2,200,000**	**100.00**

Notes:

* *The Disposal Consideration shall be paid in tranches as set out in Section 2.1 of Part A of this Circular and Appendix I of this Circular. Pursuant to Paragraph 2.1(b)(iii) of Appendix I of this Circular, the Balance Consideration – final balance payment tranche 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 RM1,129.15 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 the LPD, all the outstanding loan facilities that were obtained by Regal Path in relation to the Pavilion Bukit Jalil Mall amounted to approximately RM1,129.15 million, details of which are set out below:

Type of Facility	***Amount outstanding RM'000***
Term loan	*1,102,500*
Hire purchase	*26,653*
	1,129,153

The hire purchase loan in relation to the Pavilion Bukit Jalil Mall was obtained to finance the equipment and expenses required for the operation of the Pavilion Bukit Jalil Mall as the hire purchase loan helped to reduce the initial capital outlay required to be incurred by Regal Path. Further details on the hire purchase facilities obtained by Regal Path are as set out below:

Description	***Amount outstanding as at the LPD RM'000***
Mall equipment such as parking management system, articulated boom lifts and aerial work platform, walkie-talkies, security system for the exhibition hall, loading dock leveler, push carts, thermal scanner, people counting system	*14,709*
Audio visual equipment comprising light-emitting diode screens, electronic standees, dome projection hardware and software and audio-visual system for the exhibition hall	*6,546*
Tenant fit-out costs, such as additional renovation or equipment to be equipped for certain retail lots to accommodate tenant's requirement	*4,910*
10 units of 6-seater electric buggy and 5 units of 2-wheeled self-balancing personal transporter	*300*
54 units of laptops together with software	*188*
Total hire purchase loan	***26,653***

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 RM1,129.15 million is expected to result in an interest cost savings of up to approximately RM62.28 million per annum, which translates into an effective interest rate of approximately 5.55% per annum for the term loan and 4.11% per annum for the hire purchase.

(b) Redemption of the 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 calculated based on an assumed redemption date as at the LPD and the amount to be redeemed using the proceeds from the Proposed Disposal are set out below:

Party	***RPS***	***No. of outstanding RPS '000***	***Indicative redemption amount as at the LPD RM'000***	***Amount to be redeemed from the proceeds from the Proposed Disposal RM'000***
Q PBJ	*RPS-A*	*406,700*	*488,365*	*488,365*
Khuan Choo	*RPS-B*	*215,800*	*290,568*	*289,229*
Jelang Tegas	*RPS-B*	*207,500*	*279,393*	*278,105*
Q PBJ	*RPS-C*	*81,340*	*7,193*	*7,193*
Khuan Choo	*RPS-D*	*23,235*	*23,235*	*-*
Jelang Tegas	*RPS-D*	*22,323*	*22,323*	*-*
Total		***956,898***	***1,111,077***	***1,062,892***

Furthermore, Regal Path intends to fund the redemption of the remaining outstanding RPS of which the indicative redemption amount is approximately RM48.19 million as at the LPD using its internal funds and/or borrowings.

(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 among 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 interest 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.

In addition to the estimated expenses to be incurred by Regal Path, our Company is expected to incur estimated expenses of RM1.00 million of professional fees and other expenses including fees payable to regulatory authorities, printing and despatch costs for this Circular, cost to convene our forthcoming EGM and other incidental expenses relating to the Proposed Disposal. Such estimated expenses will not be attributed to Regal Path in view that the estimated expenses are in relation to this Circular and cost to convene our forthcoming EGM is at our Company level. The expenses to be incurred by our Company will not be funded by the Disposal Consideration but from the internal funds of our Group.

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

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

3. RATIONALE AND BENEFITS 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 our Group to immediately unlock the potential value and monetise our 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 outstanding RPS issued by Regal Path, including the RPS-B held by Khuan Choo, a wholly-owned subsidiary of our Company.

The Proposed Disposal is in line with our Company's strategy of constantly evaluating our portfolio of investments and where possible seeking opportunities to unlock and realise the value of our investments for the benefit of the shareholders of our Company. Other than the Pavilion Bukit Jalil Mall, our Group does not have any investment assets in the hospitality and retail sector. 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, our 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 2.8 of Part A of this Circular.

Despite the pro forma loss on disposal arising from the Proposed Disposal, our 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 our 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 held under Khuan Choo, a wholly-owned subsidiary of our Company, will be channelled towards our Group's business operations as it will be utilised for general working capital requirements of our Group. As disclosed in Section 2.10 of Part A of this Circular, as at the LPD, the estimated redemption amount for RPS-B to be received by Khuan Choo from the proceeds are approximately RM289.23 million, with RM1.34 million of RPS-B and RM23.24 million of RPS-D unredeemed. The unredeemed portion will be redeemed by Regal Path using its internal funds and/or borrowings. For shareholders' information, the initial subscription price for RPS-B and RPS-D paid by Khuan Choo are RM215.80 million and RM23.23 million respectively. This can help to improve our Group's cash flow position and our Group will be able to conserve our internally generated funds to strengthen our 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)

Meanwhile, the property market performed better in the 3rd quarter of 2022, registering 105,204 transactions with total value of RM46.63 billion, as compared to 93,466 transactions with total value of RM42.44 billion in the 2nd quarter of 2022.

(Source: Property Market 3rd quarter of 2022 Snapshots, 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)

Meanwhile, the occupancy rate for the shopping complex sector was 75.2% in the 3rd quarter of 2022 (13.11 million square metres were occupied out of the total space available of 17.44 million square metres), as compared to the occupancy rate of 75.7% in the 2nd quarter of 2022 (13.17 million square metres were occupied out of the total space available of 17.36 million square metres).

(Source: Property Market 3rd quarter of 2022 Snapshots, 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 square metres). 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 monthly 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)

Meanwhile, the occupancy rate for the purpose-built office sector was 71.1% in the 3rd quarter of 2022 (12.94 million square metres were occupied out of the total space available of 18.20 million square metres), as compared to the occupancy rate of 70.8% in the 2nd quarter of 2022 (12.86 million square metres were occupied out of the total space available of 18.16 million square metres).

(Source: Property Market 3rd quarter of 2022 Snapshots, 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 unitholders with regular and stable distributions and achieve long-term growth in net asset 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 2020 to 31 December 2022. During the FYE 31 December 2022, Pavilion REIT's overall portfolio achieved NPI margin of 63.9%, with retail and office segments achieving a NPI margin of 64.3% and 41.9% respectively.

Barring any unforeseen circumstances, our Company expects the prospects of Pavilion REIT to be positive as we expect the domestic demand to anchor the economy amidst a steady recovery in the labour market. The reopening of China's borders is also expected to attract Chinese tourists that would spur the local economy and tourism business. Our Company noted that Pavilion REIT will continue to elevate retail mix, create immersive experience and encourage shoppers' interaction with targeted campaigns.

(Source: Annual Report 2022 of Pavilion REIT)

Please refer to Appendix IV of this Circular for further details on Pavilion REIT.

5. RISKS OF THE PROPOSED DISPOSAL

The risk factors which may arise from 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 2.10 of Part A of this Circular, as well as depriving our Group from attaining the resultant benefits from the Proposed Disposal as set out in Section 3 of Part A of this Circular.

Notwithstanding the above, the management of our Company and our 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 our 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 Proposed Disposal.

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 2.10 of Part A of this Circular, 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, among 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, among 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. In the event the market price of the units in Pavilion REIT is lower than the issue price of the Consideration Units, Regal Path intends to hold on to the Consideration Units while waiting for the market price of the units in Pavilion REIT to recover to a price which is the same or above the issue price of the Consideration Units. During the period of holding the Consideration Units, Regal Path is expected to benefit from the income distribution by Pavilion REIT attributable to 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 our Company and the substantial shareholders' shareholdings of our Company as the Proposed Disposal will not involve the issuance of any new Malton Shares.

6.2 NA per Malton Share and gearing

Based on the latest audited consolidated statements of financial position of our 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 our 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 our 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 our Company over number of Malton Shares in issue.

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

6.3 Earnings and EPS

The pro forma effects of the Proposed Disposal on the consolidated EPS of our Company 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**
PAT attributable to the owners of our 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 our 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 LPD, our Company does not have any convertible securities.

7. APPROVALS REQUIRED AND CONDITIONALITY

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

(i) the shareholders of our Company at our forthcoming EGM 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 Circular; and

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

The Proposed Disposal and the disposal of the Additional Assets are inter-conditional upon each other.

The Proposed Disposal is not conditional upon any other corporate exercise undertaken or to be undertaken by our Company.

8. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Disposal, there is no other corporate exercise/scheme which our Company has announced on Bursa Securities but is pending completion as at the LPD.

9. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 518.15% based on the aggregate value of the indicative Disposal Consideration to be received amounting to RM1,122.00 million based on our 51% interest in Regal Path over the market value of all the Malton Shares as at the LPD of RM216.54 million.

For clarification purpose, the highest percentage ratio applicable to the Proposed Disposal is for illustrative purposes only as pursuant to the Disposal of 49%, our Company's investments in Regal Path has been derecognised as subsidiary and is treated as investment in joint venture in our 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.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors, major shareholders of our Company and/or persons connected with them have any interest, whether direct and/or indirect, in the Proposed Disposal:

(i) MCSB, a major shareholder of Malton, holding a direct equity interest of 39.36% in Malton as at the LPD;

(ii) TSDL, a major shareholder of Malton, holding a direct equity interest of 4.29% and a 39.36% indirect equity interest in Malton via MCSB as at the LPD and is the 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 as at the LPD and is the Chairman and Non-Independent Executive Director of Pavilion REIT Management Sdn Bhd, the Manager of Pavilion REIT. He is also the spouse of Puan Sri Tan; and

(iii) Puan Sri Tan, a major shareholder of Malton, holding 39.36% indirect equity interest in Malton via MCSB as at the LPD 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 at the LPD, 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, being the Interested Directors and Interested Major Shareholders, are deemed interested in the Proposed Disposal.

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 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 our forthcoming EGM.

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**	**%**
MCSB	207,901,489	39.36	-	-
TSDL	22,681,800	4.29	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 MCSB.

11. 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 our Group as disclosed in the circular to shareholders dated 31 October 2022 as well as Notes 3 and 24 of the audited financial statements of our Group in our Annual Report 2022, there were no other transactions entered into by our Company with the Interested Directors and the Interested Major Shareholders for the preceding 12 months preceding the LPD.

12. 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 the Pavilion Bukit Jalil Mall.

Deloitte has been appointed as the Reporting Accountants for the Proposed Disposal.

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 10 of Part A of this Circular. Accordingly, MIDF has been appointed as the Independent Adviser on 21 November 2022 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 our forthcoming EGM.

Please refer to Part B of this Circular for the IAL in relation to the Proposed Disposal from the Independent Adviser.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Interested Directors), after having considered all aspects of the Proposed Disposal, including the basis and justification for arriving at the indicative Disposal Consideration, the market value of the Pavilion Bukit Jalil Mall, 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 on the Proposed Disposal, is of the opinion that the Proposed Disposal is:

(i) in the best interest of our Company;

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

(iii) not detrimental to the interest of the non-interested shareholders of our Company.

Accordingly, our Board (save for the Interested Directors) recommends that you **vote in favour** of the resolution pertaining to the Proposed Disposal to be tabled at our forthcoming EGM.

14. AUDIT COMMITTEE'S STATEMENT

The Audit Committee, in arriving at their views, have sought the independent advice from the Independent Adviser for the Proposed Disposal. The Audit Committee, after having considered all aspects of the Proposed Disposal, including the basis and justification for arriving at the indicative Disposal Consideration, the market value of the Pavilion Bukit Jalil Mall, 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 on the Proposed Disposal, is of the opinion that the Proposed Disposal is:

(i) in the best interest of our Company;

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

(iii) not detrimental to the interest of the non-interested shareholders of our Company.

15. 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.

The tentative timeline for the implementation of the Proposed Disposal is set out below:

Date/Month	Events
22 March 2023	• Convening of the EGM to obtain the approval from the shareholders of Malton for the Proposed Disposal
2nd quarter of 2023	• Fulfilment of all the conditions precedent in the CSPA for the Proposed Disposal
2nd quarter of 2023	• Completion of the Proposed Disposal

In addition to the above, please refer to Appendix I of this Circular for the schedule of payment of the Disposal Consideration to Regal Path.

16. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted on a virtual basis through live streaming and online remote participation and voting from the broadcast venue at Level 19, Pavilion Tower, 75, Jalan Raja Chulan, 50200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia using Remote Participation and Voting ("**RPV**") facilities via online meeting platform at www.swsb.com.my provided by ShareWorks Sdn Bhd in Malaysia on Wednesday, 22 March 2023 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Disposal.

You are entitled to attend, participate and vote at the EGM via RPV. If you are unable to attend, participate and vote at the EGM, you are entitled to appoint a proxy or proxies to attend, participate and vote on your behalf. In such event, you should complete, sign and deposit the Proxy Form at our share registrar's office at ShareWorks Sdn Bhd, No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia or email to ir@shareworks.com.my not less than 48 hours before the time fixed for the EGM. The lodging of the Proxy Form will not preclude you from attending, participating and voting at the EGM should you subsequently wish to do so.

Further details to attend, participate, vote and lodgment of Proxy Form for the EGM are set out in the Administrative Guide of the EGM which is separately enclosed to this Circular.

17. FURTHER INFORMATION

You are advised to refer to the attached appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of our Board
MALTON BERHAD

GUIDO PAUL PHILIP JOSEPH RAVELLI
Deputy Chairman/Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL

EXECUTIVE SUMMARY

*All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section in Part A of the Circular, except where the context otherwise requires or where otherwise defined herein. All references to "we", "us" or "our" in this Independent Advice Letter ("**IAL**") are references to MIDF Amanah Investment Bank Berhad ("**MIDF Investment**"), being the Independent Adviser for the Proposed Disposal. All references to "you" are to Malton's non-interested shareholders.*

THIS EXECUTIVE SUMMARY IS INTENDED TO BE A BRIEF SUMMARY OF THIS IAL. NON-INTERESTED SHAREHOLDERS OF MALTON ARE ADVISED TO READ AND UNDERSTAND THIS IAL IN ITS ENTIRETY AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND ARE NOT TO RELY SOLELY ON THE EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED DISPOSAL. YOU ARE ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED IN BOTH LETTERS BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM OF MALTON.

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

1. INTRODUCTION

On 24 December 2021, Malton announced that MTrustee, acting as the trustee of Pavilion REIT, has accepted an invitation from Regal Path, a 51% joint venture of Malton, to commence discussion for the potential sale of the Pavilion Bukit Jalil Mall by Regal Path to MTrustee.

On 22 November 2022, RHB Investment Bank, on behalf of the Board, announced that the Company proposes to undertake the Proposed Disposal via a CSPA between Regal Path Sdn Bhd, a 51% joint venture of the Company via Amberstraits Sdn Bhd, a subsidiary of Malton, with MTrustee Berhad, being the trustee of Pavilion REIT, for an indicative Disposal Consideration of RM2,200.0 million. The indicative Disposal Consideration shall be fully satisfied in cash or a combination of Consideration Units in Pavilion REIT up to the equivalent sum of RM600.0 million and the balance of RM1,600.0 million in cash.

For information purpose, Malton had on 10 October 2019 completed the Disposal of 49%, where Malton had sold the Pavilion Bukit Jalil Mall to Regal Path simultaneously with a dilution of its 49% equity interest in Amberstraits to Jelang Tegas. 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.

Arising from the Disposal of 49%, the Company's investments in Amberstraits and Regal Path have been derecognised as subsidiaries and are treated as investments in joint ventures in the financial statements of Malton since the 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.

Further details of the Proposed Disposal are set out in Section 2 of Part A of the Circular.

In view of the interests of certain directors and major shareholders of Malton and persons connected to them in the Proposed Disposal as set out in Section 10 of Part A of the Circular, the Proposed Disposal is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board had on 21 November 2022 appointed MIDF Investment as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Malton in respect of the Proposed Disposal.

The purpose of this IAL is to provide the non-interested shareholders of Malton with an independent evaluation on the fairness and reasonableness of the Proposed Disposal and whether the Proposed Disposal is detrimental to the non-interested shareholders of Malton, together with our recommendation on whether the non-interested shareholders of Malton should vote in favour of the resolution pertaining to the Proposed Disposal at Malton's forthcoming EGM, subject to the scope and limitations of our role and evaluation as specified herein.

2. EVALUATION OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken into consideration the following:

Section in this IAL	Consideration factors	MIDF Investment's evaluation
Section 6.1	Basis and justification of the indicative Disposal Consideration, consideration for Additional Assets and Modes of Settlement	The basis and justification of the indicative Disposal Consideration is fair in view that the indicative Disposal Consideration of RM2,200.0 million was arrived at based on the market value of the Pavilion Bukit Jalil Mall as ascribed by the Valuer. In arriving at the valuation of the Pavilion Bukit Jalil Mall, the Valuer adopted the income approach by investment method as the principal valuation methodology. The comparison approach was used as reference to the value derived from the income approach by investment method. As such, reliance was placed on the information in the Valuation Report and Valuation Certificate which were prepared by the Valuer in respect of the valuation of the Pavilion Bukit Jalil Mall. The basis and justification of the consideration for Additional Assets is fair in view that the Additional Assets are to be disposed based on its NBV after taking into consideration the Additional Depreciation (as defined herein) as at the Completion Date in cash with immaterial loss on disposal to the indicative Disposal Consideration. The indicative Disposal Consideration of RM1,650.0 million and RM400.0 million to be satisfied as Completion Date Payment and Final Balance Payment (as defined herein) respectively, will be satisfied either fully in cash or a combination of Consideration Units of up to RM200.0 million and RM400.0 million for Completion Date Payment and Final Balance Payment (as defined herein) respectively. The issue price per Consideration Unit will be based on the book build price, in the event a placement exercise is undertaken by the Pavilion REIT, or issued based on the 5-day VWAP of the units in Pavilion REIT ("**Pavilion REIT Units**"), in the event a placement exercise is not undertaken by Pavilion REIT ("**Modes of Settlement**"). We are of the view that basis to determine the issue price for the Consideration Units based on the market prices of the units traded and Placement Issue Price (as defined herein) based on an efficient price discovery mechanism are the market norm for determining the price of equity and hence reasonable. Please refer to Section 6.1 of this IAL for further details.

Section in this IAL	Consideration factors	MIDF Investment's evaluation
Section 6.2	Rationale and benefits of the Proposed Disposal	The rationale and benefits of the Proposed Disposal are reasonable and not detrimental to the interests of the non-interested shareholders in view of the following: (i) The Proposed Disposal provides an opportunity for the Company to unlock potential value and monetise its investment in the Pavilion Bukit Jalil Mall via redemption of Khuan Choo's shareholdings in RPS-B; and (ii) The Proposed Disposal is envisaged to improve the Group's cash flow position and to enable the Group to conserve its internally generated funds to strengthen its financial position through the partial redemption of RPS. As part of the RPS is held by Khuan Choo, a wholly owned subsidiary of Malton, part of the indicative Disposal Consideration will be utilised for general working capital purposes in Malton Group. The Proposed Disposal will subsequently result in a loss on disposal of RM9.7 million for the Company. Such loss is after taking into consideration the unrealised fair value gain amounting to RM220.2 million in Regal Path's financial statements for FYE 30 June 2022, arising from the property revaluation undertaken for the Pavilion Bukit Jalil Mall. The indicative Disposal Consideration is higher than the audited NBV for the Pavilion Bukit Jalil Mall as at 30 June 2022 of RM2,176.7 million and higher than the total cost of investment of approximately RM1,949.3 million, including RM19.2 million estimated to be incurred for fixtures and fittings for the Pavilion Bukit Jalil Mall. Please refer to Section 6.2 of this IAL for further details.
Section 6.3	Salient terms of the CSPA	The salient terms of the CSPA are reasonable and not detrimental to the interests of the non-interested shareholders. Please refer to Section 6.3 of this IAL for further details.
Section 6.4	Effects of the Proposed Disposal	The Proposed Disposal will not have any effect on the issued share capital of the Company and substantial shareholders' shareholding of the Company as the Proposed Disposal will not involve the issuance of any new Malton Shares. However, the non-interested shareholders are advised to consider the evaluation of the pro forma effects of the Proposed Disposal as set out below: (i) The Group's audited NA as at 30 June 2022 is expected to decrease from RM1,003.6 million to RM992.9 million, or RM1.90 per Malton Share to RM1.88 per Malton Share. (ii) The EPS of Malton Group will decrease from 14.43 sen for FYE 30 June 2022 to 12.41 sen arising from the loss from the Proposed Disposal and estimated expenses arising from the Proposed Disposal.

Section in this IAL	Consideration factors	MIDF Investment's evaluation
		Notwithstanding the above, the repayment of all the outstanding loan facilities obtained by Regal Path of approximately RM1,129.15 million will allow for interest cost savings of approximately RM62.28 million per annum, which translates into an effective interest rate of approximately 5.55% per annum for the term loan and 4.11% per annum for the hire purchase. Please refer to Section 6.4 of this IAL for further details.
Section 6.5	Prospects, outlook and future plan	Whilst the overall Malaysian economy is expected to grow moderately between 4% to 5% backed by strong domestic demand, the economy is subject to potential rise in downside risks in 2023. Any economic downturn may affect consumers' purchasing power and the retail sector, thus hampering the outlook for the Pavilion Bukit Jalil Mall. Please refer to Section 6.5 of this IAL for further details.
Section 6.6	Risk factors in relation to the Proposed Disposal	The risks for the Proposed Disposal are set out in Section 5, Part A of the Circular. We wish to highlight the risks of the Proposed Disposal to the non-interested shareholders of Malton, being (i) delay or non-completion of the Proposed Disposal, (ii) political, economic and regulatory risks and (iii) capital market risk. We also wish to highlight although measures may be taken by the Board and management of Malton in the attempt to limit the risks in relation to the Proposed Disposal as mentioned in Section 5, Part A of the Circular, there is no assurance that such risk factors will not crystallise and give rise to material and adverse impact on the financial performance/position or prospects of the Group. Please refer to Section 6.6 of this IAL for further details.

3. CONCLUSION AND RECOMMENDATION

Premised on our overall assessment of the Proposed Disposal and our evaluation as set out in Section 6 of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Disposal is **fair and reasonable** and is **not detrimental** to the interests of the non-interested shareholders of Malton.

Accordingly, we recommend that the non-interested shareholders of Malton to **vote in favour** of the resolution pertaining to the Proposed Disposal to be tabled at Malton's forthcoming EGM.

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Registered Office:
Level 21, Menara MIDF
82 Jalan Raja Chulan
50200 Kuala Lumpur

3 March 2023

To: The Non-Interested Shareholders of Malton

Dear Sir/Madam,

MALTON BERHAD ("MALTON" OR THE "COMPANY")

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MALTON IN RELATION TO THE PROPOSED DISPOSAL

This IAL is prepared for the inclusion in the Circular in relation to the Proposed Disposal. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section in Part A of the Circular, except where the context otherwise requires or where otherwise defined herein.

1. INTRODUCTION

On 24 December 2021, Malton announced that MTrustee, acting as the trustee of Pavilion REIT, has accepted an invitation from Regal Path, a 51% joint venture of Malton, to commence discussion for the potential sale of the Pavilion Bukit Jalil Mall by Regal Path to MTrustee.

On 22 November 2022, RHB Investment Bank, on behalf of the Board, announced that the Company proposes to undertake the Proposed Disposal via a CSPA between Regal Path Sdn Bhd, a 51% joint venture of the Company via Amberstraits Sdn Bhd, a subsidiary of Malton, with MTrustee Berhad, being the trustee of Pavilion REIT, for an indicative Disposal Consideration of RM2,200.0 million. The indicative Disposal Consideration shall be fully satisfied in cash or a combination of Consideration Units in Pavilion REIT up to the equivalent sum of RM600.0 million and the balance of RM1,600.0 million in cash.

For information purpose, Malton had on 10 October 2019 completed the Disposal of 49%, where Malton had sold the Pavilion Bukit Jalil Mall to Regal Path simultaneously with a dilution of its 49% equity interest in Amberstraits to Jelang Tegas. 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.

Arising from the Disposal of 49%, the Company's investments in Amberstraits and Regal Path have been derecognised as subsidiaries and are treated as investments in joint ventures in the financial statements of Malton since the 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.

In view of the interests of certain directors and major shareholders of Malton and persons connected to them in the Proposed Disposal, the Proposed Disposal is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board had on 21 November 2022 appointed MIDF Investment as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Malton in respect of the Proposed Disposal.

The purpose of this IAL is to provide the non-interested shareholders of Malton with an independent evaluation on the fairness and reasonableness of the Proposed Disposal and whether the Proposed Disposal is detrimental to the non-interested shareholders of Malton, together with our recommendation on whether the non-interested shareholders of Malton should vote in favour of the resolution pertaining to the Proposed Disposal at Malton's forthcoming EGM, subject to the scope and limitations of our role and evaluation as specified herein. Nonetheless, you should rely on your own evaluation of the merits of the Proposed Disposal before making a decision on the course of action to be taken at the forthcoming EGM of the Company.

This IAL is prepared solely for the use of the non-interested shareholders of Malton for the purposes stated above and should not be used and relied upon by any other party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

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

2. DETAILS OF THE PROPOSED DISPOSAL

The details of the Proposed Disposal are set out in Section 2 of Part A of the Circular, which should be read in their entirety by the non-interested shareholders of Malton.

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

The interests of the Interested Directors, Interested Major Shareholders and/or persons connected to them are set out in Section 10 of Part A of the Circular.

4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED DISPOSAL

MIDF Investment was not involved in any formulation or any deliberation and negotiation on the terms and conditions of the Proposed Disposal. The terms of reference of our appointment as Independent Adviser to the non-interested shareholders are in accordance with the requirements set out in Paragraph 10.08(3) of the Listing Requirements. MIDF Investment's scope as Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Disposal insofar as the non-interested shareholders are concerned and whether the Proposed Disposal is to the detriment of the interest of the non-interested shareholders, based on information and documents made available to us but not limited to the following:

(i) information contained in Part A of the Circular and the appendices attached thereto;

(ii) the CSPA;

(iii) the Valuation Report and Valuation Certificate prepared by the Valuer;

(iv) the audited financial statements of Regal Path for the FYE 30 June 2022;

(v) other relevant information, documents, confirmations and/or representations provided by, or obtained in or derived from our discussions with the Board and management of Malton on 6 January 2023, 11 January 2023 and 17 January 2023; and

(vi) other relevant publicly available information.

We have not conducted any form of independent investigation into the business, affairs, operations, financial position or prospects of Malton Group and all relevant parties involved in the Proposed Disposal. We have relied on the Board and management of Malton to exercise due care to ensure that all information, documents and representations provided to us to facilitate our evaluation of the Proposed Disposal are accurate, valid and complete in all material respects. Accordingly, we have not independently verified such information, whether written or verbal, and shall not assume responsibility or liability whatsoever for its reasonableness, reliability, validity, accuracy and/or completeness of such information.

After making all reasonable enquiries and to the best of our knowledge and belief, we are satisfied with the disclosures from the Board and management of Malton, and that sufficient information has been obtained, and we have no reason to believe any of the information is unreliable, incomplete, misleading or inaccurate of which might reasonably affect our evaluation and opinion as set out in this IAL.

The Board has seen and approved the content of this IAL and has individually and collectively accepted full responsibility for the accuracy of the information contained in this IAL (save for the assessment, evaluation and opinion of MIDF Investment) and confirmed that after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or no other facts and/or information, the omission of which would make any information in this IAL incomplete, false or misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by MIDF Investment in relation to the Proposed Disposal is limited to ensuring that accurate information in relation to Malton Group was provided to MIDF Investment for its evaluation of the Proposed Disposal and to ensure that all information in relation to the Malton Group that are relevant to MIDF Investment's evaluation of the Proposed Disposal have been completely disclosed to MIDF Investment and that there is no material fact, the omission of which would make any information provided to MIDF Investment false or misleading.

Our scope as Independent Adviser is limited to expression of an independent opinion on the Proposed Disposal. In forming our opinion, we have considered factors which we believe would be of relevance and general importance to the non-interested shareholders of Malton. In rendering our advice, we have taken note of the pertinent matters which we believe are of general importance in enabling us to form our opinion on the fairness and reasonableness of the Proposed Disposal and whether the Proposed Disposal is detrimental to the interest of the non-interested shareholders.

It is not within our terms of reference to express any opinion on the commercial risks or commercial merits of the Proposed Disposal which remains the sole responsibility of the Board, and where comments or points of consideration are included on certain pertinent matters which may be commercially oriented, these are incidental to our overall evaluation and concern matters which we may deem material for disclosure.

Our evaluations as set out in this IAL are rendered solely for the benefit of the non-interested shareholders of Malton as a whole. We have not taken into consideration any specific investment objective, financial situation or particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders. We recommend that any individual non-interested shareholder or group of non-interested shareholders who are in doubt as to the action to be taken or require advice in relation to the Proposed Disposal in the context of their individual objectives, financial situation or particular needs, to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers.

Our evaluations and opinions as set out in this IAL are based upon market, economic, industry, regulatory and other conditions (if applicable) and the information/documents made available to us, as at the LPD or such other relevant period as discussed herein (as the case may be). Such conditions may change significantly over a period of time. Accordingly, our evaluations and opinions in this IAL do not take into account the information, events and conditions arising after the LPD or such other relevant period as discussed herein (as the case may be).

We will notify the non-interested shareholders, if after the despatch of this Circular, we:

(a) become aware of significant change affecting the information contained in this IAL;

(b) have reasonable grounds to believe that a material statement in this IAL is misleading or deceptive; or

(c) have reasonable grounds to believe that there is a material omission in this IAL.

If circumstances require, a supplementary IAL will be sent to the non-interested shareholders of Malton.

5. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

We confirm that we are not aware of any circumstances which exist or are likely to give rise to a possible conflict of interest situation for MIDF Investment to carry out the role as the Independent Adviser to Malton in respect of the Proposed Disposal, and we do not have any other professional relationship with Malton in the past two (2) years prior to the date of this IAL.

MIDF Investment is a participating organisation of Bursa Securities and a holder of the Capital Markets Services License issued by the Securities Commission Malaysia as a Principal Adviser who is permitted to carry out activity of advising on corporate finance under the Capital Markets and Services Act, 2007. MIDF Investment provides a range of advisory services which include, amongst others, mergers, acquisitions and divestitures, take-overs/general offers, fund raising, initial public offerings and reverse take-overs. We have significant experience in the independent analysis of transactions and issuing opinions on whether the terms and financial conditions of a transaction are deemed fair and reasonable, including those of acquisitions, disposals and general offers.

Our credentials and experience as an Independent Adviser, since 2017 and up to the date of this IAL, include amongst others, the following:

(i) independent advice letter dated 23 March 2021 to the non-interested shareholders of Bina Puri Holdings Bhd ("**Bina Puri**") pertaining to the acquisition of 2,022,593 ordinary shares in Ideal Heights Properties Sdn Bhd ("**IHP**"), representing 44.5% equity interest in IHP by Bina Puri Properties Sdn Bhd (wholly-owned subsidiary of Bina Puri) for a total purchase consideration of RM26,938,000 to be satisfied in cash and issuance of new ordinary shares in Bina Puri;

(ii) independent advice letter dated 26 September 2018 to the non-interested shareholders of DRB-HICOM Berhad ("**DRB-HICOM**") in relation to the disposal by HICOM Holdings Berhad, a wholly-owned subsidiary of DRB-HICOM, of 74,000,000 ordinary shares in Alam Flora Sdn Bhd ("**AFSB**"), representing 97.37% equity interest in AFSB, to Tunas Pancar Sdn Bhd, a wholly-owned subsidiary of Malakoff Corporation Berhad, for a cash consideration of RM944,610,000;

(iii) independent advice letter dated 28 March 2018 to the shareholders of DutaLand Berhad ("**DutaLand**") pertaining to the disposal by Pertama Land & Development Sdn Bhd, a wholly owned subsidiary of Duta Plantations Sdn Bhd which in-turn is wholly-owned by DutaLand, of the plantation assets in the district of Beluran (Labuk-Sugut) and Tongod, Sabah, measuring approximately 11,579.31 hectares to Boustead Rimba Nilai Sdn Bhd, a wholly owned subsidiary of Boustead Plantations Berhad, for a total cash consideration of RM750,000,000; and

(iv) independent advice letter dated 27 April 2017 to the non-interested shareholders of MMC Corporation Berhad ("**MMC**") in relation to the acquisition of 37,459,501 ordinary shares in Penang Port Sdn Bhd ("**PPSB**"), representing approximately 51.0% ordinary equity interest in PPSB by MMC Port Holdings Sdn Bhd, a wholly-owned subsidiary of MMC, from Seaport Terminal (Johore) Sdn Bhd for a cash consideration of RM220,000,000.

Premised on the foregoing, we are capable, competent and have the relevant experience in carrying out our role and responsibilities as the Independent Adviser to advise the non-interested directors and non-interested shareholders of Malton for the Proposed Disposal.

6. EVALUATION OF THE PROPOSED DISPOSAL

In arriving at our opinion and recommendation as the Independent Adviser to the non-interested shareholders of Malton in respect of the Proposed Disposal, subject to the aforementioned reliance and limitation, we have considered the following factors:

(i)	basis and justification of the indicative Disposal Consideration, consideration for Additional Assets and Modes of Settlement;	Section 6.1
(ii)	rationale and benefits of the Proposed Disposal;	Section 6.2
(iii)	salient terms of the CSPA;	Section 6.3
(iv)	effects of the Proposed Disposal;	Section 6.4
(v)	prospects, outlook and future plan; and	Section 6.5
(vi)	risk factors in relation to the Proposed Disposal.	Section 6.6

6.1 Basis and justification of the indicative Disposal Consideration, consideration for Additional Assets and Modes of Settlement

6.1.1 Indicative Disposal Consideration

The indicative Disposal Consideration for the Pavilion Bukit Jalil Mall is RM2,200.0 million.

As set out in Section 2.4 of Part A of the Circular, the indicative Disposal Consideration of RM2,200.0 million was arrived at on a 'willing-buyer willing-seller' basis and after taking into consideration amongst others, the following:

(a) the market value of the Pavilion Bukit Jalil Mall of RM2,200.0 million, as ascribed by the Valuer, vide its Valuation Report dated 8 December 2022;

(b) the audited NBV of the Pavilion Bukit Jalil Mall of RM2,176.7 million based on the audited financial statements of Regal Path as at 30 June 2022; and

(c) the rationale and benefits of the Proposed Disposal as set out in Section 3 of Part A of the Circular.

Malton, through Regal Path, has appointed the Valuer to undertake an independent valuation to appraise the market value of Pavilion Bukit Jalil Mall.

In evaluating the indicative Disposal Consideration, we have reviewed the valuation conducted by the Valuer for the Pavilion Bukit Jalil Mall. We noted the basis of valuation adopted by the Valuer is "Market Value", which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. We also noted that the Valuation Certificate and Valuation Report of the Pavilion Bukit Jalil Mall was prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

Accordingly, after making due review and enquiries, we are of the view that the valuation methodologies adopted by the Valuer are reasonable, appropriate and consistent with generally applied valuation methodologies. We have reviewed and are satisfied with the parameters adopted by the Valuer in arriving the market value of Pavilion Bukit Jalil Mall and are satisfied with the reasonableness of the parameters. As such, we are satisfied with the valuation conducted by the Valuer as well as the reasonableness of the opinion of the market value expressed by the Valuer on Pavilion Bukit Jalil Mall.

In arriving at the market value of RM2,200.0 million, the Valuer had adopted the following methods of valuation:

Valuation method	Description
Income Approach by way of Investment Method	The Income Approach by way of Investment Method is the capitalisation of net rent from a property of which the 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. The Valuer had adopted the market value derived from the Income Approach by way of Investment Method as the most appropriate method of valuation in view that the Pavilion Bukit Jalil Mall is an income-generating property.
Comparison Approach	The Comparison Approach entails the comparison of the property under valuation with sales of other similar properties. Adjustments are made to the factors to account for the dissimilarities between the properties to reflect the differences and to arrive at the market value of the subject property. The Comparison Approach purely serves as reference purposes only due to the uniqueness of the Pavilion Bukit Jalil Mall as well as the comparables which arise mainly due to wide-ranging difference in terms of location, concept, facilities, tenant mix, market catchment and retail business profiling. The adjustments based on pure property related factors which affect the value does not provide an effective and micro platform to arrive at the value of shopping malls using the Comparison Approach. The non-property related factors have a major impact which is not easily quantifiable form the aspect adjustments to be adopted. Over and above, the Valuer has not made any adjustment to arrive at the market value using the Comparison Approach. The Comparison Approach is merely useful to provide an overall guide pertaining to the range of market prices applicable for shopping malls. The Valuer had in the Valuation Report selected Intermark Mall, Da:men USJ Mall and 3 Damansara Mall for comparison purposes. The transacted prices for the comparable shopping malls are approximately RM711 per square foot ("**psf**"), RM1,157 psf and RM1,055 psf respectively. For information purposes, the indicative disposal consideration for the Pavilion Bukit Jalil Mall pursuant to the Proposed Disposal is RM1,207 psf.

In relation to the Comparison Approach, it is noted that there are comprehensive differences in terms of the location, concept, facilities, tenant mix, market catchment and retail business profiling between the Pavilion Bukit Jalil Mall and the comparable malls selected as indicated by the Valuer and these factors determine the uniqueness of a mall. Due to the above, the adjustments based on pure property related factors which affect the value such as location, accessibility, size and tenure, amongst others, does not provide an effective and micro platform to arrive at the value of shopping malls using the Comparison Approach. As such, any adjustments made to account for pure property differences to arrive at the market value of the Pavilion Bukit Jalil Mall will be arbitrary without being able to reflect the intrinsic aspects which may influence the profile of the retail business relevant to each comparable. The concept, tenant mix, market catchment and retail business profiling of the Pavilion Bukit Jalil Mall including the Pavilion branding factor may result in fetching of higher market value psf in comparison to the comparable malls. Notwithstanding, it should be noted that the higher transaction price of RM1,207 psf for the Proposed Disposal is based on Income Approach determined from amongst others rental income which may be influenced by the unique characteristics of Pavilion Bukit Jalil Mall. Hence, we are of the view that the adoption of valuation based on Comparison Approach purely for reference purposes by the Valuer is reasonable given the uniqueness of the Pavilion Bukit Jalil Mall.

For further information in relation to our analysis on the Income Approach carried out by the Valuer, please refer to **Section 6.1.2** of this IAL.

6.1.2 Income Approach by way of Investment Method for the Pavilion Bukit Jalil Mall

In summary, the market value of the Pavilion Bukit Jalil Mall ascribed by the Valuer using Income Approach by way of Investment Method is based on the following:

	Total Value (RM)	% of total market value (%)
Fixed rental income	1,827,258,103	83.07
Percentage rent	78,573,777	3.57
Other income	128,790,416	5.86
Car park income	165,040,970	7.50
Total market value	2,199,663,266	100.00
Adopted value	**2,200,000,000**	

(Source: Valuation Report)

The parameters adopted by the Valuer in applying the Income Approach by way of Investment Method for the Pavilion Bukit Jalil Mall are as follows:

Description	Parameters	Remarks
A. Fixed rental income (including base rent, service charge and promotional charge)		
Monthly gross rental rate psf and net lettable area ("**NLA**")	Term rate[1] and reversion rate[2] are RM8.89 psf and RM10.20 psf respectively.	The term rates adopted are derived from the actual rental rates of secured tenancies and benchmarked against the rental rates of selected shopping malls within Klang Valley such as Mid Valley Megamall, Sunway Pyramid and IOI City Mall which ranged between RM2.65 psf to RM80.00 psf as sourced from Property Market Report First Half 2022 by National Property Information Centre (**"NAPIC"**). Similarly, the adopted NLA is based on the tenancy agreements. Upon expiry of the tenancy agreements, the Valuer has adopted the NLA provided by the licensed land surveyor.
B. Percentage rent		
Monthly percentage rent	From RM400,000 per month to RM550,000 per month.	The monthly percentage rent adopted is benchmarked against the actual average monthly percentage rent achieved since the opening of the Pavilion Bukit Jalil Mall, the forecasted and projected monthly percentage rent as well as the percentage rent of selected shopping malls within Klang Valley. In addition, the Valuer reflected a staggered income over a period of 3 years in order to take into consideration the current physical occupancy rate of 64%.

Notes:

(1) The term rate is based on the current rental rate under the existing tenancies.

(2) The reversion rate is based on the expected rental rate that the Pavilion Bukit Jalil Mall is expected to achieve after the current tenancies.

Description	Parameters	Remarks
C. Other income		
Monthly other income	From RM780,000 per month to RM880,000 per month.	Other income comprises income from the rental of push carts, storages, auto-teller machines, exhibition hall, event and promotional income, advertisement, LED screen and others. The monthly other income rate adopted is benchmarked against the actual monthly other income achieved since the opening of the Pavilion Bukit Jalil Mall and the forecasted and projected monthly other income. In addition, the Valuer reflected a staggered income over a period of 3 years in order to take into consideration the current physical occupancy rate of approximately 64%.
D. Car park income		
Monthly car park income	Term rates of between RM738,310 per month to RM984,413 per month. Reversion rate of RM984,413 per month.	The computation is based on the formula as per the car park operator cum license agreement and its supplemental agreement between Regal Path and the parking operator, which will depend on the occupancy level threshold. The current monthly car park income is lower given the current physical occupancy rate of 64%, the Valuer expects full monthly car park fees in Years 2 and 3. In addition to the monthly license fee, there is a further license fee which is 30% of the sum of annual gross sales turnover less a fixed RM12.0 million rental paid to Regal Path, RM3.6 million fee paid to the parking operator and annual service tax incurred ("**Additional License Fee**").
E. Monthly outgoings		
Monthly outgoings psf	Average term and reversion outgoings rate of RM3.80 psf.	The monthly outgoings rate adopted is benchmarked against the actual outgoings achieved since the opening of the Pavilion Bukit Jalil Mall, the forecasted and projected monthly outgoings as well as the monthly outgoings rate for selected shopping malls within Klang Valley.
F. Void rate		
Void rate	5%	The void rate adopted reflects the rent-free period and a provision for unforeseen vacancies during tenants' transitions. The void rate adopted is also benchmarked against the occupancy rates of selected shopping malls in Klang Valley, namely Pavilion Kuala Lumpur, Mid Valley Megamall, the Gardens Mall, Sunway Pyramid and The Mines.

Description	Parameters	Remarks
G. Capitalisation rate		
Main leasing and car park income	Main leasing and car park income term yield of 6.25% and reversion yield of 6.75%.	The term yield of 6.25% for main leasing and car park income is benchmarked against the term yields of selected shopping mall transactions in Klang Valley which ranged between 5.39% to 6.23%. In addition, the Valuer has taken into consideration the age, current physical occupancy rate of approximately 64%, net lettable area as well as the current oversupply of retail space in the market.
Percentage rent and other income	Percentage rent and other income reversion yield of 7.75%.	A higher capitalisation rate was adopted for the percentage rent and other income as opposed to the main leasing and car park income as income from these categories generally tend to fluctuate on a yearly basis.

(Source: Valuation Report)

Our comments:

Based on the breakdown of the total market value for the Pavilion Bukit Jalil Mall ascribed by the Valuer, the fixed rental income and percentage rent comprise approximately 86.64% of total market value ascribed by the Valuer of RM2,200.00 million. The other income and car park income are generally consequential income to the fixed rental income and percentage rent.

The details of our evaluation are as follows:

A. Fixed rental income (including base rent, service charge and promotional charge) and percentage rent

The fixed rental income consists of rental income from various types of tenants such as anchor, mini anchor, retail, food and beverages, kiosks, food and beverage seating area and exhibition hall.

Based on the Valuation Report, the Valuer had benchmarked against the range of rental rates, on floor-by-floor basis, of selected shopping malls within Klang Valley including One Utama, Sunway Pyramid, Mid Valley Megamall, The Gardens Mall, IOI City Mall, IOI Mall Puchong, Nu Sentral and Melawati Mall, of which the overall range of rental rates for the entire respective shopping mall are set out below:

Shopping malls	Total NLA (square feet)	Total floors (floors)	Overall range of rental rate (RM psf/ month)
One Utama	2.19 million	4	12.00 – 41.00
Sunway Pyramid	1.78 million	3	11.85 – 58.62
Mid Valley Megamall	1.80 million	5	15.00 – 80.00
The Gardens Mall	0.84 million	5	17.00 – 40.00
IOI City Mall	1.50 million	4	2.65 – 44.00
IOI Mall Puchong	0.86 million	3	5.00 – 33.27
NU Sentral	0.65 million	7	12.00 – 31.00
Melawati Mall	0.61 million	7	4.98 – 32.60

(Source: Valuation Report)

We noted that the wide range of rental rates of RM2.65 psf to RM80.00 psf sourced from the Property Market Report First Half 2022 by NAPIC is arising from different location for the malls and within a mall, the range of rental rates also vary from one floor to another.

In addition, the Valuer has also taken into account rental rates based on type of tenants of selected shopping malls within Klang Valley with NLA in the region of 500,000 sq ft to 2,000,000 sq ft whereby the range of rental rate is from RM0.50 to RM120.00 psf/month. The Valuer has not disclosed the full details of the selected shopping malls as the information is confidential and not publicly available.

In evaluating the overall monthly gross rental rate adopted by the Valuer for the Pavilion Bukit Jalil Mall, we have compared the rate adopted against the comparable malls in Klang Valley (excluding malls under Pavilion REIT) as tabulated below. Our selection of the comparable malls in Klang Valley is based on publicly available information of gross revenue and net lettable area of malls owned by listed real estate investment trusts. However, the comparable malls might not be exactly similar or directly comparable due to various considerations such as size of the mall, geographical location and status of the building. Aside from the malls disclosed in the table below, we have excluded other malls in Klang Valley as the required information for comparison purposes are not publicly available. We have not considered the comparable malls owned by Pavilion REIT as its major shareholders, namely Tan Sri Lim Siew Choon, Puan Sri Tan Kewi Yong and Qatar Holding LLC, are parties involved in the Proposed Disposal.

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Comparable malls	Listed REITs	Annual gross revenue (RM '000)	Net lettable area (sq ft)	Average monthly gross rental (RM psf)
Central Kuala Lumpur				
Mid Valley Megamall	IGB REIT	281,143 (1)	1,844,874	12.70
The Gardens Mall	IGB REIT	118,384 (1)	844,466	11.68
Suria KLCC	KLCC REIT	327,700 (1)	948,620	28.79
The Starhill	Starhill Global REIT	46,404 (1)(2)	333,289	11.60
Lot 10	Starhill Global REIT	35,437 (1)(3)	254,163	11.62
Sungei Wang	CapitaLand Malaysia Trust	14,664 (1)	411,595	2.97
Sunway Putra Mall	Sunway REIT	34,041 (1)	554,752	5.11
Average (Central Kuala Lumpur)				9.28 (4)
Non-Central Kuala Lumpur				
Sunway Pyramid	Sunway REIT	178,190 (1)	1,632,339	9.10
The Mines	CapitaLand Malaysia Trust	36,000 (1)	734,145	4.09
3 Damansara Property (5)	CapitaLand Malaysia Trust	18,876 (1)	568,399	2.77
KIPMall Bangi	KIP REIT	9,774 (1)	255,202	3.19
Subang Parade	Hektar REIT	30,400 (1)	523,487	4.84
Selayang Mall	Amanahraya REIT	10,726 (1)	367,484	2.43
Average (Non-Central Kuala Lumpur)				4.40
Average monthly gross rental				6.84 (4)
Range of average monthly gross rental				2.43 – 12.70 (4)
Average passing rental term rate for Pavilion Bukit Jalil Mall				**8.89 (6)**
Average passing rental reversion rate for Pavilion Bukit Jalil Mall				**10.20 (7)**

(Source: Latest annual report in relation to the respective comparable malls)

Notes:

(1) *The gross revenue is inclusive of car park income and other income of which the breakdown is not publicly available.*

(2) *Based on gross revenue of Singapore Dollars ("**SGD**") 14,649,579.00, being 56.70% of total revenue of SGD25,837,000. The exchange rate of RM3.1676:SGD1 applied is as at 29 June 2022 being the last available exchange rate prior to latest annual report for FYE 30 June 2022 of Starhill Global REIT (Source: Bank Negara Malaysia's website).*

(3) *Based on gross revenue of SGD11,187,421.00, being 43.30% of total revenue of SGD25,837,000. The exchange rate of RM3.1676:SGD1 applied is as at 29 June 2022, being the last available exchange rate prior to latest Annual Report for FYE 30 June 2022 of Starhill Global REIT (Source: Bank Negara Malaysia's website).*

(4) *Excluding Suria KLCC which is deemed an outlier. For information purposes, it should be noted that the rental rates for Suria KLCC are higher compared to other malls due its iconic location at the Petronas Twin Towers which is both a major commercial centre and tourist attraction located within Kuala Lumpur city centre.*

(5) *The 3 Damansara Property consists of 3 Damansara mall and 3 Damansara office tower. The annual gross revenue consists of incomes from retail and office. However details on the breakdown of revenue is not publicly available.*

(6) *Based on the average passing rental rates adopted for term in relation to the Pavilion Bukit Jalil Mall, as per the parameters adopted by the Valuer in arriving at its valuation. The term rate of RM8.89 psf was adopted upon taking into account the provision of rental rebate to an anchor tenant throughout its tenancy period in the event that the monthly gross sales turnover threshold could not be achieved. The average passing rental term rate is RM9.24 psf before reflecting the rental rebate.*

(7) *Based on the average passing rental rates adopted for reversion in relation to the Pavilion Bukit Jalil Mall, as per the parameters adopted by the Valuer in arriving at its valuation.*

We have assessed the average monthly gross rental for comparable malls based on two categories of locations which are Central Kuala Lumpur and Non-Central Kuala Lumpur. Based on the Valuation Report, the Pavilion Bukit Jalil Mall is located within Non-Central Kuala Lumpur.

The average passing rental term rate for the Pavilion Bukit Jalil Mall of RM8.89 psf as adopted by the Valuer is higher than the average monthly gross rental of comparable malls in Non-Central Kuala Lumpur of RM4.40 psf.

Based on the table above, the average passing rental term rate and reversion rate of RM8.89 psf and RM10.20 psf are within and higher than the range of comparable malls in Non-Central Kuala Lumpur of between RM2.43 psf to RM9.10 psf respectively. The rates are also within the range of comparable malls in Klang Valley of between RM2.43 psf to RM12.70 psf. We noted the rental term rate is at the high end of the range in view that Pavilion Bukit Jalil Mall is a fully integrated regional lifestyle mall in the southern corridor of Kuala Lumpur. The Pavilion Bukit Jalil Mall accommodates well-known retail brands such as Parkson, Mr. D.I.Y., Padini Concept Store and Uniqlo and new reputable international brands to enter the retail market in Malaysia for the first time such as Tsutaya Books, a well-renowned Japanese bookstore chain, operating in more than 1,400 branches globally, LOHAS, an award-winning pottery brand which opened its first flagship store outside of Taiwan, and Tianyue Teajoy with its first store outside China which offers a wide range of exclusive tea specialities. Nitori, one of the largest store chains for the Japanese home furnishing and home décor in Japan has also open an outlet at Pavilion Bukit Jalil Mall.

B. Percentage rent

The percentage rent is the percentage of business turnover that a tenant pays in addition to the fixed rental income. We noted from the Valuation Report, the monthly percentage rent is adopted based on the actual percentage rent income generated since the opening of the Pavilion Bukit Jalil Mall and the forecasted and projected monthly percentage rent. The Valuer had adopted monthly percentage rents of RM400,000 in Year 1, RM450,000 in Year 2, RM500,000 in Year 3 and RM550,000 for terminal. The lower monthly percentage rate adopted by the Valuer for the first three years is in view that the Pavilion Bukit Jalil Mall is a newly completed mall with current physical occupancy rate of 64%, which is expected to gradually increase.

C. Other income

The monthly other income comprises income generated from the rental of push carts, storages, auto-teller machine, exhibition hall, event and promotional income, advertisement, LED screen and others. We noted from the Valuation Report, the monthly other income is adopted based on the actual other income generated since the opening of the Pavilion Bukit Jalil Mall and the forecasted and projected monthly other income. The Valuer had adopted monthly other incomes of RM780,000 in Year 1, RM820,000 in Year 2, RM850,000 in Year 3 and RM880,000 for terminal. The lower monthly percentage rate adopted by the Valuer for the first three years is a more prudent approach in view that the Pavilion Bukit Jalil Mall is a newly completed mall with current physical occupancy rate of 64%, which is expected to gradually increase.

D. Car park income

We noted from the Valuation Report that the computation for car park income will depend on the occupancy level threshold as set out in the formula stipulated within the car park operator cum license agreement and its supplemental agreement between Regal Path and the parking operator. The lower monthly car park income for the initial years were adopted by the Valuer considering that the Pavilion Bukit Jalil Mall is a newly completed shopping mall, with a current occupancy rate of 64%.

We also wish to highlight that the Additional License Fee is a form of normal profit sharing arrangement between Regal Path and the parking operator, similar to rental arrangement between other tenants of the mall with Regal Path. Under such arrangement Regal Path is entitled to additional car park income in the event that it exceeds a certain threshold. We are of the view this is a reasonable commercial term to recognise the efforts of the management of Regal Path to promote and increase the foot traffic to the Pavilion Bukit Jalil Mall.

Based on the above, we are of the view that the adopted car park income is reasonable.

E. Monthly outgoings

From the monthly gross rental, the monthly net income was arrived at after excluding the monthly outgoings which include operating expenses for retail space, car park, exhibition hall and promotional areas.

The monthly outgoing rate of RM3.80 psf adopted by the Valuer is outside the range of historical outgoings recorded by the Pavilion Bukit Jalil Mall between December 2021 to September 2022, which ranged between RM3.55 psf to RM3.60 psf as higher outgoings are expected as the occupancy rate increases. However, the monthly outgoing rate is within the range of monthly outgoing rates for selected shopping malls within Klang Valley which ranged between RM2.50 psf to RM5.00 psf. The malls include Elite Pavilion Mall, Melawati Mall and selected shopping malls. The full details of the selected shopping malls were not disclosed by the Valuer as such information is not available publicly due to its highly private and confidential nature.

F. Void rate

The physical and committed occupancy rates based on the Valuation Report are approximately 64.0% and 78.0% respectively. In arriving at the void rate for the Pavilion Bukit Jalil Mall, the Valuer has considered the occupancy trend for Pavilion Kuala Lumpur, Mid Valley Mega Mall, The Gardens Mall, Sunway Pyramid and The Mines between 2019 to 2021 which ranged between 76.0% to 99.0%.

Based on the above, we are of the view the reversion void rate of 5% adopted by the Valuer is reasonable as it reflects the rent-free period and a provision for unforeseen vacancies during tenants' transitions in the long term. The void rate adopted indicates an effective 95.0% occupancy rate for the Pavilion Bukit Jalil Mall in view that the occupancy rate is expected to increase gradually.

G. Capitalisation rate

The capitalisation rate reflects the rate of return on investment on a property. It is used to discount the net annual income stream that is expected to be received to arrive at a present value. The higher capitalisation rates will result in a lower valuation of the property.

Based on the Valuation Report, the capitalisation term rate of 6.25% adopted by the Valuer is outside the range of its analysis of the yield of selected shopping malls transactions within Klang Valley by the Valuer which ranged between 5.39% and 6.23%. We are of the view the adoption of higher capitalisation rate by the Valuer is due to the current physical occupancy of approximately 64% as well as the current oversupply of retail space in the market.

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In evaluating the capitalisation rates adopted by the Valuer, we have also compared the rates against the comparable malls in Klang Valley (excluding malls under Pavilion REIT) as tabulated below:

Comparable malls	Capitalisation rate [1]	
	Term rate (%)	Reversionary rate (%)
Central Kuala Lumpur		
Mid Valley Megamall	5.85 – 6.85	6.35 – 7.35
The Gardens Mall	5.85 – 6.85	6.35 – 7.35
Suria KLCC	6.25	6.50
The Starhill	3.60 – 7.00	3.60 – 7.00
Lot 10	3.60 – 7.00	3.60 – 7.00
Sungei Wang	7.00	7.00
Sunway Putra Mall	6.25	6.50
Range of capitalisation rates for central Kuala Lumpur	3.60 – 7.00	3.60 – 7.35
Non-Central Kuala Lumpur		
Sunway Pyramid	6.25	8.25
The Mines	7.00	7.00
3 Damansara [2]	6.50	6.50
KIPMall Bangi	6.50	7.00
Subang Parade	6.25 – 7.00	6.50 – 7.25
Selayang Mall	5.00 – 6.50	5.25 – 6.50
Range of capitalisation rates for non-central Kuala Lumpur	5.00 – 7.00	5.25 – 8.25
Main leasing and car park income for Pavilion Bukit Jalil Mall	**6.25**	**6.75**
Percentage rent and other income for Pavilion Bukit Jalil Mall	**-**	**7.75**

(Source: Latest Annual Reports in relation to the respective comparable malls)

Notes:

[1] Capitalisation rate is one of the inputs to determine the fair value of shopping malls.

[2] The capitalisation rate for 3 Damansara includes both mall and office tower.

Based on the above, the capitalisation term rate of 6.25% adopted by the Valuer for main leasing and car park income is within the range of capitalisation rates of comparable malls in non-central Kuala Lumpur of 5.00% to 7.00%. The reversionary rate of 6.75% adopted by the Valuer for main leasing and car park income is also within the range of reversionary rates of comparable malls in non-central Kuala Lumpur of 5.25% to 8.25%.

We also noted that the reversionary rate of 7.75% for percentage rent and other income is within the range of reversionary rate of comparable malls in non-central Kuala Lumpur of 5.25% to 8.25%. The adoption of higher capitalisation rate reflects the risks associated with the stream of revenue which are uncertain and has the tendency to fluctuate.

6.1.3 Consideration for Additional Assets

In addition to the Pavilion Bukit Jalil Mall, Regal Path also agrees to sell and Pavilion REIT agrees to purchase the Additional Assets required for the operations of Pavilion Bukit Jalil Mall 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 the Circular ("**Additional Depreciation**") as at the Completion Date in cash and this does not form part of the Disposal Consideration. The Additional Assets comprise, amongst others, assets such as laptops, buggies and mobile elevating work platform.

As indicated in Section 2.1 of Part A of the Circular, for illustrative purposes, the disposal consideration of the Additional Assets based on the NBV of the Additional Assets after taking into consideration the Additional Depreciation as at 30 June 2022 is RM3,727,676.96. As illustrated in Section 2.8 of Part A of the Circular, the estimated loss on disposal of the Additional Assets as at 30 June 2022 arising from the Additional Depreciation is approximately RM339,000, which is approximately 0.02% of the indicative Disposal Consideration.

The Additional Assets are required for the operations of Pavilion Bukit Jalil Mall and for a disposal of property, such assets are commonly disposed together. We are of the opinion that, although the Additional Assets are utilised for operating the Pavilion Bukit Jalil Mall, the decoupling of consideration for Additional Assets and the indicative Disposal Consideration is necessary as the Additional Assets are movable and complimentary assets but do not form part of the Pavilion Bukit Jalil Mall.

We are of the view that the consideration for the Additional Assets is fair as the estimated loss on disposal of the Additional Assets is immaterial to the indicative Disposal Consideration. In addition, separate consideration for the Additional Assets has accorded values to the assets which is separate from the valuation of Pavilion Bukit Jalil Mall and we are of the view that this is beneficial to Regal Path as there will be additional proceeds to Regal Path from the Proposed Disposal in addition to the indicative Disposal Consideration.

6.1.4 Modes of Settlement

The Modes of Settlement is set out in Section 2.1 of Part A of the Circular.

Part of the indicative Disposal Consideration of RM2,200.0 million, the Completion Date Payment (as defined herein) of RM1,650.0 million will be satisfied either fully in cash or a combination of Consideration Units of up to RM200.0 million. The Final Balance Payment (as defined herein) of RM400.0 million will be satisfied either fully in cash or a combination of Consideration Units of up to RM400.0 million. In addition, the Defect Rectification Payment (as defined herein) and Strata Title Payment (as defined herein) of RM50.0 million and RM100.0 million respectively are to be satisfied completely in cash.

The settlement of indicative Disposal Consideration via issuance of Consideration Units in two stages (i.e. Completion Date Payment of up to RM200.0 million and Final Balance Payment of up to RM400.0 million) would allow for Regal Path to receive at least RM1,450.0 million in cash, representing 65.9% of the indicative Disposal Consideration, at the Completion Date to enable Regal Path to make full repayment of all outstanding loan facilities in relation to Pavilion Bukit Jalil Mall and defrayment of estimated expenses relating to Proposed Disposal as well as to have sufficient cash flow for its operation needs without having to monetise the Consideration Units received immediately. In the scenario that the Completion Date Payment would comprise of up to RM600.0 million of Consideration Units, the cash portion of the Completion Date Payment will reduce to a minimum of RM1,050.0 million and is insufficient for the full repayment of all the outstanding facilities in relation to Pavilion Bukit Jalil Mall. Regal Path would need to monetise a portion of the Consideration Units immediately to cover the shortfall of the outstanding amount as the loan facilities have to be settled immediately. The monetisation of such Consideration Units within a short timeframe may results in the disposal undertaken at a price lower than the issue price which

would be unfavourable to Regal Path. The monetisation of the Consideration Units would also incur extra cost such as placement fees.

In relation to the Final Balance Payment for the indicative Disposal Consideration, both Parties has mutually agreed that such payment would be satisfied either fully in cash or a combination of Consideration Units up to the equivalent sum of RM400.0 million and the balance in cash which will be no later than the second quarter of 2025. Taking into consideration the time gap between the date of signing of SPA and the expected date of payment of Final Balance Consideration which will be not later than the 2nd quarter of 2025, this would also enable Pavilion REIT to determine the manner of settlement of the Final Balance Payment by taking into consideration the prevailing market sentiments of the equity markets at the time of payment of the Final Balance Payment.

We understand it is the preference of Regal Path to receive the indicative Disposal Consideration, including the Final Balance Payment entirely in cash as this would facilitate Regal Path to utilise the proceeds immediately for the purposes as detailed in Section 2.10 of the Circular without having to monetise the Consideration Units received as indicated above. However the manner of settlement of the indicative Disposal Consideration by either entirely in cash or via a combination of cash and Consideration Units would be dependent on the outcome of the implementation of placement exercises by Pavilion REIT.

Despite the preference of Regal Path to receive indicative Disposal Consideration entirely in cash for the utilisation of proceeds as described in Section 2.10 of the Circular, we noted that Regal Path accepted the Consideration Units as part of the settlement of indicative Disposal Consideration after considering the prospects of Pavilion REIT as described in Section 4.3 of the Circular.

In the scenario out of RM600.0 million of the indicative Disposal Consideration is satisfied entirely in Consideration Units, Regal Path may have to incur an estimated cost of RM6.0 million in monetising the Consideration Units based on an assumed placement fees of 1%. As such, total gross proceeds will be lower than the intended utilisation and such shortfall would have to be funded from other source of funding. There is also no assurance that Regal Path could place out the Consideration Units at a same price or higher than the issue price of the Consideration Units immediately as the price of Pavilion REIT Unit is subject to the prevailing market sentiments of equity markets and interest of investors and similarly, a shortfall may occur if Regal Path proceeds to monetise the Consideration Units. In the event the market price of the Pavilion REIT unit is lower than the issue price of Consideration Unit, Regal Path intends to hold on the Consideration Units for the market price to recover to a price which is the same or above the issue price of the Consideration Units. However, the placement and/or opportunity costs could be potentially offset by the income distribution by Pavilion REIT attributable to the holders of Pavilion REIT Unit during the holding period prior to the monetisation.

Notwithstanding that there could be a shortfall of gross proceeds to be raised from monetisation of the Consideration Units, we are of the view that issuance of Consideration Units is reasonable as there could be potential upside on the price for the Consideration Units. considering the prospects of Pavilion REIT. However, we noted that the preferred mode of settlement is cash.

The issue price and number of Consideration Units to be issued to Regal Path has not been determined at this juncture. Based on Section 2.1 of Part A of the Circular, the issue price per Consideration Unit will be based on the book build price, in the event a placement exercise is undertaken by the Pavilion REIT, or issued based on the 5-day VWAP of the Pavilion REIT Units, in the event a placement exercise is not undertaken by Pavilion REIT.

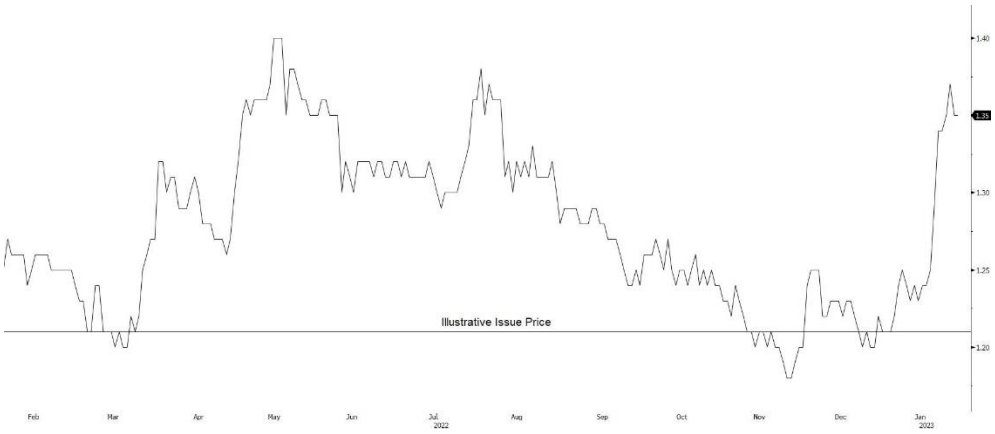
In the event that placement is undertaken by Pavilion REIT under book building exercise, the issue price for the Pavilion REIT Units ("**Placement Issue Price**") which will depend on, among others, the indicative demand and feedback from potential investors of Pavilion REIT and the market price of the Pavilion REIT Units.

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 of the announcement made by Malton in relation to the Proposed Disposal dated 22 November 2022 ("**Announcement**") of RM1.2053 and assuming the issue price of the Consideration Units is RM1.21 per Pavilion REIT Unit ("**Illustrative Issue Price**"), the number of new Consideration Units to be issued up to an equivalent sum of RM600.0 million for Completion Date Payment and Final Balance Payment amounting to 495,867,768 units in Pavilion REIT. Such amount represents 13.96% of the total enlarged issued units in Pavilion REIT after issuance of new Consideration Units with an equivalent sum of RM600.0 million at the Illustrative Issue Price.

We have further evaluated the historical market prices of Pavilion REIT Unit and VWAP analysis as below.

(a) Historical market price of Pavilion REIT Units

The chart below sets out the historical closing market prices of Pavilion REIT Units for the past 12 months preceding the LPD:



(Source: Bloomberg)

In addition, the monthly highest and lowest traded market prices of Pavilion REIT Units for the past 12 months preceding to the LPD are as follows:

	High (RM)	Low (RM)
2022		
February	1.27	1.23
March	1.32	1.20
April	1.34	1.25
May	1.41	1.31
June	1.37	1.27
July	1.37	1.29
August	1.38	1.27
September	1.29	1.24
October	1.27	1.23
November	1.25	1.18
December	1.27	1.19
2023		
January	1.37	1.20

(Source: Bloomberg)

Based on the above, we note that the highest traded market price of Pavilion REIT Units has increased from RM1.27 in February 2022 to RM1.41 in May 2022 before decreased to RM1.37 in June 2022 and July 2022. The highest traded price rebound slightly from RM1.37 in July 2022 to RM1.38 in August 2022 before trending downwards from RM1.38 in August 2022 to RM1.25 in November 2022. Thereafter, the highest traded price rebound and trending upward from RM1.25 in November 2022 to RM1.37 in January 2023.

The highest and lowest traded market prices of Pavilion REIT Units for the past twelve (12) months prior to LPD were RM1.41 and RM1.18 on 18 May 2022 and 24 November 2022 respectively while the highest and lowest closing market prices of Pavilion REIT Units for the past twelve (12) months prior to LPD were RM1.40 and RM1.18 on 18 May 2022 and 24 November 2022 respectively.

We note that the Illustrative Issue Price of RM1.21 is within the highest and lowest traded market prices of Pavilion REIT Units for the past twelve (12) months preceding to the LPD.

(b) VWAP Analysis

We have assessed the reasonableness of the Illustrative Issue Price of RM1.21 per Consideration Unit and compared the said issue price against the following:

(i) the closing market price of Pavilion REIT Units of RM1.2000, being the date immediately preceding the date of the Announcement; and

(ii) the 5-day, 1-month, 3-month, 6-month and 12-month VWAP of Pavilion REIT Units up to and including the date immediately preceding the date of the Announcement which are set out in the table below:

	Market price/VWAP	**Premium/(Discount) of the Illustrative Issue Price over the market price/VWAP**	
	RM	**RM**	**%**
Closing market price of Pavilion REIT Units on the day immediately preceding the date of the Announcement	1.2000	0.0100	0.83
5-day VWAP	1.2053	0.0047	0.39
1-month VWAP	1.2231	(0.0131)	(1.07)
3-month VWAP	1.2451	(0.0351)	(2.82)
6-month VWAP	1.2953	(0.0853)	(6.58)
12-month VWAP	1.2833	(0.0733)	(5.72)
<u>For information only:</u>			
Closing market price of Pavilion REIT Units as at the LPD	1.3800	(0.1700)	(12.32)
5-day VWAP up to and including the LPD	1.3802	(0.1702)	(12.33)

(Source: Bloomberg)

Based on the above, we noted that the Illustrative Issue Price represents:

(i) a premium of RM0.0100 or 0.83% to a discount of RM0.0853 or 6.58% over the closing market price as at the day immediately preceding the date of the Announcement, the 5-day, 1-month, 3-month, 6-month and 12-month VWAPs of Pavilion REIT Units up to and including the day immediately preceding the date of the Announcement; and

(ii) a discount of RM0.1700 and RM0.1702 or 12.32% and 12.33% over the closing market price as at the LPD and the 5 day-VWAP up to and including the LPD.

(c) Net Asset Value ("**NAV**") per Pavilion REIT Unit

We have also compared the Illustrative Issue Price against NAV per Pavilion REIT Unit based on the audited statement of financial position of Pavilion REIT as at 31 December 2022 as tabulated below.

	NAV per Pavilion REIT Unit	**Discount of the Illustrative Issue Price to the NAV per Pavilion REIT Unit**	
	RM	**RM**	**%**
Audited NAV per Pavilion REIT Unit as at 31 December 2022 (after proposed final income distribution of 4.29 sen per unit)	1.2858	0.0758	5.90

The Illustrative Issue Price of RM1.21 per Consideration Unit represents a discount of 5.90% to the audited NAV per Pavilion Unit of RM1.2858 as at 31 December 2022 (after proposed final income distribution of 4.29 sen per unit). The assets of Pavilion REIT comprise mainly of investment properties and cash and bank balances, whereby the investment properties are revalued every financial year in accordance with the Guidelines on Listed Real Estate Investment Trusts. Based on the above, we are of the view that the Illustrative Issue Price is reasonable as it is below the NAV per Pavilion REIT Unit.

6.1.5 Conclusion

For the valuation of the Pavilion Bukit Jalil Mall, the Valuer had adopted the income approach by way of investment method and has ascribed a market value of the Pavilion Bukit Jalil Mall at RM2,200.0 million. We are of the view that the methodologies applied by the Valuer are reasonable, appropriate and consistent with generally applied valuation methodologies. We are also of the view that the parameters adopted by the Valuer in arriving at the valuation of the Pavilion Bukit Jalil Mall are reasonable. In arriving at the fairness evaluation of the indicative Disposal Consideration, we noted that the indicative Disposal Consideration is at market value of the Pavilion Bukit Jalil Mall as ascribed by the Valuer.

In relation to the consideration for the Additional Assets, we are of the view that it is fair given the estimated loss on disposal of the Additional Assets being immaterial to the indicative Disposal Consideration.

We are also of the view that basis to determine the issue price for the Consideration Units based on the market prices of the units traded and Placement Issue Price based on an efficient price discovery mechanism are the market norm for determining the price of equity. Notwithstanding, the actual issue prices for the Consideration Units and the actual Placement Issue Price have not been determined and may be lower or higher than the Illustrative Issue Price of RM1.21 as above.

Premised on the above, we are of the view that the indicative Disposal Consideration and consideration for the Additional Assets are fair and the basis to determine the issue price for the Consideration Units and Placement Issue Price are reasonable.

6.2 Rationale and benefits of the Proposed Disposal

We take cognisance of the rationale and benefits of the Proposed Disposal as stated in Section 3 of Part A of the Circular.

The Proposed Disposal will allow Malton Group to immediately unlock the value and monetise its investment with the indicative Disposal Consideration being RM2,200.0 million, higher than its original cost of investment in the Pavilion Bukit Jalil Mall of RM1,930.0 million as well as the audited NBV as at 30 June 2022 of RM2,176.7 million. The indicative proceeds from the Proposed Disposal will be utilised mainly for the repayment of all outstanding loan facilities obtained by Regal Path in relation to the Pavilion Bukit Jalil Mall as well as partial redemption of the outstanding RPS issued by Regal Path, including the RPS-B held by Khuan Choo, a wholly owned subsidiary of Malton. The repayment of bank borrowings is expected to result in an annual interest savings in Regal Path of approximately RM62.3 million based on the effective interest rate of approximately 5.55% per annum for the term loan and 4.11% per annum for the hire purchase.

Although Malton is not in control of Regal Path following the Disposal of 49% whereby Regal Path became a 51% joint venture of Malton and all the indicative Disposal Consideration will entirely be accrued to Regal Path only, Malton would still benefit from the Proposed Disposal which immediately unlock value and monetise Malton Group's investments via redemption of Khuan Choo's holdings of RPS-B in Regal Path from the utilisation of indicative proceeds from the Proposed Disposal. Payment received by Khuan Choo from Regal Path arising from the redemption of RPS-B will be channelled towards Malton Group's business operations for general working capital purposes. As at the LPD, the estimated redemption amount for RPS-B from the indicative proceeds of the Proposed Disposal is RM289.23 million as compared to the initial subscription price paid by Khuan Choo of RM215.8 million. Meanwhile, the unredeemed amount of RM1.34 million for RPS-B and RM23.24 million for RPS-D held by Khuan Choo is intended to be fully redeemed by Regal Path using its internal funds and/or borrowings.

This is expected to improve Malton Group's cash flow position while conserving its internally generated funds in order to strengthen its financial position. Cash preservation is important for Malton Group as the cash conserved may be utilised towards its current development projects and to capitalise on any opportunities that may arise in the future.

It should be noted according to Section 1.3(b), Appendix III of Malton's circular to shareholders dated 15 August 2019 in relation to the Disposal of 49%, in the event of a disposal of the Pavilion Bukit Jalil Mall, priority for redemption shall be given to RPS-A and RPS-C over RPS-B and RPS-D.

Upon completion of the Proposed Disposal, Malton Group is expected to record a pro forma loss on disposal of approximately RM9.7 million. It is noted that such pro forma loss on disposal is after taking into consideration of the unrealised fair value gain in Regal Path's audited financial statement for FYE 30 June 2022 which is amounted to RM220.2 million. The indicative Disposal Consideration is higher than the NBV for the Pavilion Bukit Jalil Mall as at 30 June 2022 of RM2,176.7 million and higher than the total cost of investment of approximately RM1,949.3 million, including RM19.2 million estimated to be incurred for fixtures and fittings for the Pavilion Bukit Jalil Mall. For illustrative purposes, if the unrealised fair value gain of approximately RM220.2 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.

Premised on all the above, we are of the view that the rationale and benefits of the Proposed Disposal are reasonable and not detrimental to the interests of the non-interested shareholders of Malton.

6.3 Salient terms of the CSPA

The salient terms of the CSPA are set out in Appendix I of the Circular. Our commentaries on the salient terms are as follows:

Salient terms of the CSPA	MIDF Investment's comments
1. Agreement for Sale	
Regal Path agrees to sell and Pavilion REIT agrees to purchase the Pavilion Bukit Jalil Mall on free from all encumbrances 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. The Vendor agrees to sell and transfer to the Purchaser and the Purchaser agrees to purchase and accept the transfer from the Vendor the Property for the Purchase Consideration and upon the terms and subject to the conditions set out below and in this Agreement, and on the basis that: 1.1 the Property shall be sold and transferred to the Purchaser with the contractual easement granted pursuant to an agreement dated 24 August 2020 made between Bukit Jalil Development Sdn Bhd ("**BJDSB**"), PHSB and the Vendor ("**Parcel F Link Bridge Agreement**"), whereby the portion within the boundary of the Land forming the pedestrian bridge being the servient land and Parcel F being the dominant land so as to allow ingress and egress to from and between the Shopping Mall and Parcel F via the link bridge connecting the Shopping Mall and Parcel F as delineated and shaded in red in the Layout Plans ("**Parcel F Link Bridge**"); 1.2 the Property shall be sold and transferred to the Purchaser subject to the air space permit no. D3/2021 granted by the State Authority ("**Air Space Permit for LB 1**") and the maintenance agreement to be entered into with DBKL ("**Link Bridge 1 Agreement**") in respect of the link bridge constructed over Lebuhraya Bukit Jalil connecting the Shopping Mall and the adjacent land as delineated and shaded in blue in the Layout Plans ("**Link Bridge 1**"); 1.3 the Property shall be sold and transferred to the Purchaser subject to the air space permit no. D14/2021 granted by the State Authority ("**Air Space Permit for LB 2**") and the maintenance agreement to be entered into with DBKL ("**Link Bridge 2 Agreement**") in respect of link bridge constructed over Persiaran Jalil Utama connecting the Shopping Mall to Recreational Park Bukit Jalil (Taman Rekreasi Bukit Jalil) as delineated and shaded in green in the Layout Plans ("**Link Bridge 2**");	This term is common and reasonable for property transactions. Parcel F Link Bridge, Link Bridge 1, Link Bridge 2 and Underpass were constructed as part of the development of Pavilion Bukit Jalil Mall which are necessary for the use or operation of the Pavilion Bukit Jalil Mall by improving access to the mall for pedestrian and vehicles. Accordingly, we view that the transfer of rights, entitlements, benefits and interests for the Parcel F Link Bridge, Link Bridge 1, Link Bridge 2 and Underpass by Regal Path to MTrustee are necessary as part of the Proposed Disposal.

Salient terms of the CSPA	MIDF Investment's comments
1.4 the Property shall be sold and transferred to the Purchaser subject to the rights and benefits for the ingress and egress in respect of the underpass as constructed below the State land connecting to the Land as delineated and shaded in lilac in the Layout Plans ("**Underpass**") and the maintenance agreement to be entered into with the DBKL in respect of the Underpass ("**Underpass Agreement**"); 1.5 the Property, the Parcel F Link Bridge, Link Bridge 1, Link Bridge 2, and Underpass will be in good and tenantable condition (fair wear and tear excepted) on Completion; 1.6 a valid CCC has been issued for the Shopping Mall, Parcel F Link Bridge, Link Bridge1 and Link Bridge 2 (together with all letters issued by all Appropriate Authorities in support of such CCC) and the Vendor having given the Purchaser each copy of the CCC; 1.7 all applicable licences and permits necessary for the use or operation of the Property (other than licences that are required to be taken out and maintained by the Tenants and the Purchaser, if any) having been issued and remaining valid and subsisting as at Completion;	
2. Payment of Disposal Consideration	
<u>Satisfaction of Settlement of the Disposal Consideration</u> The Disposal Consideration of RM2,200,000,000 shall be satisfied by Pavilion REIT as follows: **(a) Completion Date Payment** RM1,650,000,000 only either by 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 ("**Completion Date Payment**") on the 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;	These terms establish the timing and manner for receipt of the Disposal Consideration, which is to be received according to prescribed milestones. We are of the view that these terms are reasonable as it is mutually agreed between Regal Path and MTrustee that the Disposal Consideration will be satisfied either by cash, or a combination of Consideration Units up to the equivalent sum of RM600,000,000 and the balance of not less than RM1,600,000,000 in cash.

Salient terms of the CSPA	MIDF Investment's comments
(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 to be settled in the following manner: **(i) Defect Rectification Payment** RM50,000,000 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 shall be entitled to retain from the Defect Rectification Payment a sum of RM10,000,000.00 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 ("**Defects Retention Sum**"), Pavilion REIT to pay Regal Path the balance of the Defect Rectification Payment (after deducting the Defects Retention Sum) within 45 days from the date of Pavilion REIT's receipt of the report from the QS;	The combination between equity and cash consideration for the Proposed Disposal are common methods for settlement. As per the announcement by the Pavilion REIT dated 22 November 2022 in relation to their proposed acquisition of the Pavilion Bukit Jalil Mall, the combination of equity and term loans will allow Pavilion REIT to maintain its gearing at a healthy level as well as maintain sufficient headroom for any future cash acquisitions. In addition, we understand that there is no deposit required to be paid by Pavilion REIT for the Proposed Disposal as negotiated between both parties in view of the scale of the transaction. Notwithstanding, liquidated damages in the event of default by Pavilion REIT, which is normally from forfeiture of deposit would still apply at a sum of 1% of the Disposal Consideration as negotiated by both parties due to similar justification. As such, we view this as reasonable. 75% of the Disposal Consideration is to be settled by the Completion Date. The Balance Consideration is agreed between both parties to take into account the future obligation of Regal Path in respect of the condition of the Pavilion Bukit Jalil Mall.

Salient terms of the CSPA	MIDF Investment's comments
C. If Regal Path is unable to complete the rectification of all Existing Refects by the expiry of the period of 24 months from the Completion Date ("**Final Defects Rectification Period**"), Pavilion REIT shall be entitled to deduct from the Defects Retention Sum the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the QS, for Pavilion REIT to complete the remaining outstanding Existing Defects. The balance of the Defects Retention Sum (after deducting the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the QS), if any, will be released to Regal Path. **(ii) Strata Title Payment** RM100,000,000 ("**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: A. 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; B. by Pavilion REIT of the 2 original stamped maintenance agreements to be entered into with Dewan Bandaraya Kuala Lumpur ("**DBKL**") in respect of the 2 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 C. 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.	The issuance of payment confirmation by Pavilion REIT to Regal Path for the Balance Consideration on the Completion Date is solely for formality and documentation purposes whereby Pavilion REIT confirms its obligation for the payment of the Balance Consideration in accordance with the manner set out in the CSPA. On the Defect Rectification Payment, we understand that the RM10.0 million or the amount of the costs assessed by an independent QS required to complete the remaining outstanding Existing Defects, whichever is higher, to be retained from the Defect Rectification Payment is a commercial decision agreed by both parties, which was regarded reasonable in the event Regal Path is unable to complete the rectification of all Existing Defects by the Defects Rectification Period. Under such event, we noted Regal Path has 24 months from the Completion Date to rectify the remaining outstanding Existing Defects failing which Pavilion REIT shall be entitled to deduct from the Defects Retention Sum the aggregate costs to complete the remaining outstanding Existing Defects as assessed by the Independent QS for Pavilion REIT to complete the remaining outstanding Existing Defects with the balance, if any, to be released to Regal Path and Regal Path shall no longer be liable for the remaining outstanding Existing Defects.

Salient terms of the CSPA	MIDF Investment's comments
(iii) Final Balance Payment RM400,000,000 ("**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 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 to Regal Path either in cash, or a combination of Consideration Units up to the equivalent sum of RM400,000,000 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 Depository 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 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.	We are of the opinion the Defects Retention Sum with minimum amount of RM10.0 million is reasonable considering the size of Pavilion Bukit Jalil Mall, which represents 0.45% of the market value of the mall of RM2.2 billion. As such, we view these terms are reasonable. On the adjustment to the Disposal Consideration, the clause is reasonable in view that the Disposal Consideration was determined based on amongst others, valuation which was prepared based on the projected financials of the mall which will translate to certain yield for the Pavilion REIT. In the event that the Pavilion Bukit Jalil Mall does not achieve the targeted NPI within 2 years from the Completion Date, a re-valuation on Pavilion Bukit Jalil Mall will be prepared and adjustment to the Disposal Consideration may be required.

Salient terms of the CSPA	MIDF Investment's comments
Interest 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 Completion Date 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.	The full Disposal Consideration shall be paid by Pavilion REIT by the Completion Date, failing which an interest of 8% per annum shall be charged on the outstanding amount. We are of the view that the interest of 8% per annum is within commercial norm and therefore, this term is reasonable.
Additional Assets In addition to the Pavilion Bukit Jalil Mall, Regal Path agrees to sell and Pavilion REIT agrees to purchase the 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**") upon the terms and subject to the conditions contained in the CSPA. 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 the NBV as at Completion Date. It is agreed that the information technology 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 Regal Path's acquisition date of such information technology equipment and other Additional Assets.	The Additional Assets, which are moveable assets including, among others, laptops, buggies and elevating work platform utilised for the purpose of operating the Pavilion Bukit Jalil Mall, shall be sold by Regal Path to Pavilion REIT alongside the mall itself and is common for this nature of transaction. The sale of Additional Assets shall be based on NBV as at Completion Date and therefore, this term is reasonable.

Salient terms of the CSPA	MIDF Investment's comments
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 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 rental of 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 Conditions Precedent has been fulfilled and any subsequent fluctuation shall not be taken into account;	The Conditions Precedent of the CSPA is to facilitate compliance with the relevant requisite approvals of the applicable laws and regulatory requirements, These terms are reasonable as these are the requisite approvals necessary to give effect to the Proposed Disposal. These conditions precedent are mainly approvals required from the relevant authorities and parties to give effect to the Proposed Disposal and are common terms in a sale and purchase agreement of this nature. Further, we wish to highlight that the Proposed Disposal is subject to the Pavilion Bukit Jalil Mall achieving the Minimum NLA and Rental Rate prior to the Stop Date. We note that, based on the Valuation Report and the Valuation Certificate, the current committed and physical occupancy rates for the Pavilion Bukit Jalil Mall are 79% and 64% respectively and the average monthly gross rental rate per square foot are RM8.89 per square foot and RM10.20 for term rate and reversion rate respectively.

Salient terms of the CSPA	MIDF Investment's comments
(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 (i) the acquisition of the Pavilion Bukit Jalil Mall and (ii) the placement exercises to be undertaken by Pavilion REIT, having been obtained by Pavilion REIT; (g) the approval from the SC 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**")	The CSPA will become complete and effective within 60 days from the date when all the conditions precedent are fulfilled or such later date as may be agreed in writing between Regal Path and MTrustee. This term is reasonable and not detrimental to the interests of the non-interested shareholders of Malton as it allows Regal Path or MTrustee the right to terminate the CSPA by providing a written notice in the event of any non-fulfilment, suspension or waive of the Conditions Precedent that is not attributable to any fault or omission by either Regal Path or MTrustee.

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Salient terms of the CSPA	MIDF Investment's comments
3.2 Termination When Conditions Precedent Not Satisfied 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 Waiver 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 the completion of the sale and purchase of the Pavilion Bukit Jalil Mall subject to any remaining suspended Conditions Precedent being satisfied or fulfilled. 3.4 Effect of Termination 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 Unconditional Date The CSPA shall become unconditional on the date on which the last of the Conditions Precedent is satisfied, suspended or waived by Pavilion REIT.	We view that the termination clause is a common term which serves to protect the interests of the transacting parties in the event any of conditions precedent is not fulfilled.

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Salient terms of the CSPA	MIDF Investment's comments
4. Net Property Income	
4.1 The Final Balance Payment shall 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 Property having achieved at least RM146,000,000.00 on an annualize basis ("**Targeted NPI**") within 24 months from Completion Date ("**NPI Determination Period**"). For the avoidance of doubt, NPI shall refer to the net property income as adopted by the Purchaser in accordance with the Purchaser's accounting policies and practices. 4.2 The parties agree that, during the NPI Determination Period , in determining the NPI, the annualised 12 months period will be based on the latest 6 months historical NPI records with a multiplication by 2. If the Targeted NPI is not achieved, the determination process will be repeated on quarterly basis until the expiry of the NPI Determination Period . In this respect the first "quarterly basis" to be used for recognition of the 6 months historical NPI records shall commence from the Purchaser's next financial reporting quarter, following the Completion Date. An illustration of this process is set out below: If the Completion Date occurs on 5th April 2023, the determination of the NPI will take place in January 2024 based on the 6 months period from 1 July 2023 until 31 December 2023 and annualized with a multiplication by 2 to determine whether the Targeted NPI has been achieved. In the event that the Targeted NPI is not achieved based on the 6 months period from 1 July 2023 until 31 December 2023 and annualized with a multiplication by 2, this process will then be repeated on quarterly basis for the period of 1st October 2023 to 31st March 2024 throughout the NPI Determination Period until either the Targeted NPI has been achieved or the expiry of the NPI Determination Period, whichever is the earlier. 4.3 If at any time during the NPI Determination Period, the Targeted NPI is achieved, the Purchaser shall, at its own costs and expenses, and no later than seven (7) days from the date of the quarterly announcement made by the Purchaser after the Targeted NPI is achieved appoint an auditor to certify the latest 6 months historical NPI, to document that the Targeted NPI has been achieved. The certification of the auditor shall be completed no later than 30 days from the date of appointment of the auditor. Once the Targeted NPI has been achieved as certified by the auditor, any subsequent fluctuation in the NPI shall not be taken into account. The Final Balance Payment shall then be paid by the Purchaser to the Vendor within 60 days from the date of receipt by the Purchaser of the certification of the auditor. The findings of the auditor will be final and binding against the parties.	The Pavilion Bukit Jalil Mall is subject to Targeted NPI before the expiry of the Final Balance Payment Period. The parties agree that the annualised 12 months period will be based on the latest 6 months historical NPI records with a multiplication by 2. In the event that the Targeted NPI is not achieved within the prescribed period, MTrustee shall be entitled to appoint a registered valuer to value the Pavilion Bukit Jalil Mall. In the event of Lower Value, MTrustee shall be entitled to deduct from the Final Balance Payment the difference between Disposal Consideration and Lower Value. The Targeted NPI of RM146.0 million agreed is based on the expected yield by MTrustee from Pavilion Bukit Jalil Mall which is estimated at 6.6% based on the Disposal Consideration. The NPI was estimated and is expected to enable Pavilion REIT to maintain their distribution yield per unit and as such we deemed it reasonable. For comparison purpose, the distribution yield of Pavilion REIT for the FYE 31 December 2022 is 6.92% based on the Annual Report 2022 of Pavilion REIT.

Salient terms of the CSPA	MIDF Investment's comments
4.4 In the event that: 4.4.1 the Targeted NPI is not achieved by the expiry of the NPI Determination Period, the Purchaser shall be entitled to, at its own costs and expenses, appoint a registered valuer, such valuer to be mutually agreed between the Vendor and the Purchaser, to value the Property based on the valuer's standard requirements. If: • the valuation of the Property is not less than the Purchase Consideration, the Purchaser pay the sum of RM400,000,000.00 to the Vendor 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 the Purchaser's receipt of the valuation report. Subject to the appointment of the registered valuer, the valuation report to be completed no later than 30 days from the date of appointment of the registered valuer; or • the valuation is less than the Purchase Consideration ("**Lower Value**"), the Purchaser shall be entitled to deduct from the Final Balance Payment a sum equivalent to the difference between the Purchase Consideration and the Lower Value and the remaining balance thereof shall be paid within 60 days from the date of the Purchaser'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, 4.4.2 at any time during the NPI Determination Period, the Purchaser informs the Vendor that the Targeted NPI is not achieved and the Vendor does not agree with the Purchaser's confirmation, the Vendor may give a notice in writing to the Purchaser that the Vendor is not agreeable with the Purchaser's confirmation and informs that an independent auditor, mutually acceptable to the Vendor and the Purchaser, shall be appointed by the Purchaser to verify whether the Targeted NPI has been achieved. In such case, upon receipt by the Purchaser of the Vendor's written notice, the Purchaser shall appoint the independent auditor. The certification of the auditor shall be completed no later than 30 days from the date of appointment of the auditor. The results of the independent auditor shall be final and binding against the Parties. The cost of the independent auditor shall be borne solely by the party who has the favorable results of the independent auditor, meaning the Party whose stand is supported by or consistent with the report of the independent auditor.	

Salient terms of the CSPA	MIDF Investment's comments
5. Completion	
5.1 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. 5.2 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. 5.3 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.	This term sets out responsibilities of the respective parties towards the completion of the Proposed Disposal and is a common term for the transaction of such nature.
6. Default by Pavilion REIT	
6.1 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. 6.2 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 MTrustee and Regal Path shall be entitled to a forfeiture sum equivalent to 1% of the Disposal Consideration as agreed liquidated damages. Upon such termination:	This term is reasonable as it is a normal commercial term for governing the rights of the non-defaulting party. We note that in the event of default by Pavilion REIT pursuant to this clause, Regal Path is entitled to seek remedy through the demand of specific performance within 14 days or any extended date to be determined by both parties.

Salient terms of the CSPA	MIDF Investment's comments
(a) Regal Path shall within 14 days thereof refund or cause to be refunded (free of interest) to Pavilion REIT all sums paid by Pavilion REIT towards payment of the Completion Date Payment in cash less the agreed liquidated damages or any part thereof is paid to Regal Path in Consideration Units, such Consideration Units shall be cancelled in accordance with the first amended and restated trust deed dated 18 February 2019 between Pavilion REIT Management Sdn Bhd, as the Manager of Pavilion REIT, and MTrustee, and the applicable laws and requirement; and (b) Pavilion REIT shall simultaneously in exchange of Regal Path's refund as set out in Paragraph 5.2(a) of Appendix I of the Circular re-deliver all documents delivered by Regal Path to Pavilion REIT pursuant to the CSPA (if any and save for those submitted to the appropriate authorities) together with the withdrawal of private caveat form duly executed by Pavilion REIT (if Pavilion REIT has lodged a private caveat against the Pavilion Bukit Jalil Land is to protect its interest in Pavilion Bukit Jalil Mall) and the requisite registration fees therefor, and thereafter, no Party shall have any further rights or obligations under the CSPA save and except for any antecedent breach.	In the event that the default is not remedied within 14 days, Regal Path is entitled to receive 1% of the Disposal Consideration from Pavilion REIT as agreed liquidated damages.
7. Default by Regal Path	
7.1 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: (a) 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; (b) if a receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of Regal Path; (c) if Regal Path is or becomes unable to pay its debts when they are due or become unable to pay its debts within the meaning of the Act or any other legislation regarding insolvency of the jurisdiction in which it carries on business;	This term is reasonable as it is a normal commercial term for governing the rights of the non-defaulting party. We note that in the event of default by Regal Path pursuant to this clause, Pavilion REIT is entitled to seek remedy through the demand of specific performance within 14 days or any extended date to be determined by Pavilion REIT. In the event that the default is not remedied within 14 days, Regal Path is obligated to pay 1% of the Disposal Consideration to Pavilion REIT as agreed liquidated damages.

Salient terms of the CSPA	MIDF Investment's comments
(d) 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; (e) 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; (f) if Regal Path threatens to cease carrying on a substantial portion of its business; or (g) 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. 7.2 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 Disposal Consideration as agreed liquidated damages. Upon such termination: (a) Regal Path shall within 14 days thereof refund or cause to be refunded (free of interest) to Pavilion REIT all sums paid by Pavilion REIT to Regal Path towards payment of the Disposal Consideration in cash or any part thereof is paid to Regal Path in Consideration Units, such Consideration Units shall be cancelled in accordance with the first amended and restated trust deed dated 18 February 2019 between Pavilion REIT Management Sdn Bhd, as the Manager of Pavilion REIT, and MTrustee, and the applicable laws and requirement; and (b) Pavilion REIT shall simultaneously in exchange of the Regal Path's refund as set out in Paragraph 6.2(a) of the Appendix I of the Circular re-deliver all documents delivered by Regal Path to Pavilion REIT pursuant to the CSPA (if any and save for those submitted to the appropriate authorities) together with the withdrawal of private caveat form duly executed by Pavilion REIT (if Pavilion REIT has lodged a private caveat against the Pavilion Bukit Jalil Land to protect Pavilion REIT's interest in Pavilion Bukit Jalil Mall) and the requisite registration fees therefor, and thereafter, no Party shall have any further rights or obligations under the CSPA save and except for any antecedent breach.	

Premised on the above, we are of the view that the salient terms of the CSPA are reasonable and not detrimental to the interests of the non-interested shareholders of Malton.

6.4 Effects of the Proposed Disposal

We noted the following effects of the Proposed Disposal as set out in Section 6 of Part A of the Circular:

(i) Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued share capital and the substantial shareholders' shareholdings of Malton as the Proposed Disposal will not involve issuance of any new Malton Shares.

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

The Proposed Disposal is expected to reduce the Group's audited NA as at 30 June 2022 from RM1,003.6 million to RM992.9 million, representing a decrease in the proforma NA per Malton Share from RM1.90 to RM1.88. This is mainly due to a loss on disposal arising from the Proposed Disposal of RM9.7 million and estimated expenses in relation to the Proposed Disposal of RM1.0 million.

We further noted that the gearing of the Group will increase slightly from 0.56 times as at 30 June 2022 to 0.57 times resulting from the decrease in NA of Malton Group upon the Proposed Disposal.

(iii) Earnings and EPS

The Proposed Disposal is expected to reduce the earnings of Malton Group for the FYE 30 June 2022. The EPS will decrease from 14.43 sen for FYE 30 June 2022 to 12.41 sen in view of the loss on disposal arising from the Proposed Disposal of RM9.7 million and upon the estimated expenses for the Proposed Disposal of RM1.0 million.

We wish to highlight to the non-interested shareholder that, despite the expected loss on disposal arising from the Proposed Disposal, Regal Path has recognised an unrealised fair value gain of RM220.2 million from the revaluation of Pavilion Bukit Jalil Mall as at 30 June 2022. In addition, the indicative Disposal Consideration is higher than Pavilion Bukit Jalil Mall's NBV as at 30 June 2022 as well as Regal Path's cost of investment.

For illustrative purposes, if the unrealised fair value gain of approximately RM220.2 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, as part of the indicative proceeds from the Proposed Disposal will be utilised for repayment of all the outstanding loan facilities that were obtained by Regal Path of approximately RM1,129.15 million, it is expected for interest cost savings in Regal Path estimated at approximately RM62.28 million per annum, which translates into an effective interest rate of approximately 5.55% per annum for the term loan and 4.11% per annum for the hire purchase.

Malton will incur expenses for the Proposed Disposal of RM1.0 million, which are non-recurring in nature as Regal Path is not expected to incur the said expenses in the future.

Premised on the above, we are of the view that the effects of the Proposed Disposal are not detrimental to the interests of the non-interested shareholders of Malton.

6.5 Prospects, outlook and future plan

In evaluating the prospects, outlook and future plan of the Group moving forward, we have considered the overview and outlook of the Malaysian economy, overview and outlook of the commercial property industry in Malaysia and the prospects of Pavilion REIT.

Premised to Section 4 of Part A of the Circular, our commentaries are as follows:

We observed that the Malaysian economy expanded by 6.9% in the first half of 2022 encouraged by positive momentum in the domestic economy and consistent growth in the external sector, as well as continued improvement of the labour market conditions. Continuous increase in private consumption supported by the Malaysian government's policy support via initiatives set out under the Budget 2022 and resumption of economic and social activities following the transition to the endemic phase resulted in the continuous high expectations for such level of economic performance, with a forecasted expansion between 4% to 5% in 2023. While growth is expected, the economy is dependent on successful containment of COVID-19, support for cost of living and efforts to mitigate downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions.

We noted that the occupancy rate for shopping complexes in Kuala Lumpur has increased by 1.8% to 81.6%, despite the decrease in national occupancy rate for shopping complexes by 0.6%, for the first half of 2022 as compared to second half of 2021. Retail space rental in Klang Valley were generally stable with mixed movements in selected complexes, whereby most of the rental increments are arising from tenancy renewals and rental revisions. The performance of purpose-built office sector, on the other hand, decreased slightly by 0.8% to 77.7% for first half of 2022 from 78.5% for first half of 2021 with the occupancy rate for Kuala Lumpur and Selangor recorded lower than the national level at 70.0% and 67.8% respectively.

We also noted that the prospect of Pavilion REIT is expected to remain favourable although there may be impact from inflation which may affect purchasing power of consumers and discretionary spending. It is noted that Pavilion REIT Management Sdn Bhd, as the Manager of Pavilion REIT, will continue its enhancement of properties occupancy and tenant mix through proactive lease management and manage its operating cost which may drive long-term growth in net assets value per Pavilion REIT Unit. In addition to the long-term growth prospect of the Pavilion REIT, the Company would be also receive regular and stable distributions from the Pavilion REIT in the event that it decides to remain as a holder.

The Pavilion Bukit Jalil Mall is the anchor development of the Group's flagship Bukit Jalil City, which is connected by various network of highways and public transport. The surrounding developments which include commercial developments, industrial developments, residential neighbourhood and housing scheme would provide ready market catchment for the Pavilion Bukit Jalil Mall. However, the outlook for the Pavilion Bukit Jalil Mall may be hampered by downside risks from inflation and other economic factors affecting the retail sector which may lead to uncertainties in terms of consumers' purchasing power.

Premised on the above, barring any unforeseen circumstances, we are of the view that the Proposed Disposal is an opportunity for Malton to realise its investment in the Pavilion Bukit Jalil Mall amidst the current challenges in the retail properties sub-sector.

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6.6 Risk factors in relation to the Proposed Disposal

We take note of the risk factors in relation to the Proposed Disposal as set out in Section 5 of Part A of the Circular as follows:

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

(ii) Political, economic and regulatory risk; and

(iii) Capital market risk.

Based on the above, we are of the view that the risk factors in relation to the Proposed Disposal are common risks associated with such transaction. Furthermore, the abovementioned risk factors are acceptable in view that the Board (save for the Interested Directors), having considered all aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of Malton. Accordingly, the Proposed Disposal would allow for Malton to immediately unlock the potential value of the Pavilion Bukit Jalil Mall and allow for the Group to improve its cash flow position and conserve internally generated funds.

We wish to highlight that, although measures may be taken by the Board and management of Malton to minimise such risks, no assurance can be given that one or a combination of such risk factors will not crystallise, and give rise to material and adverse impact on the financial performance/position or prospects of the Group. In addition, there can be no assurance that the Consideration Units, if issued to Regal Path, will be issued at a discount to the market price of the Pavilion REIT. As Regal Path does not intend to retain the Consideration Units allotted and issued to it and endaveaours to place out the Consideration Units, there is also no assurance that the Consideration Units can be placed out at or higher than the issue price per Consideration Unit to be determined at a later juncture.

In evaluating the Proposed Disposal, non-interested shareholders of the Company should carefully consider the said risk factors and their respective mitigating factors prior to voting on the resolution pertaining to the Proposed Disposal at the forthcoming EGM of the Company. Non-interest shareholders of the Company should also note that the risk factors mentioned therein are not meant to be exhaustive.

7. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have considered the fairness and reasonableness of the Proposed Disposal based on all relevant and pertinent factors, as summarised below, which the non-interested shareholders should carefully consider before making a decision to vote on the resolution pertaining to the Proposed Disposal:

(i) the basis and justification of the indicative Disposal Consideration and illustrative consideration for the Additional Assets are **fair** and the basis to determine the issue price for the Consideration Units and Placement Issue Price are **reasonable**, which are set out in Section 6.1 of this IAL;

(ii) rationale and benefits of the Proposed Disposal are **reasonable** and **not detrimental** to the interest of the non-interested shareholders of Malton which are set out in Section 6.2 of this IAL;

(iii) the salient terms of the CSPA are **reasonable** and **not detrimental** to the interest of the non-interested shareholders of Malton which are set out in Section 6.3 of this IAL;

(iv) the effects of the Proposed Disposal are **not detrimental** to interests of the non-interested shareholders of Malton which are set out in Section 6.4 of this IAL;

(v) the prospects, outlook and future plan, which are set out in Section 6.5 of this IAL; and

(vi) the risk factors in relation to the Proposed Disposal, which are set out in Section 6.6 of this IAL.

After taking into consideration our evaluation and the pertinent factors highlighted in the preceding sections of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Disposal is **fair and reasonable** and is **not detrimental** to the interests of the non-interested shareholders of Malton.

Accordingly, we recommend the non-interested shareholders of Malton to **vote in favour** of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM of the Company.

YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE DOCUMENT TOGETHER WITH THE ACCOMPANYING ANNEXURE AND APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

Yours faithfully,
For and on behalf of
MIDF AMANAH INVESTMENT BANK BERHAD

DATUK JOSEPH DOMINIC SILVA
Chief Executive Officer

JOSEPHINE KONG
Senior Director / Head, Corporate Finance

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 free from all encumbrances subject to the contractual easement granted pursuant to an agreement dated 24 August 2020 made between Bukit Jalil Development Sdn Bhd, Pioneer Haven 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 only either by 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 ("**Completion Date Payment**") on the 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 to be settled in the following manner:

(i) Defect Rectification Payment

RM50,000,000 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;

B. If Regal Path is unable to complete the rectification of all Existing Defects by the Defects Rectification Period, Pavilion REIT shall be entitled to retain from the Defect Rectification Payment a sum of 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 ("**Defects Retention Sum**"), Pavilion REIT to pay Regal Path the balance of the Defect Rectification Payment (after deducting the Defects Retention Sum) within 45 days from the date of Pavilion REIT's receipt of the report from the QS;

C. If Regal Path is unable to complete the rectification of all Existing Defects by the expiry of the period of 24 months from the Completion Date ("**Final Defects Rectification Period**"), Pavilion REIT shall be entitled to deduct from the Defects Retention Sum the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the QS, for Pavilion REIT to complete the remaining outstanding Existing Defects. The balance of the Defects Retention Sum (after deducting the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the QS), if any, will be released to Regal Path.

Note:

^ *This amount of RM10,000,000 was agreed by Regal Path and Pavilion REIT as a reasonable minimum amount to be retained, as the actual amount to be retained will be the higher of RM10,000,000 or the costs assessed by an independent QS to complete the remaining outstanding Existing Defects.*

(ii) Strata Title Payment

RM100,000,000 ("**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:

A. 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;

B. by Pavilion REIT of the 2 original stamped maintenance agreements to be entered into with Dewan Bandaraya Kuala Lumpur ("**DBKL**") in respect of the 2 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

C. 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 ("**Final Balance Payment**") to be paid either by fully in 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 NPI for the Pavilion Bukit Jalil Mall having achieved at least RM146,000,000 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, where the said certification of the auditor shall be completed no later than 30 days from the date of appointment of the auditor.

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 to Regal Path either in cash, or a combination of Consideration Units up to the equivalent sum of RM400,000,000 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 Depository 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 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.

2.2 Interest

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 this 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 Completion Date 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 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**") upon the terms and subject to the conditions contained in the CSPA.

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 the NBV as at Completion Date. It is agreed that the information technology 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 Regal Path's acquisition date of such information technology 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;

As at the LPD, this condition precedent has not been fulfilled. The approval of the shareholders of Regal Path is expected to be obtained in 2nd quarter of 2023.

(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;

As at the LPD, this condition precedent has not been fulfilled. The forthcoming EGM of our Company in relation to the Proposed Disposal is scheduled to be held on Wednesday, 22 March 2023.

(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;

This condition precedent has been fulfilled on 23 February 2023.

(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 rental of 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 Conditions Precedent has been fulfilled and any subsequent fluctuation shall not be taken into account;

As at the LPD, this condition precedent has not been fulfilled and is expected to be fulfilled in 2nd quarter of 2023.

(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;

As at the LPD, this condition precedent has not been fulfilled. Regal Path has submitted the application to the DBKL on 13 December 2022 and still pending its decision.

(f) the approval of Pavilion REIT's unitholders for (i) the acquisition of the Pavilion Bukit Jalil Mall and (ii) the placement exercises to be undertaken by Pavilion REIT, having been obtained by Pavilion REIT;

As at the LPD, this condition precedent has not been fulfilled.

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

Pavilion REIT has obtained the approval from Bursa Securities for the listing of and quotation for the new units in Pavilion REIT to be issued pursuant to the Proposed Disposal as announced by Pavilion REIT on Bursa Securities on 2 March 2023.

(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

As at the LPD, this condition precedent has not been fulfilled. Pavilion REIT has submitted an application for the abovementioned written confirmation to the EPU on 20 February 2023 and still pending its decision.

(i) the receipt by Pavilion REIT's Solicitors of the written confirmation from Pavilion REIT Management Sdn Bhd, as the Manager of Pavilion REIT, 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,

As at the LPD, this condition precedent has not been fulfilled.

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

3.2 Termination When Conditions Precedent Not Satisfied

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 Waiver

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 the completion of the sale and purchase of the Pavilion Bukit Jalil Mall subject to any remaining suspended Conditions Precedent being satisfied or fulfilled.

3.4 Effect of Termination

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 Unconditional Date

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. Upon such termination:

(a) Regal Path shall within 14 days thereof refund or cause to be refunded (free of interest) to Pavilion REIT all sums paid by Pavilion REIT towards payment of the Completion Date Payment in cash less the agreed liquidated damages or any part thereof is paid to Regal Path in Consideration Units, such Consideration Units shall be cancelled in accordance with the first amended and restated trust deed dated 18 February 2019 between Pavilion REIT Management Sdn Bhd, as the Manager of Pavilion REIT, and MTrustee, and the applicable laws and requirement; and

(b) Pavilion REIT shall simultaneously in exchange of Regal Path's refund as set out in Paragraph 5.2(a) of this Appendix I re-deliver all documents delivered by Regal Path to Pavilion REIT pursuant to the CSPA (if any and save for those submitted to the appropriate authorities) together with the withdrawal of private caveat form duly executed by Pavilion REIT (if Pavilion REIT has lodged a private caveat against the Pavilion Bukit Jalil Land is to protect its interest in Pavilion Bukit Jalil Mall) and the requisite registration fees therefor,

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:

(a) 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;

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

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

(d) 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;

(e) 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;

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

(g) 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.

SALIENT TERMS OF THE CSPA (CONT'D)

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 Disposal Consideration as agreed liquidated damages. Upon such termination:

(a) Regal Path shall within 14 days thereof refund or cause to be refunded (free of interest) to Pavilion REIT all sums paid by Pavilion REIT to Regal Path towards payment of the Disposal Consideration in cash or any part thereof is paid to Regal Path in Consideration Units, such Consideration Units shall be cancelled in accordance with the first amended and restated trust deed dated 18 February 2019 between Pavilion REIT Management Sdn Bhd, as the Manager of Pavilion REIT, and MTrustee, and the applicable laws and requirement; and

(b) Pavilion REIT shall simultaneously in exchange of the Regal Path's refund as set out in Paragraph 6.2(a) of this Appendix I re-deliver all documents delivered by Regal Path to Pavilion REIT pursuant to the CSPA (if any and save for those submitted to the appropriate authorities) together with the withdrawal of private caveat form duly executed by Pavilion REIT (if Pavilion REIT has lodged a private caveat against the Pavilion Bukit Jalil Land to protect Pavilion REIT's interest in Pavilion Bukit Jalil Mall) and the requisite registration fees therefor,

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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VALUATION CERTIFICATE FOR THE PAVILION BUKIT JALIL MALL

Jones Lang Wootton
Proprietor: Singham Sulaiman Sdn. Bhd.
Registration No.: 198101012087 (78217-X)

Chartered Surveyors
Registered Valuers
Registered Estate Agents
Registered Property Managers
Research and Property Consultants
Asset Managers
Project Coordinators

Board of Valuers
Firm Reg. No. VEPM(2) 0078

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Tel: +603 2161 2522
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Our Ref.: V/PC-(C)/010/22/BURSA

Date: 8 December 2022

Malton Berhad
Level 19, Pavilion Tower
75, Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs,

VALUATION OF A 5-STOREY SHOPPING MALL WITH 2 BASEMENT CAR PARK LEVELS, COLLECTIVELY KNOWN AS 'PAVILION BUKIT JALIL', LOCATED WITHIN BUKIT JALIL CITY, KUALA LUMPUR ("SUBJECT PROPERTY")

1. Terms of Reference

This valuation certificate has been prepared for the purposes of submission to Bursa Malaysia Securities Berhad and for the inclusion in the circular to the shareholders of Malton Berhad in relation to the proposed disposal by Regal Path Sdn Bhd ("the Client"), a 51% joint venture of Malton Berhad, of the Subject Property to Pavilion Real Estate Investment Trust ("Pavilion REIT").

We noted that *Sijil Formula Unit Syer* ("SiFUS") in respect of Parent Lot 101899 has been approved on 25 August 2022. The details of the Schedule of Parcels prepared by Cheah Kim Choong of Jurukur Generasi Sdn Bhd are as follows:-

Building	No. of Storey	No. of Parcel	No. of Accessory Parcel	Share Unit
M1	11	2	135	618,256
P1	73	544	544	64,180
Total		**546**	**679**	**682,436**

The Subject Property comprises 2 main parcels and 135 accessory parcels and is located within Building No. 'M1'. For purposes of this valuation, we were specifically instructed by the Client to value only Building No. 'M1' and to exclude Building No. 'P1' (which is earmarked for serviced apartment development) in our valuation.

We were advised by the Client that the strata title(s) in respect of the Subject Property has yet to be issued by the relevant land office as at the date of valuation.

Our valuation is on the basis that strata title(s) in respect of the Subject Property conveying an interest in perpetuity is forthcoming and when issued, will be free of all encumbrances and restrictive conditions.

We recommend legal advice to be sought to verify the status of the strata title(s) in respect of the Subject Property.

Johor Bahru
Lot 19.02, Level 19, Public Bank Tower, 19 Jalan Wong Ah Fook, 80000 Johor Bahru
Tel: +607 224 9937 Fax: +607 224 9936 Email: johor@jlwmalaysia.com

RICS Regulated by RICS

Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd.
Registration No.: 198101012087 (78217-X)

We hereby confirm that we have valued, in accordance with the instruction from the Client, the Subject Property vide our Report and Valuation bearing Reference No. V/PC-(C)/010/22/BURSA dated 8 December 2022. This valuation certificate is to be read in conjunction with the above mentioned Report and Valuation.

The Report and Valuation has been prepared in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers as well as the Asset Valuation Guidelines issued by the Securities Commission Malaysia, with the necessary professional responsibility and due diligence.

2. The Subject and Date of Valuation

The subject of this valuation comprises the legal interest in a 5-storey shopping mall with 2 basement car park levels, collectively known as 'Pavilion Bukit Jalil', located within Bukit Jalil City, Bukit Jalil, Kuala Lumpur.

The relevant date of valuation is 31 October 2022.

3. Parent Title Particulars

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.*
Land Area:	113,900 square metres.
Quit Rent:	RM392,955.00.
Registered Proprietor:	Regal Path Sdn Bhd.
Express Condition:	*Tanah in hendaklah digunakan untuk bangunan perdagangan bagi tujuan pembangunan komersial dan kawasan lapang sahaja.*
Restriction in Interest:	*Tanah ini tidak boleh dipindahmilik, dipajak, digadai atau diurusniagakan dalam apa-apa bentuk lain melainkan setelah mendapat persetujuan bertulis daripada Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur kecuali bagi pindahmilik pertama dan kedua.*
Encumbrances:	Charged to CIMB Investment Bank Berhad, registered on 21 October 2019.
Endorsements:	*No. Perserahan PDSC25163/2020 Pemberian Ismen* *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.

Jones Lang Wootton
Proprietor: Singham Sulaiman Sdn. Bhd.
Registration No.: 198101012087 (78217-X)

No. Perserahan PDSC27569/2020 Pemberian Ismen
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.

No. Perserahan PDN550/2021 Kelulusan Serahbalik Sebahagian Tanah
ke atas Permohonan Serahbalik Sebahagian Tanah No. Perserahan PDN4237/2020 seluas lebih kurang 294 meter persegi
registered on 20 April 2021.

No. Perserahan PDSC33061/2021 Pajakan Sebahagian Tanah
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.

No. Perserahan PDSC33060/2021 Pajakan Sebahagian Tanah
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.

4. Brief Description of the Subject Property

Location: The Subject Property is located within an integrated commercial development known as Bukit Jalil City, Bukit Jalil, Kuala Lumpur. It is located approximately 15 kilometres due south of Kuala Lumpur city centre. Bukit Jalil City is located at the intersection of Bukit Jalil Highway with Persiaran Puncak Jalil and is sited on the right side of the Bukit Jalil Highway, travelling from Sungai Besi towards Puchong.

Site (Parent Lot): The parent lot is an irregular shaped parcel of land having a title land area of 113,900 square metres (28.15 acres or 11.39 hectares). The site currently accommodates the Subject Property and an area earmarked for serviced apartment development.

Building: The mall is constructed of a reinforced concrete frame with brick infills rendered externally and plastered internally supporting part reinforced concrete flat roof and part metal deck roofing, incorporating sky light roofing to allow as much natural light into the building as possible. The elevations of the building are generally of plastered brick walls cladded with Ultra-High Performance Concrete precast panels.

The mall is complemented with 3 pedestrian link bridges, one connecting the mall (on Level 3) with The Earth Bukit Jalil located on the other side of Bukit Jalil Highway and another 2 connecting the mall (on Level 5) with The Park 2 Residence and Bukit Jalil Recreational Park. Level 2 of the mall is also connected to The Signature Shop Office basement car park via an underpass.

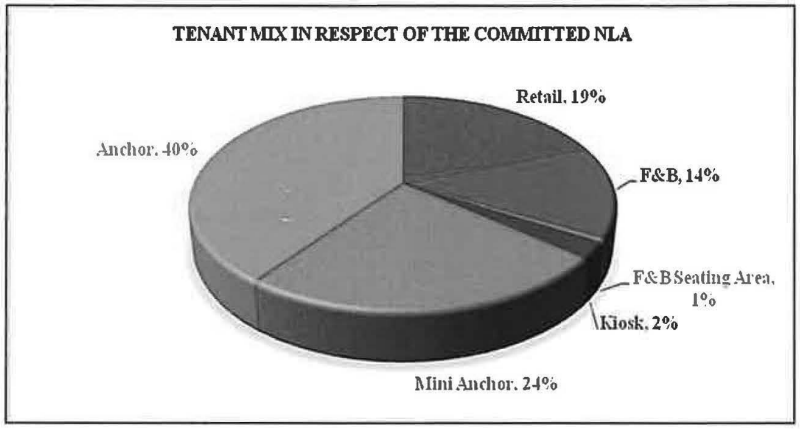
VALUATION CERTIFICATE FOR THE PAVILION BUKIT JALIL MALL (CONT'D)

Jones Lang Wootton

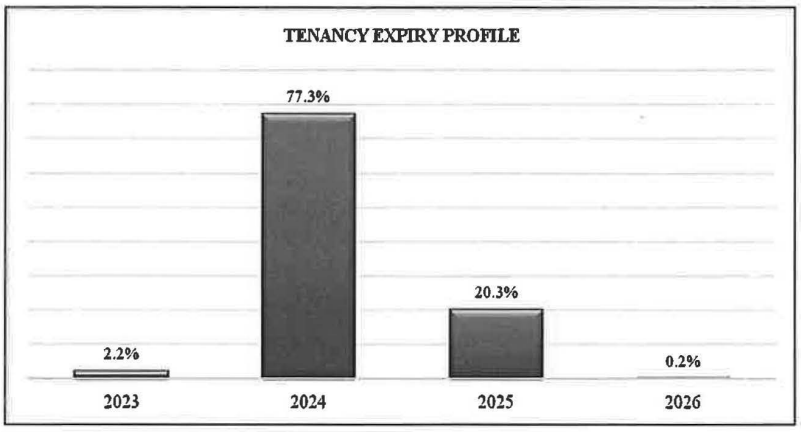
Proprietor: Singham Sulaiman Sdn. Bhd.
Registration No.: 198101012087 (78217-X)

Age of Building:	About 1 year old.	
Floor Area:	Gross Floor Area ("GFA"):	5,764,519 square feet
	Net Lettable Area ("NLA"):	1,822,041 square feet
	Proposed Strata Floor Area:	Main Parcel: 3,606,211 square feet Accessory Parcel: 3,599,753 square feet
Car Park:	4,800 bays.	
Occupancy Rate:	About 78% (committed) and 64% (physical) respectively.	

Tenanted Space by Category:



Tenancy Expiry Profile:



Property Performance:

For Period between December 2021 and September 2022 (after taking into account the opening incentive and rebate to the tenants)		
Gross Revenue	**Operating Expenses**	**Net Property Income**
RM73,129,356.42	RM61,271,986.73	RM11,857,369.69

(Source: the Client)

Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd.
Registration No.: 198101012087 (78217-X)

5. Planning Details

The Subject Property is designated for commercial use.

The Certificate of Completion and Compliance ("CCC") was issued on 11 August 2021.

6. Basis of Valuation

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

No allowances are made in the valuation for any expense of realisation or for taxation which might arise in the event of a disposal, deemed or otherwise. We have considered the property as if free and clear of all charges, lien and all other encumbrances which may be secured thereon. We have also assumed the property is free of all statutory notices and outgoings.

7. Valuation Methodology

We have adopted the Income Approach by way of Investment Method and Comparison Approach.

Income Approach by way of Investment Method

It is the capitalisation of net rent from a property. 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. The main parameters adopted in the valuation based on the Income Approach by way of Investment Method are tabulated as follows:-

<table>
<tr><th rowspan="2">Parameters</th><th colspan="2">Rate Adopted</th><th rowspan="2">Explanation</th></tr>
<tr><th>Term</th><th>Reversion</th></tr>
<tr><td>Monthly Main Leasing Income</td><td>RM8.89 psf</td><td>RM10.20 psf</td><td>The main leasing income (which includes base rent, service charge and promotional charge) was derived based on the committed tenancies secured to-date. We have further taken into account the provision of rental rebate by the Client to one of the anchor tenants (throughout the tenancy period).

Further, we have also benchmarked against the rental rates of selected shopping malls within Klang Valley. Range of rental rate for notable regional shopping malls, amongst others, includes:-
<table>
<tr><th>Shopping Mall</th><th>Total NLA (Square Feet)</th><th>Range of Rental Rate (psf/month)</th></tr>
<tr><td>Mid Valley Megamall
Sunway Pyramid
IOI City Mall</td><td>1,500,000–1,800,000</td><td>RM2.65–RM80.00 (for retail space measuring between 100 –16,300 square feet)</td></tr>
</table>
Source of Information: Property Market Report First Half 2022 published by National Property Information Centre (NAPIC)</td></tr>
</table>

VALUATION CERTIFICATE FOR THE PAVILION BUKIT JALIL MALL (CONT'D)

Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd.
Registration No.: 198101012087 (78217-X)

Parameters	Rate Adopted		Explanation
	Term	Reversion	
Monthly Percentage Rent	-	RM400,000.00 to RM550,000.00	We have benchmarked against the actual percentage rent income achieved since the mall opening and the forecast/projection provided by the Client. We have also benchmarked against the percentage rent of selected shopping malls within Klang Valley. Taking into consideration that the Subject Property is a newly completed mall with physical occupancy rate of about 64%, we have reflected a staggered income over a period of 3 years.
Monthly Other Income	-	RM780,000.00 to RM880,000.00	Other income includes income receivable from the push carts, storages, auto-teller machine, exhibition hall, event and promotional income, advertisement, LED screen and others. We have benchmarked against the actual income achieved since the mall opening and the forecast/projection provided by the Client. Taking into consideration that the Subject Property is a newly completed mall with physical occupancy rate of about 64%, we have reflected a staggered income over a period of 3 years.
Monthly Car Park Income	RM738,310.00 to RM984,413.00	RM984,413.00	Based on the Car Park Operator cum Licence Agreement.
Monthly Outgoings psf	RM3.80 psf	RM3.80 psf	The outgoings include the outgoings for retail space, car park, exhibition hall and promotion areas. We have benchmarked against the actual outgoings achieved since the mall opening and the forecast/projection provided by the Client. We have also benchmarked against the outgoings of selected shopping malls within Klang Valley.
Void Rate	-	5%	Void rate is adopted to reflect the rent-free period and risk of vacancy due to changes in tenants.
Capitalisation Rate	Main Leasing and Car Park Income: 6.25%	Main Leasing and Car Park Income: 6.75% Percentage Rent and Other Income: 7.75%	Based on our analysis of the selected shopping mall transactions in Klang Valley, the yields range between 5.39% and 6.23%. We have taken into account that the Subject Property is a newly completed mall (with a physical occupancy rate of 64% as at the date of valuation), its large size (a regional mall having a total NLA of 1.8 million square feet) as well as the challenging retail market due to growing oversupply issue. A higher capitalisation rate was adopted for the percentage rent and other income as the income under these two categories generally tend to fluctuate on a yearly basis. Note: For reference purposes, strata parcels within Queensbay Mall located in Penang (having a total NLA of about 883,111 square feet and conveying an interest in perpetuity) were reported sold to MTrustee Berhad (as Trustee for Capitaland Malaysia Trust) at a total consideration of RM990,500,000.00 (RM1,121.60 psf) on 9 November 2022. The reported yield of the above transaction is 7.3%. (Source: Capitaland Malaysia Trust)
The Market Value as per the Income Approach by way of Investment Method is RM2,200,000,000.00 (RM1,207 psf).			

Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd.
Registration No.: 198101012087 (78217-X)

Comparison Approach

Comparison is made of the property under valuation with sales of other similar properties. Details of the selected sale comparables (as obtained from Bursa Malaysia Berhad) are tabulated as follows:-

Description	Sale Comparable 1	Sale Comparable 2	Sale Comparable 3
Type	A stratified shopping mall	A stratified shopping mall	A stratified shopping mall
Identification	Intermark Mall	Da:men USJ	Tropicana City Mall (now known as 3Damansara)
Location	Jalan Tun Razak, Kuala Lumpur	Persiaran Kewajipan, UEP Subang Jaya	Jalan SS 20/27, Petaling Jaya
NLA	225,014 square feet	420,920 square feet	448,248 square feet
Car Park	367 bays	1,638 bays	1,759 bays
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
Date of Transaction	29 December 2015	17 September 2015	26 January 2015
Consideration	RM160,000,000.00	RM486,844,000.00	RM472,982,143.00
Vendor	The Intermark Sdn Bhd	Equine Park Country Resort Sdn Bhd	Tropicana City Sdn Bhd
Purchaser	AmTrustee Berhad, as Trustee of Pavilion Real Estate Investment Trust	AmTrustee Berhad, as Trustee of Pavilion Real Estate Investment Trust	AmTrustee Berhad, as Trustee of CapitaMalls Malaysia Trust (now known as Capitaland Malaysia Trust)
Remarks	The vendor had provided the purchaser a rental guarantee of the sum of RM15,000,000.00 to be paid in tranches over a period of 25 months.	The vendor warranted that the monthly average gross rent (inclusive of service charge) under all such tenancy agreements shall not be less than RM9.20 psf as at the completion date of the sale.	Tropicana City Mall was transacted together with a 12-storey office building known as Tropicana City Office Tower.
Analysis	RM711.07 psf	RM1,156.62 psf	RM1,055.18 psf

As per the above analysis, the transacted prices for the shopping malls are in the region of between RM711.07 per square foot and RM1,156.62 per square foot. The above comparables should be considered purely as a reference only given the uniqueness of the Subject Property 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 adjustments as per the Comparison Approach will be arbitrary without being able to reflect the intrinsic aspects pertinent to the profile of the retail business relevant to each comparable. The adjustments based on pure property related factors which affect the value does not provide an effective and micro platform to arrive at the value of shopping malls using the Comparison Approach. The non-property related factors have a major impact which is not easily quantifiable from the aspect adjustments to be adopted. As such, the identified comparables are merely useful to provide an overall guide pertaining to the range of market prices which are applicable for shopping malls. Hence, we have not made any adjustment to arrive at the Market Value using the Comparison Approach.

Note:
For reference purposes, strata parcels within Queensbay Mall located in Penang (having a total NLA of about 883,111 square feet and conveying an interest in perpetuity) were reported sold to MTrustee Berhad (as Trustee for Capitaland Malaysia Trust) at a total consideration of RM990,500,000.00 (RM1,121.60 psf) on 9 November 2022. The reported yield of the above transaction is 7.3%. (Source: Capitaland Malaysia Trust)

Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd.
Registration No.: 198101012087 (78217-X)

8. Opinion of Value

We wish to draw attention that the parent title to the Subject Property carries a restriction in interest which stipulates that "*Tanah ini tidak boleh dipindahmilik, dipajak, digadai atau diurusniagakan dalam apa-apa bentuk lain melainkan setelah mendapat persetujuan bertulis daripada Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur kecuali bagi pindahmilik pertama dan kedua*".

In this regard, our valuation is on the basis that written consent from *Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur* in respect of the aforesaid restriction in interest will not be unreasonably withheld.

Having regard to the foregoing, our opinion of Market Value of the legal interest in the Subject Property, a 5-storey shopping mall with 2 basement car park levels, collectively known as 'Pavilion Bukit Jalil', located within Bukit Jalil City, Bukit Jalil, Kuala Lumpur and sited on Parent Lot 101899, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur held under Parent Title No. Geran 79550, with a CCC issued, subject to the existing tenancies and the forthcoming strata title(s) in respect of the Subject Property being free of all encumbrances (including the existing charge to CIMB Investment Bank Berhad), good, marketable and registrable is RM2,200,000,000.00 (Ringgit Malaysia Two Billion Two Hundred Million Only).

We would also like to confirm that there are no further pertinent factors which may affect the value of the Subject Property and the contents of this valuation certificate are in compliance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

For and on behalf of
JONES LANG WOOTTON

LIM TZE HER, FRISM MRICS FMVA
REGISTERED VALUER, V-805 AND CHARTERED SURVEYOR

Deloitte

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INDEPENDENT ASSURANCE REPORT
ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A CIRCULAR OF MALTON BERHAD ("THE COMPANY" or "THE GROUP")

Report on the Compilation of Pro Forma Consolidated Financial Information Included in a Circular

We have completed our assurance engagement to report on the compilation of the pro forma consolidated financial information of Malton Berhad ("the Company") and its subsidiaries ("the Group") as of 30 June 2022 and its related notes, as set out in Appendix A, by the Board of Directors ("the Board" or "the directors") of the Company.

The pro forma consolidated financial information consists of the pro forma consolidated statement of financial position of the Group as of 30 June 2022 and pro forma effect on net assets per share and gearing of the Group as of 30 June 2022, as set out in Appendix A which have been stamped by us for the purpose of identification. The pro forma consolidated financial information has been prepared and compiled for inclusion in the Circular to be issued to the shareholders of the Company in connection with the proposed disposal of Pavilion Bukit Jalil Mall by Regal Path Sdn Bhd ("Regal Path"), a 51% joint venture of the Company to MTrustee Berhad (as trustee of Pavilion Real Estate Investment Trust) ("Proposed Disposal").

The applicable criteria on the basis of which the directors of the Company have compiled the pro forma consolidated financial information are described in Notes 3 and 4 of the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by directors of the Company to illustrate the impact of the Proposed Disposal, as set out in Note 5 of the pro forma consolidated financial information, on the Group's financial position as at 30 June 2022 as if the Proposed Disposal had taken place at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 30 June 2022, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Consolidated Financial Information

The directors of the Company are responsible for compiling the pro forma consolidated financial information on the basis set out in the notes 3 and 4 of the pro forma consolidated financial information.

Our Independence and Quality Control

We are independent of the Company and the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants *("By-Laws")* and the International Ethics Standards Board for *Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

In accordance with International Standards on *Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* as adopted by the Malaysian Institute of Accountants, Deloitte PLT maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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Our Responsibilities

Our responsibility is to express an opinion as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, about whether the pro forma consolidated financial information has been properly compiled, in all material respects, by the directors of the Company on the basis set out in the notes of the pro forma consolidated financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 - *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board as adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled, in all material respects, the pro forma consolidated financial information on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of the pro forma consolidated financial information included in the circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company and the Group, the event or transaction in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated financial information has been properly compiled, in all material respects, on the basis stated in Notes 3 and 4 of the pro forma consolidated financial information.

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Other Matter

This report has been issued for the sole purpose of inclusion in the Circular to be issued in connection with the Proposal Disposal (in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad). As such, this letter is not to be used, circulated, quoted or otherwise referred to, for any other purposes nor is it to be filed with, reproduced, copied, disclosed or referred, in whole or in part, in any document other than the Circular.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants AF 0080

DATUK LIM CHU GUAN
Partner - 03296/03/2023 J
Chartered Accountant

2 March 2023

Malton Berhad
Pro Forma Consolidated Financial Information and the notes thereon

1. Introduction

The pro forma consolidated financial information of Malton Berhad ("Malton" or "the Company") and its subsidiaries ("the Group") has been prepared for inclusion in the Company's Circular to the shareholders of the Company ("the Circular"), as per the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), in connection with the proposed disposal of Pavilion Bukit Jalil Mall ("the Mall") by Regal Path Sdn Bhd ("Regal Path"), a 51% joint venture of Malton to MTrustee Berhad, as trustee of Pavilion Real Estate Investment Trust ("Pavilion REIT" or "the Purchaser") for a total indicative disposal consideration of RM2,200,000,000 as disclosed by the Company in its announcement dated November 22, 2022 on the Main Market of the Bursa Securities ("Proposed Disposal").

2. Details of the Proposed Disposal

2.1 The disposal of Mall

Regal Path, had on 22 November 2022 entered into a conditional sale and purchase agreement ("CSPA") with MTrustee Berhad ("MTrustee"), acting as the trustee of Pavilion REIT to dispose of 5-storey shopping mall with 2 basement car park levels located within Bukit Jalil City, Bukit Jalil, Kuala Lumpur, together with 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 Pfavilion 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 Amberstraits Shareholders' Agreement and Regal Path Shareholders' Agreement dated 25 September 2019 and 10 October 2019 respectively, documenting the shareholders' mutually agreed rights, duties, liabilities and obligations via-à-vis, amongst others, the management and operation of Regal Path and Amberstraits, the management of Malton believed that Malton group of Companies ("Group" or "Malton Group") had lost the control over Amberstraits (as a holding company of Regal Path) and Regal Path. Arising therefrom, Malton's investments in Amberstraits and Regal Path had been derecognised as subsidiaries and are treated as investments in joint ventures in its consolidated 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. 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.

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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 of the CSPA ("Completion Date") in cash and this does not form part of the indicative Disposal 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 the CSPA as at 30 June 2022 is RM3,727,676.96. The Proposed Disposal and the disposal of the Additional Assets are inter-conditional upon each other.

2.2 Adjustments to Disposal Consideration:

The final balance payment of the Disposal Consideration of RM400,000,000 ("Final Balance Payment") is to be paid either by fully in 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 on an annualise basis ("Targeted NPI") within 24 months from Completion Date ("NPI Determination Period").

(i) 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, where the said certification of the auditor shall be completed no later than 30 days from the date of appointment of the auditor.

(ii) 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 to Regal Path either in cash, or a combination of Consideration Units up to the equivalent sum of RM400,000,000 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.

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2.3 Mode of settlement of the Disposal Consideration:

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)	Within 60 days from the date on which the last of the conditions precedents of the CSPA is satisfied, suspended or waived by Pavilion REIT subject to extended period.	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. (2)	50,000,000
Upon issuance of strata title		
To be satisfied fully in cash.	Within 30 days from receipt of the last documents. (3)	100,000,000
Final balance payment		
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. (1)	Within the period set out in Note 2.2 of the pro forma consolidated financial information.	400,000,000
		2,200,000,000

Notes:

(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.

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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 of RM1.2053 on 21 November 2022, 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 in 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 (if any) will be listed on the Main Market of Bursa Securities upon allotment and issuance. Regal Peth does not intend to retain the Consideration Units allotted and issued to it and endeavours to place out the Consideration Units to monetise them upon receiving the Consideration Units. For illustrative purposes, the estimated cost involved in placing out the Consideration Units is approximately up to RM6.00 million based on an assumed placement fee of 1% and that Regal Path receives Consideration Units up to the equivalent sum of RM600 million. This cost has not been considered in the Pro Forma Consolidated Financial Information as its contingent up on the issuance/placement of consideration units.

(2) RM50,000,000 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;

(b) If Regal Path is unable to complete the rectification of all Existing Defects by the Defects Rectification Period, Pevilion REIT shall be entitled to retain from the Defect Rectification Payment a sum of 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 ("Defects Retention Sum"), Pavilion REIT to pay Regal Path the balance of the Defect Rectification Payment (after deducting the Defects Retention Sum) within 45 days from the date of Pavilion REIT's receipt of the report from the QS; or

(c) If Regal Path is unable to complete the rectification of all Existing Defects by the expiry of the period of 24 months from the Completion Date ("Final Defects Rectification Period"), Pavilion REIT shall be entitled to deduct from the Defects Retention Sum the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the QS, for Pavilion REIT to complete the remaining outstanding Existing Defects. The balance of the Defects Retention Sum (after deducting the aggregate costs required to complete the remaining outstanding Existing Defects as assessed by the QS), if any, will be released to Regal Path.

Note: This amount of RM10,000,000 was agreed by Regal Path and Pavilion REIT as a reasonable minimum amount to be retained, as the actual amount to be retained will be the higher of RM10,000,000 or the costs assessed by an independent QS to complete the remaining outstanding Existing Defects.

(3) RM100,000,000 ("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:

(a) 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;

(b) 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

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(c) 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.

2.4 Utilisation of Disposal Consideration

The indicative Disposal Consideration, including the Consideration Units, will entirely be accrued to Regal Path only. Further, 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 Note 2.3, 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	1,129,153
(b)	Redemption of outstanding Redeemable Preference Shares ("RPS") issued by Regal Path	Within 27 months from the Completion Date *	1,062,892
(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 note 2.3 of the pro forma consolidated financial information.*

*(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 1,129.15 million (amount of loan outstanding as at 15 February 2023 being the latest practicable date ("LPD")) 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, details of which are as set out below:

Type of Facility	*Amount outstanding as at LPD RM'000*
Term loan	*1,102,500*
Hire purchase	*26,653*
	1,129,153

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(b) Redemption of the 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 as at the LPD and the amount to be redeemed using the proceeds from the Proposed Disposal are as set out below:

Party	RPS	Indicative redemption amount as at the LPD RM'000	Amount to be redeemed from the proceeds from the Proposed Disposal RM'000
Q PBJ Sdn Bhd ("Q PBJ")	RPS-A	488,365	488,365
Khuan Choo Realty Sdn Bhd ("Khuan Choo")	RPS-B	290,568	289,229
Jelang Tegas	RPS-B	279,393	278,105
Q PBJ	RPS-C	7,193	7,193
Khuan Choo	RPS-D	23,235	-
Jelang Tegas	RPS-D	22,323	-
Total		1,111,077	1,062,892

Note: The above utilisation has considered the redemption of RPS-C and issuance of RPS-D amounting to RM19.95 million subsequent to 30 June 2022 but before the LPD. Furthermore, Regal Path intends to fund the redemption of the remaining outstanding RPS of which the indicative redemption amount is approximately RM48.19 million as at the LPD using its internal funds and/or borrowings.

(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.

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

3. Basis of preparation of the pro forma consolidated financial information

a. The pro forma consolidated financial information of the Malton Group as at 30 June 2022 has been compiled based on the audited financial statements of the Malton Group for the year ended 30 June 2022, and therefore, is consistent with both the format of the financial statements and the policies adopted by the Group in the preparation of its audited financial statements for the year ended 30 June 2022.

b. The pro forma consolidated financial information does not include the effects, if any, of any subsequent events required adjustments after the date of the audit report on the audited financial statements of the Group for the year ended 30 June 2022.

c. In the compilation of the pro forma consolidated financial information, apart from the assumptions mentioned in the note 4 below, it is assumed that:

(i) the Mall will be sold by Regal Path;

(ii) subsequent to the above point (i), Regal Path will have sufficient funds to redeem all RPS; and

(iii) further, impact of timing of cash flows have not been considered.

d. The auditors' report on the audited financial statements of Malton Group for the year ended 30 June 2022 was not subject to any modification.

e. The pro forma consolidated financial information of the Group as at 30 June 2022, for which the directors are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited statement of financial position of the Group had the events or transactions disclosed in notes 2 and 4 been effected on that date, and therefore should be read in conjunction with these accompanied notes.

4. Pro forma adjustments to the pro forma consolidated financial information

The pro forma consolidated financial information incorporates the effects of adjustments from the Proposed Disposal in the audited statement of financial position of the Malton Group as at 30 June 2022, as follows:

a. Share of loss of RM9.70 million from Regal Path from the one-off estimated pro forma loss arising from the Proposed Disposal

As Regal Path is recognised as an investment in joint venture in the consolidated financial statements of Malton Group, therefore, Malton Group is expected to realise a 51% share of gain/loss from the Proposed Disposal.

Based on the latest audited financial statements of Regal Path for the year ended 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:

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Appendix A

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	Note	RM'000	RM'000
Disposal Consideration	(i)		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	(ii)	(1,930,030)	
- NBV of plant and machinery as at 30 June 2022	(ii)	(26,491)	
- Unrealised fair value gain on the Pavilion Bukit Jalil Mall as at 30 June 2022	(iii)	(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	(iv)	(19,222)	
- Estimated charged out of capitalised expenses following the Proposed Disposal	(v)	(21,410)	
- Estimated loss on disposal of Additional Assets	(vi)	(339)	
- Estimated expenses for the Proposed Disposal	(vii)	(1,330)	(42,301)
Estimated pro forma loss on the Proposed Disposal by Regal Path			**(19,020)**

Notes:

(i) The Proposed Disposal involves the disposal of the Pavilion Bukit Jalil Mall for a disposal consideration of RM2,200 million. Regal Path expects to receive the disposal consideration in tranches as mentioned in note 2.3 of the pro forma consolidated financial information. The indicative Disposal Consideration of RM2,200 million will be satisfied either by fully in cash, or a combination of new Consideration Units up to the equivalent sum of RM600 million and the balance in cash. For the purpose of the pro forma, it is assumed that Regal Path will be able to satisfy all the conditions mentioned in note 2.3 of the pro forma consolidated financial information, resulting in realisation of the full amount of disposal consideration of RM2,200 million without incurring any additional expenditure.

(ii) As per the audited financial statements of Regal Path for the year ended 30 June 2022, cost of investment of the Pavilion Bukit Jalil Mall is RM1,930.03 million and the NBV of the plant and machinery of the Mall is RM26.49 million. As at 30 June 2022, 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.

(iii) As the Pavilion Bukit Jalil Mall was completed during the year ended 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.

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(iv) The additional capital expenditure is for fit out works, fixtures and fittings and plant and equipment which Regal Path has committed and contracted to install in the Pavilion Bukit Jalil Mall but has yet to be completed as at the date of signing of the CSPA. These additional capital expenditures are part of the disposal of the Pavilion Bukit Jalil Mall to Pavilion REIT.

(v) The estimated charged out of capitalised expenses includes 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. The adjustment is inclusive of assumed settlement of Regal Path's Debtors, Creditors and Tenant Deposits and Advances as of 30 June 2022 upon the Proposed Disposal. Furthermore, accounting adjustment was also taken into consideration for the long-term deposits and prepayments (which includes prepaid lease commission), unamortised transaction cost of external borrowings as well as the termination of leased assets that will not be transferred to Pavilion REIT upon the Proposed Disposal.

(vi) 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. The Additional Asset Price shall be based on NBV as at Completion Date in cash and does not form part of the Disposal Consideration. It is agreed that the information technology 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 Regal Path's acquisition date of such information technology equipment and other Additional Assets.

For pro forma 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 as mentioned above is RM3,727,676.96. As at 30 June 2022, the NBV of Additional Assets in the books of Regal Path was RM4,067,171.94 (prior to the additional depreciation incurred as mentioned in the preceding paragraph).

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

The proposed utilisation of the disposal consideration has been illustrated in note 2.4 of the pro forma consolidated financial information. Only the utilisation in respect of defray estimated expenses relating to the Proposed Disposal by Regal Path and repayment of all the outstanding loan facilities that were obtained by Regal Path in relation to the Pavilion Bukit Jalil Mall have been considered for the pro forma adjustments, as the expenses are directly related to the Proposed Disposal and Regal Path must repay the loan before disposal of the Mall which is charged against the outstanding loan facilities, respectively.

Further, redemption of the outstanding RPS issued by Regal Path and general working capital requirement of Regal Path have not been considered for the pro forma as these are not mandatory as a result of immediate disposal of the Mall and therefore, have not been considered as part of this transaction.

Furthermore, 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. No such interest has been considered for the purpose of the por forma, as it is assumed that proceeds will be utilised as soon as these are received by Regal Path.

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b. Estimated expenses to be incurred by Malton for the Proposed Disposal

Malton expects to incur an estimated expenses of RM1.00 million (in addition to estimated expenses of RM1.33 expected to be incurred by Regal Path) in professional fees and other incidental expenses in relation to the Proposed Disposal.

5. Pro forma consolidated financial information

The pro forma consolidated financial information of the Group as set out below have been prepared for illustrative purposes only, to show the effects of all the pro forma adjustments mentioned in note 4, had these events / transactions been effected as at 30 June 2022, and therefore should be read in conjunction with the rest of the notes in this appendix.

a. Pro forma consolidated statement of financial position

	As at 30 June 2022* RM'000	Pro forma RM'000	After the proposed disposal RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	27,084	-	27,084
Right-of-use assets	2,984	-	2,984
Investment properties	208,181	-	208,181
Land held for property development	671,520	-	671,520
Investment in joint ventures	31,247	(9,700)	21,547
Investment in associated companies	-	-	-
Other investments	285,848	-	285,848
Deferred tax assets	17,587	-	17,587
Total non-current assets	1,244,451	(9,700)	1,234,751
Current assets			
Property development costs	337,397	-	337,397
Inventories	169,093	-	169,093
Trade receivables	287,142	-	287,142
Other receivables and prepaid expenses	53,256	-	53,256
Contract assets	214,102	-	214,102
Amount owing by joint ventures	38,376	-	38,376
Tax recoverable	684	-	684
Short-term funds	511	-	511
Fixed deposits with licensed banks	70,061	-	70,061
Cash and bank balances	141,072	(1,000)	140,072
Total current assets	1,311,694	(1,000)	1,310,694
Total assets	2,556,145	(10,700)	2,545,445

** Extracted from the audited financial statements of the Malton Group for the year ended 30 June 2022.*

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5. Pro forma consolidated financial information (continued)

a. Pro forma consolidated statement of financial position (continued)

	As at 30 June 2022* RM'000	Pro forma RM'000	After the proposed disposal RM'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	528,552	-	528,552
Option reserve	943	-	943
Revaluation reserve	2,065	-	2,065
Retained earnings	471,995	(10,700)	461,295
	1,003,555	(10,700)	992,855
Non-controlling interests	17,560	-	17,560
Total equity	1,021,115	(10,700)	1,010,415
Non-current liabilities			
Other payables	648	-	648
Redeemable preference shares	50,996	-	50,996
Bank borrowings - non-current portion	141,997	-	141,997
Hire-purchase payables - non-current portion	408	-	408
Lease liabilities - non-current portion	1,084	-	1,084
Deferred tax liabilities	57,601	-	57,601
Total non-current liabilities	252,734	-	252,734
Current liabilities			
Trade payables	657,933	-	657,933
Other payables and accrued expenses	180,346	-	180,346
Contract liabilities	24,142	-	24,142
Bank borrowings - current portion	379,424	-	379,424
Hire-purchase payables - current portion	500	-	500
Lease liabilities - current portion	2,177	-	2,177
Tax liabilities	37,774	-	37,774
Total current liabilities	1,282,296	-	1,282,296
Total liabilities	1,535,030	-	1,535,030
Total equity and liabilities	2,556,145	(10,700)	2,545,445

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Malton Berhad
Pro Forma Consolidated Financial Information and the notes thereon

5. Pro forma consolidated financial information (continued)

b. Pro forma effect on net assets per share and gearing of the group

	As at 30 June 2022* RM'000	Pro forma RM'000	After the proposed disposal RM'000
Shareholders' Funds	**1,003,555**	(10,700)	**992,855**
Non-controlling interests	**17,560**	-	**17,560**
Total equity	**1,021,115**	(10,700)	**1,010,415**
Number of Malton Shares in issue ('000)	528,141	-	528,141
Net Assets per share (RM) **	**1.90**		**1.88**
Borrowings (RM'000)	**573,325**	-	**573,325**
Gearing ratio (times) ***	**0.56**		**0.57**

** Extracted from the audited financial statements of the Malton Group for the year ended 30 June 2022.*
*** Calculated based on NA/equity attributable to equity holders of our Company over number of Malton Shares in issue.*
**** Calculated based on total borrowings (comprises the RPS, long and short-term borrowings and hire-purchase payables) over total equity.*

Stamped for the purpose of Identification only with our letter / report dated
2 MAR 2023
Deloitte PLT
(LLP0010145-LCA)
Kuala Lumpur.

INFORMATION ON PAVILION REIT

1. HISTORY AND BUSINESS

Pavilion REIT is a real estate investment trust listed on the Main Market of Bursa Securities since 7 December 2011 and is managed by Pavilion REIT Management Sdn Bhd ("**Manager**"). It was established in Malaysia pursuant to the trust deed dated 13 October 2011 (which was subsequently amended and restated by a deed dated 18 February 2019) entered into between the Manager and MTrustee ("**Deed**"). The Deed is regulated by the Securities Commission Act 1993, the SC's Guidelines on Real Estate Investment Trusts, the Listing Requirements, 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.

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 this Appendix IV of this Circular.

2. UNITHOLDERS' CAPITAL

As at 31 January 2023, 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 31 January 2023, the directors of Pavilion REIT and their respective unitholdings in Pavilion REIT are as follows:

		<---------Direct-------->		<------Indirect------->	
Name (Designation)	**Nationality**	**No. of units**	**%**	**No. of units**	**%**
TSDL (Chairman and Non-Independent Executive Director)	Malaysian	845,425,000	27.7	-	-
Puan Sri Tan (Non-Independent Executive Director)	Malaysian	281,875,000	9.2	-	-
Dato' Lee Tuck Fook (Non-Independent Executive Director)	Malaysian	100,000	*	-	-
Ahmed Ali H A Al-Hammadi (Non-Independent Non-Executive Director)	Qatari	-	-	-	-
Ahmad Mohammed F Q Al-Khanji (Non-Independent Non-Executive Director)	Qatari	-	-	-	-
Mohd Abdulrazzaq A A Al-Hashmi (Non-Independent Non-Executive Director)	Qatari	-	-	-	-
Navid Chamdia (Non-Independent Non-Executive Director)	British	100,000	*	-	-
Dato' Mohzani Bin Abdul Wahab (Independent Non-Executive Director)	Malaysian	-	-	-	-
Dato' Maznah Binti Abdul Jalil (Independent Non-Executive Director)	Malaysian	100,000	*	-	-
Dato' Choo Chuo Siong (Independent Non-Executive Director)	Malaysian	-	-	-	-
Dato' Mearia @ Massahariah Binti Hamzah (Independent Non-Executive Director)	Malaysian	-	-	-	-
Baljeet Kaur Grewal A/P Jaswant Singh (Independent Non-Executive Director)	Malaysian	-	-	-	-

Note:

* *Negligible.*

4. SUBSTANTIAL UNITHOLDERS

As at 31 January 2023, the substantial unitholders of Pavilion REIT and their respective unitholdings in Pavilion REIT are as follows:

Name	Country of Incorporation/ Nationality	<---------Direct---------> No. of units	%	<------Indirect-----> No. of units	%
QH	Qatar	1,008,900,000	33.02	-	-
TSDL	Malaysian	845,425,000	27.67	-	-
Puan Sri Tan	Malaysian	281,875,000	9.22	-	-
EPF	Malaysia	307,325,003	10.06	-	-
KWAP	Malaysia	184,482,300	6.04	-	-

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 2020 to 31 December 2022 are as follows:

	<--------Audited FYE 31 December-------->		
	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	510,220	488,591	569,691
Revenue breakdown:			
- Revenue income	464,520	447,857	498,914
- Revenue from contract customers	34,918	31,468	55,867
- Other income	10,782	9,266	14,910
Income before taxation	46,345	125,240	397,799
Income after taxation/total comprehensive income attributable to unitholders	46,345	125,240	397,799
Current ratio (times)	0.30	0.69	0.44
Net asset value	3,859,317	3,858,453	4,060,007
Total asset value	6,241,907	6,238,695	6,483,176
Total borrowings	2,163,272	2,173,298	2,194,039
Gearing (times) (1)	0.35	0.35	0.34

	<--------Audited FYE 31 December-------->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Issued unitholders' capital	2,938,844	2,945,255	2,952,256
Number of units in circulation ('000)	3,045,307	3,050,059	3,055,722
Net income per unit (sen) (2)	1.52	4.11	13.03
Net asset value per unit (RM) (3)	1.27	1.27	1.33

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 weighted average 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 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.

FYE 31 December 2022 compared to FYE 31 December 2021

For the FYE 31 December 2022, Pavilion REIT recorded revenue of RM569.69 million, representing an increase of RM81.10 million or 16.60% as compared to the revenue of RM488.59 million for the FYE 31 December 2021. The increase in revenue was mainly due to higher rental billings, revenue rent and income from advertising and marketing events after all economic sectors resume their businesses post pandemic.

Pavilion REIT incurred lower operating costs for the FYE 31 December 2022 as compared to the previous financial year mainly due to no pandemic rebates given to tenants this financial year. 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 post pandemic.

During the financial year, Pavilion REIT also recognised fair value gain of RM151.38 million arising from the valuation of investment properties as at 31 December 2022, as compared to fair value loss of RM0.63 million recognised during the previous financial year. As a result, Pavilion REIT's income after taxation increased by RM272.56 million or 217.63% to RM397.80 million for the FYE 31 December 2022 as compared to RM125.24 million for the FYE 31 December 2021.

Accounting policies and audit qualification

For the FYEs 31 December 2020 to 2022, 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 2020 to 2022.

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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

INFORMATION ON PAVILION REIT (CONT'D)

	Pavilion Kuala Lumpur Mall	Intermark Mall	DA MEN Mall	Elite Pavilion Mall	Pavilion Tower
Gross floor area	2,356,397 square feet	337,427 square feet	732,925 square feet	464,689 square feet	243,288 square feet
Net lettable area	1,355,416 square feet	222,494 square feet	421,303 square feet	227,783 square feet	163,844 square feet
Occupancy rate	91.6% as at 31 December 2022	86.9% as at 31 December 2022	64.5% as at 31 December 2022	92.3% as at 31 December 2022	72.8% as at 31 December 2022
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 2022	31 December 2022	31 December 2022	31 December 2022	31 December 2022
Method of valuation	Income approach by investment method	Income approach by investment method	Income approach by discounted cash flow method	Income approach by investment method	Income approach by investment method
Independent valuer	CBRE WTW Valuation & Advisory Sdn Bhd	Knight Frank Malaysia Sdn Bhd	Knight Frank Malaysia Sdn Bhd	CBRE WTW Valuation & Advisory Sdn Bhd	CBRE WTW Valuation & Advisory Sdn Bhd
Appraised value	RM5,000 million	RM185 million	RM180 million	RM550 million	RM130 million
Audited NBV as at 31 December 2022 (RM)	RM5,000 million	RM185 million	RM180 million	RM550 million	RM130 million

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8. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

8.1 Material commitments

As at the LPD, the board of directors of Pavilion REIT is not aware of any material commitment incurred or known to be incurred by Pavilion REIT which upon becoming enforceable may have a material and adverse impact on the financial position of Pavilion REIT.

8.2 Contingent liabilities

As at the LPD, the board of directors of Pavilion REIT is not aware of any contingent liability incurred or known to be incurred by Pavilion REIT which upon becoming enforceable may have a material and adverse impact on the financial position of Pavilion REIT.

9. MATERIAL CONTRACTS

Save for the CSPA, Pavilion REIT has not entered into any material contract (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the date of this Circular.

10. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Pavilion REIT is not engaged in any material litigation, claim and/or arbitration either as plaintiff or defendant, which may materially and adversely affect its financial position or business, and there is no proceeding, pending or threatened, or of any fact likely to give rise to a proceeding which may materially and adversely affect the financial position or business of Pavilion REIT.

11. TYPE OF ASSETS OWNED

As at 31 December 2022, Pavilion REIT owned, among others, the following assets:

Type of assets	RM'000	RM'000
Plant and equipment		
Furniture and fittings	79	
Information technology equipment and software	299	
Motor vehicles	1	
Renovation	159	
Tools and office equipment	15	553
Investment properties		
Pavilion Kuala Lumpur Mall	5,000,000	
Intermark Mall	185,000	
DA MEN Mall	180,000	
Elite Pavilion Mall	550,000	
Pavilion Tower	130,000	6,045,000
Total		**6,045,553**

(Source: Annual Report of Pavilion REIT for the FYE 31 December 2022)

Pavilion Real Estate Investment Trust

(Established in Malaysia)

Financial statements for the year ended 31 December 2022

Pavilion Real Estate Investment Trust

(Established in Malaysia)

Statement of financial position as at 31 December 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Plant and equipment	4	553	740
Investment properties	5	6,045,000	5,880,000
Total non-current assets		6,045,553	5,880,740
Inventories		2,873	3,068
Trade and other receivables	6	42,410	42,656
Pledged deposits with licensed banks	7	59,425	58,226
Cash and cash equivalents	8	332,915	254,005
Total current assets		437,623	357,955
Total assets		6,483,176	6,238,695
Liabilities			
Borrowings	9	1,394,039	1,778,298
Payables and accruals	10	44,313	81,677
Total non-current liabilities		1,438,352	1,859,975
Borrowings	9	800,000	395,000
Payables and accruals	10	184,817	125,267
Total current liabilities		984,817	520,267
Total liabilities		2,423,169	2,380,242
Net asset value		4,060,007	3,858,453
Financed by:			
Unitholders' fund			
Unitholders' capital	11	2,952,256	2,945,255
Accumulated income		1,107,751	913,198
Total unitholders' fund		4,060,007	3,858,453
Net asset value ("NAV")			
Before income distribution		4,060,007	3,858,453
After income distribution*		3,928,916	3,779,761
Number of units in circulation ('000 units)	11	3,055,722	3,050,059
NAV per unit (RM)			
Before income distribution		1.3287	1.2650
After income distribution*		1.2858	1.2392

* *after proposed final income distribution of 4.29 sen per unit (2021: 2.58 sen per unit)*

The notes on pages 6 to 47 are an integral part of these financial statements.

Pavilion Real Estate Investment Trust

(Established in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Rental income		498,914	447,857
Revenue from contract customers	12	55,867	31,468
Other income		14,910	9,266
Gross revenue		569,691	488,591
Utilities		(68,471)	(48,282)
Maintenance		(61,900)	(51,189)
Property taxes		(16,263)	(16,245)
Other operating expenses	6	(58,856)	(136,253)
Net property income		364,201	236,622
Net fair value changes on investment properties		151,381	(627)
Interest income		6,523	4,672
Net investment income		522,105	240,667
Manager's management fees	13	(30,375)	(25,815)
Trustee's fees	1(c)	(485)	(485)
Valuation fee		(504)	(413)
Other trust expenses	1(c)	(956)	(510)
Borrowing costs	14	(91,986)	(88,204)
Income before taxation		397,799	125,240
Tax expense	15	-	-
Income after taxation/Total comprehensive income attributable to unitholders		397,799	125,240
Income after taxation is made up as follows:			
Realised		246,418	125,867
Unrealised		151,381	(627)
		397,799	125,240
Basic/Diluted earnings per unit (sen)	16	13.03	4.11

Pavilion Real Estate Investment Trust

(Established in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022 (continued)

	Note	2022 RM'000	2021 RM'000
Total comprehensive income		397,799	125,240
Distribution adjustments	A	(141,988)	9,422
Distributable income		255,811	134,662
Distribution per unit (sen) - interim		4.08	1.83
Distribution per unit (sen) - final		4.29	2.58
Note A			
Distribution adjustments comprise:			
Amortisation of transaction costs		1,465	1,815
Depreciation	4	334	526
Net fair value changes on investment properties		(151,381)	627
Manager's management fees payable in units	13	7,594	6,454
		(141,988)	9,422

The notes on pages 6 to 47 are an integral part of these financial statements.

Pavilion Real Estate Investment Trust

(Established in Malaysia)

Statement of changes in net asset value for the year ended 31 December 2022

	Note	Unitholders' capital RM'000	Accumulated income RM'000	Total funds RM'000
At 1 January 2021		2,938,844	920,473	3,859,317
Income after taxation/Total comprehensive income for the year attributable to unitholders		-	125,240	125,240
Unitholders' transactions				
Contributions by and distributions to unitholders				
Issue of new units		6,411	-	6,411
Distribution to unitholders	17	-	(132,515)	(132,515)
Increase/(Decrease) in net assets resulting from unitholders' transactions		6,411	(132,515)	(126,104)
Net assets at 31 December 2021/ 1 January 2022		2,945,255	913,198	3,858,453
Income after taxation/Total comprehensive income for the year attributable to unitholders		-	397,799	397,799
Unitholders' transactions				
Contributions by and distributions to unitholders				
Issue of new units		7,001	-	7,001
Distribution to unitholders	17	-	(203,246)	(203,246)
Increase/(Decrease) in net assets resulting from unitholders' transactions		7,001	(203,246)	(196,245)
Net assets at 31 December 2022		2,952,256	1,107,751	4,060,007
		Note 11		

The notes on pages 6 to 47 are an integral part of these financial statements.

Pavilion Real Estate Investment Trust

(Established in Malaysia)

Statement of cash flows for the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Income before taxation		397,799	125,240
Adjustments for:			
Borrowing costs	14	91,986	88,204
Depreciation	4	334	526
Plant and equipment written off	4	3	-
Gain on disposal of plant and equipment	4	(1)	-
Impairment loss on trade receivables		4,778	2,458
Interest income		(6,523)	(4,672)
Net fair value changes on investment properties		(151,381)	627
Operating income before changes in working capital		336,995	212,383
Changes in inventories		195	(27)
Changes in receivables		(4,532)	(11,662)
Changes in payables		26,480	1,015
Changes in tenants' deposits		2,707	(6,978)
Net cash generated from operating activities		361,845	194,731
Cash flows from investing activities			
Interest received		6,523	4,672
Payment for enhancement of investment properties		(13,619)	(17,627)
(Pledged)/Uplifted deposit		(1,199)	5,707
Purchase of plant and equipment		(153)	(94)
Proceed from disposal of plant and equipment		4	-
Net cash used in investing activities		(8,444)	(7,342)
Cash flows from financing activities			
Distribution to unitholders		(203,246)	(132,515)
Interest paid		(90,521)	(86,389)
Payment of financing expenses		(724)	(5,027)
Proceed from borrowings		190,000	420,000
Repayment of borrowings		(170,000)	(406,762)
Net cash used in financing activities		(274,491)	(210,693)
Net increase/(decrease) in cash and cash equivalents		78,910	(23,304)
Cash and cash equivalents at 1 January		254,005	277,309
Cash and cash equivalents at 31 December		332,915	254,005

The notes on pages 6 to 47 are an integral part of these financial statements.

Pavilion Real Estate Investment Trust

(Established in Malaysia)

Notes to the financial statements

1. General

Pavilion Real Estate Investment Trust ("Pavilion REIT") is a Malaysia-domiciled real estate investment trust constituted pursuant to the First Amended and Restated Trust Deed dated 18 February 2019 ("the Deed") between Pavilion REIT Management Sdn. Bhd. ("the Manager") and MTrustee Berhad ("the Trustee"). The Deed is regulated by the Securities Commission Act 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Pavilion REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 27 of the Deed. The addresses of the Manager's registered office and principal place of business are as follows:

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

Principal place of business
Lot 10.00.00, Level 10
Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur

The financial statements of Pavilion REIT as at and for the financial year ended 31 December 2022 comprise Pavilion REIT and its wholly-owned special purpose companies, Pavilion REIT Venture Capital Sdn. Bhd. and Pavilion REIT Bond Capital Berhad, companies incorporated in Malaysia, of which their principal activities are to raise financing for and on behalf of Pavilion REIT.

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 ("NAV") (being the total unitholders' fund) per unit, while maintaining an appropriate capital structure.

Pavilion REIT was formally admitted to the Main Market of Bursa Malaysia Securities Berhad on 7 December 2011.

The financial statements were approved by the Board of Directors of the Manager on 31 January 2023.

1. General (continued)

Pavilion REIT entered into several service agreements in relation to the management of Pavilion REIT and its property operations. The fee structure of these services is as follows:

(a) Property management fees

The Property Manager, Henry Butcher Malaysia Sdn. Bhd., is entitled to property management fee of RM380,000 (2021: RM380,000) per annum (excluding sales and services tax). In addition, the Property Manager is also entitled to full reimbursement of costs and expenses incurred in the operation, maintenance, management and marketing of the properties held by Pavilion REIT (including but not limited to the cost relating to the employment and remuneration of on-site staff provided) ("Permitted Expenses") as well as fees and reimbursements for Permitted Expenses payable to its service providers.

(b) Manager's management fees

Pursuant to the Deed, the Manager is entitled to receive the following fees from Pavilion REIT:

(i) a base fee ("Base Fee") of up to 1.0% per annum of the Total Asset Value of Pavilion REIT (excluding cash and bank balances which are held in non-interest bearing accounts).

(ii) a performance fee ("Performance Fee") of up to 5.0% per annum of Net Property Income.

(iii) an incentive fee ("Incentive Fee") payable as follows effective from the second full financial year in which Pavilion REIT has been established and in operation (subject to the relevant approval by unitholders being obtained).

Fee Payable (% per annum of the Total Asset Value of Pavilion REIT)	Criteria – Provided that annual growth in the Distributable Income in a Financial Year (calculated before accounting for Incentive Fee in that Financial Year):
Up to 0.10%	Exceeds 7.5% and up to 10.0%
Up to 0.15%	Exceeds 10.0% and up to 12.5%
Up to 0.20%	Exceeds 12.5%

(iv) an acquisition fee ("Acquisition Fee") of 1.0% of transaction value in relation to an acquisition of any real estate and real estate related assets directly or indirectly acquired.

(v) a divestment fee ("Divestment Fee") of 0.5% of transaction value in relation to disposal of any real estate and real estate related assets directly or indirectly sold or divested.

1. General (continued)

(b) Manager's management fees (continued)

The Manager shall be paid the Base Fee, Performance Fee, Acquisition Fee and Divestment Fee in the form of cash, new units or a combination thereof at the election of the Manager in its sole discretion. The Incentive Fee is payable in units only.

The payment of the Manager's management fee in the form of new units will be in accordance with the following formula:

$$\text{New Units to be issued as payment of the Manager's management fee} = \frac{\text{Manager's management fee payable in Units}}{\text{Market Price}}$$

For this purpose, "Market Price" means the volume weighted average market price of the Units for the last 5 Market Days preceding the following events:

(i) in respect of the Base Fee and Performance Fee, the announcement of the relevant quarterly financial reports;
(ii) in respect of the Incentive Fee, the announcement of the annual financial statements; or
(iii) in respect of the Acquisition Fee and Divestment Fee, the completion of the relevant acquisition/divestment,

(each a "**Trigger Event**").

With reference to any book closing date, where the Trigger Event is before but the issuance of the new Units relating to such Trigger Event is after the said book closing date, the Market Price will be further adjusted for the entitlement relating to such book closing date.

The Manager will make an immediate announcement to Bursa Securities disclosing the number of new units to be issued and the issue price of the new units when new units are issued as payment for management fee. Payment of the management fees in units shall also be subjected to Pavilion REIT complying with the public spread requirements stated in the Main Market Listing Requirements and there being no adverse implications under the Malaysian Code on Take-Overs and Mergers 2016.

(c) Trustee's fees

In accordance to the Deed, an annual trusteeship fee of up to 0.05% per annum of NAV, but limited to RM485,000 for the current financial year (2021: limited to RM485,000), is to be paid to the Trustee.

For the financial year, Pavilion REIT has incurred reimbursed expenses to the Trustee of RM657 (2021: RM1,166) which is part of other trust expenses.

2. Basis of preparation

(a) Statement of compliance

The financial statements of Pavilion REIT have been prepared in accordance with the provisions of the Deed, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by Pavilion REIT:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Pavilion REIT plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to Pavilion REIT.

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

2. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of Pavilion REIT. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 5 – investment properties and Note 15 – tax expense.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Pavilion REIT, unless otherwise stated:

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by Pavilion REIT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Pavilion REIT controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

Pavilion REIT also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to Pavilion REIT.

For new acquisitions, Pavilion REIT measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, Pavilion REIT elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that Pavilion REIT incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, Pavilion REIT derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If Pavilion REIT retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these financial statements.

3. Significant accounting policies (continued)

(b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, Pavilion REIT becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Pavilion REIT categorises financial instruments as follows:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless Pavilion REIT changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impairment financial assets (see Note 3 (h)(i)) where the effective interest rate is applied to the amortised cost.

Financial liabilities

Financial liabilities at initial recognition are categorised as amortised cost and are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Pavilion REIT, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(c) Plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Furniture and fittings	10 years
IT equipment and software	3 years
Motor vehicles	5 years
Renovation	10 years
Tools and office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the financial year, and adjusted as appropriate.

(d) Investment property

Investment property carried at fair value

Investment properties are properties which are owned or right-of-use held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

3. Significant accounting policies (continued)

(d) Investment property (continued)

Investment property carried at fair value (continued)

The fair value of investment properties held by Pavilion REIT as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, Pavilion REIT added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the financial year in which the item is derecognised.

External, independent valuation firm(s), having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Pavilion REIT's investment properties portfolio every year.

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Pavilion REIT assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, Pavilion REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which Pavilion REIT is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

3. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement

(a) As a lessee

Pavilion REIT recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Pavilion REIT's incremental borrowing rate. Generally, Pavilion REIT uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that Pavilion REIT is reasonably certain to exercise; and
- penalties for early termination of a lease unless Pavilion REIT is reasonably certain not to terminate early.

Pavilion REIT excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

Pavilion REIT has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Pavilion REIT recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When Pavilion REIT acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Pavilion REIT makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

3. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

If an arrangement contains lease and non-lease components, Pavilion REIT applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

Pavilion REIT recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Pavilion REIT uses the interest rate implicit in the lease to measure the net investment in the lease.

When Pavilion REIT is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which Pavilion REIT applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in Pavilion REIT's estimate of the amount expected to be payable under a residual value guarantee, or if Pavilion REIT changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

Pavilion REIT recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "rental income".

3. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement (continued)

(b) As a lessor (continued)

Pavilion REIT recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on Pavilion REIT's net investment in the lease. Pavilion REIT aims to allocate finance income over the lease term on a systematic and rational basis. Pavilion REIT applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments (see Note 3(h)(i)).

(f) Inventories

Inventories represent general supplies used in the daily operations of Pavilion REIT. Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in-first-out basis, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment

(i) Financial assets

Pavilion REIT recognises loss allowances for expected credit losses on financial assets measured at amortised costs. Expected credit losses are a probability-weighted estimate of credit losses.

Pavilion REIT measures loss allowances at an amount equal to lifetime expected credit loss except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, Pavilion REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Pavilion REIT's historical experience and informed credit assessment and including forward-looking information, where available.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, Pavilion REIT assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when Pavilion REIT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Pavilion REIT's procedures for recovery of amount due.

(ii) Other assets

The carrying amounts of other assets (except for inventories and investment properties that are measured at fair value) are reviewed at the end of each financial year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

(i) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of cost of those assets.

3. Significant accounting policies (continued)

(i) Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(k) Revenue and other income

(i) *Interest income*

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(ii) Other income

Other income consists of provision of facilities and usage of space to customers and other miscellaneous income, and is recognised in profit or loss when (or as) the customers obtain control of the good or service.

(l) Expenses

(i) Property expenses

Property expenses consist of property management fees, quit rents and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of Pavilion REIT.

Property management fees are recognised on an accrual basis.

(ii) Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(b).

(iii) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(c).

3. Significant accounting policies (continued)

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the financial year, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the financial year.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(d), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each financial year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Earnings per unit

Pavilion REIT's earnings per unit ("EPU") is presented based on basic and diluted format.

Basic EPU is calculated by dividing the profit or loss attributable to unitholders of Pavilion REIT by the weighted average number of units outstanding during the year.

Diluted EPU is determined by adjusting the profit or loss attributable to unitholders and the weighted average number of units outstanding adjusted for the effects of all dilutive potential units.

3. Significant accounting policies (continued)

(o) Operating segments

An operating segment is a component of Pavilion REIT that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Pavilion REIT's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Manager of Pavilion REIT, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete segmental financial information is available.

(p) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, Pavilion REIT uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Pavilion REIT can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

Pavilion REIT recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Plant and equipment

	Furniture and fittings RM'000	IT equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Tools and office equipment RM'000	Total RM'000
Cost						
At 1 January 2021	1,466	1,401	105	415	2,767	6,154
Addition	-	94	-	-	-	94
At 31 December 2021/ 1 January 2022	1,466	1,495	105	415	2,767	6,248
Addition	-	153	-	-	-	153
Disposal	-	(5)	-	-	-	(5)
Write off	(2)	(5)	-	-	(122)	(129)
At 31 December 2022	1,464	1,638	105	415	2,645	6,267
Accumulated depreciation						
At 1 January 2021	1,226	993	70	172	2,521	4,982
Depreciation for the year	146	157	17	42	164	526
At 31 December 2021/ 1 January 2022	1,372	1,150	87	214	2,685	5,508
Depreciation for the year	15	193	17	42	67	334
Disposal	-	(2)	-	-	-	(2)
Write off	(2)	(2)	-	-	(122)	(126)
At 31 December 2022	1,385	1,339	104	256	2,630	5,714
Carrying amounts						
At 1 January 2021	240	408	35	243	246	1,172
At 31 December 2021/ 1 January 2022	94	345	18	201	82	740
At 31 December 2022	79	299	1	159	15	553

5. Investment properties

	2022 RM'000	2021 RM'000
At 1 January	5,880,000	5,863,000
Enhancements/Capital expenditure	13,619	17,627
Change in fair values recognised in profit or loss	151,381	(627)
At 31 December	6,045,000	5,880,000

Investment properties are charged as securities for bank borrowings as disclosed in Note 9.

During the year, the variable lease income earned that does not depend on an index or a rate amounted to RM47,196,000 (2021: RM11,972,000).

5. Investment properties (continued)

Details of the investment properties are as follows:

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2022 %	Fair value as at 31.12.2022 RM'000	Cost as at 31.12.2022 RM'000	Percentage of fair value to NAV as at 31.12.2022 %
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2022	Kuala Lumpur	Leasehold*	92	5,000,000	3,562,895	123
Pavilion Tower	7.12.2011	31.12.2022	Kuala Lumpur	Leasehold*	73	130,000	128,000	3
DA MEN Mall	25.3.2016	31.12.2022	Subang Jaya	Interest in perpetuity	64	180,000	511,264	4
Intermark Mall	25.3.2016	31.12.2022	Kuala Lumpur	Interest in perpetuity	87	185,000	164,191	5
Elite Pavilion Mall	27.4.2018	31.12.2022	Kuala Lumpur	Interest in perpetuity#	92	550,000	587,864	14
Investment properties						6,045,000	4,954,214	

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2021 %	Fair value as at 31.12.2021 RM'000	Cost as at 31.12.2021 RM'000	Percentage of fair value to NAV as at 31.12.2021 %
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2021	Kuala Lumpur	Leasehold*	90	4,850,000	3,549,297	126
Pavilion Tower	7.12.2011	31.12.2021	Kuala Lumpur	Leasehold*	79	130,000	128,000	3
DA MEN Mall	25.3.2016	31.12.2021	Subang Jaya	Interest in perpetuity	62	180,000	511,243	5
Intermark Mall	25.3.2016	31.12.2021	Kuala Lumpur	Interest in perpetuity	84	180,000	164,191	5
Elite Pavilion Mall	27.4.2018	31.12.2021	Kuala Lumpur	Interest in perpetuity#	86	540,000	587,864	14
Investment properties						5,880,000	4,940,595	

* The lease has a period of 99 years expiring in 2109.
\# The extension-connection of the mall has a period of 99 years expiring in 2109.
NAV Net asset value

5. Investment properties (continued)

5.1 Fair value information

All investment properties are categorised as Level 3 fair value.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Pavilion Kuala Lumpur Mall, Pavilion Tower, Elite Pavilion Mall and Intermark Mall The income approach by investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates to income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.	• Risk-adjusted term capitalisation rates ranging from 6.00% to 6.75% (2021: 6.00% to 6.75%). • Risk-adjusted reversion capitalisation rate of 6.25% to 6.50% (2021: 6.25% to 6.50%).	The estimated fair value would increase (decrease) if: • risk-adjusted term capitalisation rates were lower (higher). • risk-adjusted reversion capitalisation rates were lower (higher).
DA MEN Mall The income approach by discounted cash flow method uses the estimation of future annual cash flows over 10-year investment horizon from the valuation date by reference to expected revenue growth rates, operating expenses and terminal value. The present value of future cash flow is then determined by the application of an appropriate discount rate to derive a net present value of property.	• Capitalisation rates of 6.5% (2021: 6.50%). • Discount rate of 8% (2021: 8%). • Average growth rate of rental per square feet over 10-year of 8% (2021: 10%). • Progressive increase of occupancy rate from 67% to 100% (2021: 69% to 100%) over 10 years.	The estimated fair value would increase (decrease) if: • capitalisation rates were lower (higher). • discount rate were lower (higher). • average growth rate of rental per square feet were higher (lower).

5. Investment properties (continued)

5.1 Fair value information (continued)

Level 3 fair value

Individual strata titles in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower have not been issued. The valuation is on the basis/assumption that individual strata titles in respect of the subject properties are forthcoming and when issued, will be free from all encumbrances and restrictive conditions over the respective strata floor areas, and Pavilion Kuala Lumpur Mall and Pavilion Tower will convey 99-year leasehold interest expiring in year 2109.

The transfers of the land titles in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower in favour of the Trustee are pending submission by respective land owners to the Land Office.

Valuation processes applied by the Manager for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of current market conditions.

Highest and best use

Pavilion REIT's investment properties comprise four retail malls and an office building. The properties on their own is the highest and best use, as three of the retail malls are on prime land in the city centre. The other retail mall is within a mix development which consists of residential and shop office. The office building annexed to a retail mall in the city centre has been refurbished in recent years, thus it is not cost effective to convert it to a retail mall at the moment. The office building also complements the retail mall by bringing human traffic to the retail mall, especially during lunch hours.

6. Trade and other receivables

	Note	2022 RM'000	2021 RM'000
Current			
Trade			
Trade receivables		50,739	53,076
Less: Impairment losses	6.1	(21,247)	(18,662)
		29,492	34,414
Non-trade			
Other receivables		8,137	3,999
Deposits		2,066	2,016
Prepayments		2,715	2,227
		12,918	8,242
		42,410	42,656

6.1 Included in the other operating expenses for the year ended 31 December 2021 were agreed rental waiver or rebates of RM92,643,000.

7. Pledge deposits with licensed banks

The pledge deposits with licensed banks are maintained in Debt Service Reserve Accounts with licensed banks to cover a minimum of six months interest for banking facilities granted to Pavilion REIT (Note 9).

8. Cash and cash equivalents

	2022 RM'000	2021 RM'000
Cash and bank balances	215,802	18,306
Deposits placed with licensed banks	117,113	235,699
	332,915	254,005

9. Borrowings

	Note	2022 RM'000	2021 RM'000
Non-current			
Secured syndicated term loan	9.1	723,267	683,267
Unrated medium term notes	9.2	675,000	1,100,000
Less: Unamortised transaction costs		(4,228)	(4,969)
		1,394,039	1,778,298
Current			
Unrated medium term notes	9.2	800,000	395,000
		2,194,039	2,173,298
Average interest rate of borrowings		4.1%	4.0%
Gearing/Borrowings ratio		33.8%	34.8%

9.1 Secured syndicated credit facilities of RM815.9 million

Pavilion REIT entered into a facility agreement and its supplementary facility agreement dated 3 November 2011 and 23 November 2011 respectively ("Facility Agreements") through its wholly owned subsidiary, Pavilion REIT Venture Capital Sdn. Bhd. ("Borrower") for syndicated credit facilities ("Facilities") of up to RM815.9 million with licensed banks ("Lenders") comprising revolving term loan facilities and bank guarantee as follows:

(i) RTL1 - a revolving term loan ("RTL") facility of up to RM705.9 million to part finance the acquisition of investment properties and future acquisitions by Pavilion REIT;

(ii) RTL2 - a revolving term loan facility of up to RM100.0 million to finance general working capital of Pavilion REIT (including acquisition of assets); and

(iii) BG/RTL3 - a bank guarantee ("BG") of up to RM10.0 million for the issuance of performance bonds, bank guarantees, indemnities or undertakings and a revolving term loan facility for the conversion of any amounts paid out under the performance bonds, bank guarantees, indemnities or undertakings issued under bank guarantee.

The financing facilities are secured by debenture incorporating fixed and floating charge over all present and future assets of Pavilion REIT Venture Capital Sdn. Bhd..

9. Borrowings (continued)

9.1 Secured syndicated credit facilities of RM815.9 million (continued)

The tenure of the syndicated credit facilities have been extended to another five years from 7 December 2021 up to a maturity date of 7 December 2026. The Lenders have the option to convert to a fixed interest rate at their sole discretion and subject to the consent of all Lenders from 7 December 2022 onwards.

The revolving credit borrowings are secured over Pavilion Kuala Lumpur Mall and Pavilion Tower as disclosed in Note 5 and an amount of RM23,202,000 (2021: RM22,722,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

9.2 Medium term notes of RM8.0 billion

On 24 June 2015, the Securities Commission Malaysia had approved and authorised the establishment of a proposed medium term notes ("MTNs") programme of RM8.0 billion in nominal value ("MTN Programme") to be undertaken by Pavilion REIT Bond Capital Berhad ("Issuer"), a company wholly owned by Pavilion REIT. The MTN Programme shall have a tenure of twenty years from the date of the first issuance of MTNs under the MTN Programme. An issuance of MTNs under the MTN Programme may either be rated or unrated, as the Issuer may decide.

The medium term notes are secured over Pavilion Kuala Lumpur Mall and Pavilion Tower as disclosed in Note 5 and an amount of RM36,223,000 (2021: RM35,504,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

9.3 Reconciliations of movement of liabilities to cash flows arising from financing activities

	At 1 January RM'000	Net changes from financing cash flows RM'000	Other changes RM'000	At 31 December RM'000
2022				
Secured syndicated term loan	683,267	40,000	-	723,267
Unrated medium term notes	1,495,000	(20,000)	-	1,475,000
Less: Unamortised transaction costs	(4,969)	(724)	1,465	(4,228)
	2,173,298	19,276	1,465	2,194,039
2021				
Secured syndicated term loan	683,267	-	-	683,267
Secured term loan	406,762	(406,762)	-	-
Unrated medium term notes	1,075,000	420,000	-	1,495,000
Less: Unamortised transaction costs	(1,757)	(5,027)	1,815	(4,969)
	2,163,272	8,211	1,815	2,173,298

10. Payables and accruals

	Note	2022 RM'000	2021 RM'000
Non-current			
Trade			
Tenants' deposits	10.1	44,313	81,677
Current			
Trade			
Trade payables		13,328	19,210
Tenants' deposits	10.1	72,271	32,200
		85,599	51,410
Non-trade			
Other payables and accrued expenses	10.2	99,218	73,857
		184,817	125,267
		229,130	206,944

10.1 Tenants' deposits are in respect of refundable deposits received from tenants for tenancy or marketing agreements. Tenancy agreements tenure are for period between one to three years. The amount is unsecured and interest free.

10.2 Included in other payables and accrued expenses are the following amounts due to:

	2022 RM'000	2021 RM'000
The Manager	6,160	5,099
Trustee	41	41
Urusharta Cemerlang (KL) Sdn. Bhd.	2,380	2,608
	8,581	7,748

Amounts due to the Manager and Trustee are unsecured, interest-free and payable monthly in arrears.

Amount due to Urusharta Cemerlang (KL) Sdn. Bhd., a related party (see Note 24) is the balance of purchase price for the acquisition of Elite Pavilion Mall and it is interest free. It is payable upon the electrical sub-station is constructed in accordance to all applicable planning permissions and approvals and specifications from and required by the appropriate authorities.

11. Total unitholders' funds

11.1 Unitholders' capital

	2022 Number of units '000	2021 Number of units '000
Issued and fully paid with no par value		
At 1 January	3,050,059	3,045,307
Manager's management fees paid in units	5,663	4,752
At 31 December	3,055,722	3,050,059

	2022 RM'000	2021 RM'000
Issued and fully paid with no par value		
At 1 January	2,945,255	2,938,844
Manager's management fees paid in units	7,001	6,411
At 31 December	2,952,256	2,945,255

11.2 Unitholdings of substantial unitholders, the Manager and the Manager's Directors

The Manager was issued units in Pavilion REIT as part settlement of Manager's management fees, details of which are as follows:

	Number of units '000	Amount RM'000
2022		
Issued at:		
i) RM1.2113 per unit for entitlement for the 6 months ended 31 December 2021	2,751	3,332
ii) RM1.2599 per unit for entitlement for the 6 months ended 30 June 2022	2,912	3,669
Total Manager's fees paid in units and RM	5,663	7,001
2021		
Issued at:		
i) RM1.3618 per unit for entitlement for the 6 months ended 31 December 2020	2,416	3,290
ii) RM1.3366 per unit for entitlement for the 6 months ended 30 June 2021	2,336	3,121
Total Manager's fees paid in units and RM	4,752	6,411

11. Total unitholders' funds (continued)

11.2 Unitholdings of substantial unitholders, the Manager and the Manager's Directors (continued)

Pavilion REIT's substantial unitholders, the Manager and the Manager's Directors' direct unitholdings in Pavilion REIT are as follows:

	2022		2021	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Pavilion REIT's substantial unitholders' direct unitholdings in Pavilion REIT:				
Qatar Holding LLC	1,008,900	1,220,769	1,008,900	1,261,125
Tan Sri Lim Siew Choon	845,425	1,022,964	845,425	1,056,781
Puan Sri Tan Kewi Yong	281,875	341,069	281,875	352,344
Employees Provident Fund Board	307,325	371,863	301,394	376,743
Kumpulan Wang Persaraan (Diperbadankan)	184,722	223,514	186,512	233,140
The Manager's direct unitholdings in Pavilion REIT	16,227	19,635	10,565	13,206

	2022		2021	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
The Manager's Directors' direct unitholdings in Pavilion REIT:				
Tan Sri Lim Siew Choon	845,425	1,022,964	845,425	1,056,781
Puan Sri Tan Kewi Yong	281,875	341,069	281,875	352,344
Dato' Lee Tuck Fook	100	121	100	125
Navid Chamdia	100	121	100	125
Ooi Ah Heong	100	121	100	125
Dato' Maznah Binti Abdul Jalil	100	121	100	125

Notes:
The market value of the units was computed based on the closing market price as at 31 December 2022 of RM1.21 (2021: RM1.25).

12. Revenue from contract customers

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Advertisement	Revenue is recognised over time when services are delivered.	Credit period ranging from 30 to 90 days from invoice date.
Electricity		Credit period of 30 days from invoice date.

Included in revenue from contract customer is advertisement revenue of approximately RM31,231,000 (2021: RM14,968,000).

Pavilion REIT applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

13. Manager's management fees

	2022 RM'000	2021 RM'000
Base fee	19,449	18,716
Performance fee	10,926	7,099
	30,375	25,815

During the financial year, the Manager received a base fee of 0.3% (2021: 0.3%) per annum of the Total Asset Value of Pavilion REIT, a performance fee of 3.0% (2021: 3.0%) per annum of Net Property Income.

Manager's management fees payable in units amounts to RM7,594,000 (2021: RM6,454,000) which represents 25% (2021: 25%) of the total manager's management fees payable.

14. Borrowing costs

	2022 RM'000	2021 RM'000
Interest expense	90,521	86,389
Amortisation of transaction costs	1,465	1,815
	91,986	88,204

15. Tax expense

15.1 Reconciliation of tax expense

	2022 RM'000	2021 RM'000
Income before taxation	397,799	125,240
Income tax using Malaysian tax rate of 24% (2021: 24%)	95,471	30,058
Non-deductible expenses	3,989	556
Non-taxable income	(37,897)	(1,122)
Tax incentive	-	(11,117)
Effect of income exempted from tax	(61,563)	(18,375)
	-	-

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of Pavilion REIT will be exempted from tax provided that at least 90% of its total income (as defined in the Act) is distributed to the investors in the basis period of Pavilion REIT for that year of assessment within two months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two months after the close of Pavilion REIT financial year which forms the basis period for a year of assessment, Pavilion REIT will be subject to income tax at the prevailing tax rate on its total income. Income which has been taxed at the Pavilion REIT level will have tax credits attached when subsequently distributed to unitholders.

As Pavilion REIT proposed to distribute 100% of its distributable income to its unitholders for financial year ended 31 December 2022, no provision for taxation has been made for the current year.

15.2 Significant judgement

In the assessment of provision of deferred tax assets and liabilities on the fair value gain or loss arising from investment properties, the Manager considers the business model and the objective of Pavilion REIT. No deferred tax assets or liabilities are recognised because Pavilion REIT is expected to consume substantially all economic benefits through generation of rental income and these income will be subjected to income tax at prevailing rate. However, since Pavilion REIT intends to continue to distribute more than 90% of its total income (as defined in the Act), the expected tax rate levied will be zero.

16. Earnings per unit - basic and diluted

The calculation of earnings per unit is based on income after taxation attributable to unitholders for the year of RM397,799,000 (2021: RM125,240,000) divided by the weighted average number of units in circulation during the year of 3,053,556,965 (2021: 3,048,237,859).

17. Distribution to unitholders

Distribution to unitholders is from the following sources:

	2022 RM'000	2021 RM'000
Rental income	498,914	447,857
Revenue from contract customers	55,867	31,468
Other income	14,910	9,266
Net fair value changes on investment properties	151,381	(627)
Interest income	6,523	4,672
	727,595	492,636
Less: Total expenses	(329,796)	(367,396)
	397,799	125,240
Distribution adjustments	(141,988)	9,422
Distributable income	255,811	134,662
Final distribution paid (2021/2020)	78,692	76,742
Interim distribution paid (2022/2021)	124,554	55,773
Distribution to unitholders	203,246	132,515

	2022	2021
Interim distribution per unit (sen)	4.08	1.83
Final distribution per unit (sen)	4.29*	2.58
Net distribution per unit** (sen)	8.37	4.41

* The final distributable income for the 6 months ended 31 December 2022 is proposed to be 4.29 sen per unit or RM131.0 million to be payable on 28 February 2023.

** Withholding tax will be deducted for distributions made to the following categories of unitholders:

	Withholding tax rate 2022	2021
Resident corporate	N/A^	N/A^
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

^ to tax at prevailing rate

18. Management expense ratio

	2022	2021
Management expense ratio ("MER") (%)	0.80	0.71

The calculation of the MER is based on the total fees of Pavilion REIT incurred during the year, including manager's management fees, trustee's fees, valuation fee and other trust expenses, to the net asset value as at year end.

Comparison of the MER of Pavilion REIT with other real estate investment trusts which uses different basis of calculation may not be an accurate comparison.

19. Operating segments

Pavilion REIT has two reportable segments, Retail and Office. Although the respective malls are separate operating segment, these operating segments are aggregated to form a single reportable segment as Retail due to the similar nature and economic charaterictics of malls. For each of the segment, the Manager of Pavilion REIT's Chief Executive Officer reviews internal management reports regularly.

Performance is measured based on segment net property income as management believes that such information is the most relevant in evaluating the results of the segments.

The total of segment asset/liability is measured based on all assets/liabilities of a segment, as included in internal management reports that are reviewed by the Manager of Pavilion REIT's Chief Executive Officer.

	Retail RM'000	Office RM'000	Total RM'000
For the year ended 31 December 2022			
Segment profit	360,121	4,080	364,201
Included in the measure of segment profit are:			
Gross revenue	559,955	9,736	569,691
Property expenses	199,834	5,656	205,490
Net measurement of impairment loss	4,868	(90)	4,778
At 31 December 2022			
Segment assets and liabilities			
Segment assets	6,292,464	131,287	6,423,751
Segment liabilities	2,383,651	31,869	2,415,520
For the year ended 31 December 2022			
Included in the measure of segment assets and liabilities are:			
Additions to non-current assets	13,772	-	13,772
Net fair value changes to non-current assets	151,381	-	151,381

19. Operating segments (continued)

	Retail RM'000	Office RM'000	Total RM'000
For the year ended 31 December 2021			
Segment profit	231,137	5,485	236,622
Included in the measure of segment profit are:			
Gross revenue	477,552	11,039	488,591
Property expenses	246,415	5,554	251,969
Net measurement of impairment loss	2,281	177	2,458
At 31 December 2021			
Segment assets and liabilities			
Segment assets	6,049,458	131,011	6,180,469
Segment liabilities	2,339,879	31,264	2,371,143
For the year ended 31 December 2021			
Included in the measure of segment assets and liabilities are:			
Additions to non-current assets	17,721	-	17,721
Net fair value changes to non-current assets	2,373	(3,000)	(627)

Reconciliation of reportable segment profit

	2022 RM'000	2021 RM'000
Total profit for reportable segments	364,201	236,622
Net fair value changes on investment properties	151,381	(627)
Interest income	6,523	4,672
Trust expenses	(32,320)	(27,223)
Borrowing costs	(91,986)	(88,204)
Income before taxation	397,799	125,240
Taxation	-	-
Income after taxation	397,799	125,240

Reconciliation of reportable segment assets and liabilities

	Segment assets RM'000	Segment liabilities RM'000
2022		
Total reportable segments	6,423,751	(2,415,520)
Other non-allocated assets/(liabilities)	59,425	(7,649)
Total assets/(liabilities)	6,483,176	(2,423,169)
2021		
Total reportable segments	6,180,469	(2,371,143)
Other non-allocated assets/(liabilities)	58,226	(9,099)
Total assets/(liabilities)	6,238,695	(2,380,242)

Geographical information

No geographical information has been prepared as all the investment properties of Pavilion REIT are located in Malaysia.

20. Financial instruments

20.1 Categories of financial instruments

	Carrying amounts RM'000	Amortised cost RM'000
2022		
Financial assets		
Receivables and deposits	39,695	39,695
Cash and bank balances	392,340	392,340
	432,035	432,035
Financial liabilities		
Payables and accruals	(229,130)	(229,130)
Borrowings	(2,194,039)	(2,194,039)
	(2,423,169)	(2,423,169)
2021		
Financial assets		
Receivables and deposits	40,429	40,429
Cash and bank balances	312,231	312,231
	352,660	352,660
Financial liabilities		
Payables and accruals	(206,944)	(206,944)
Borrowings	(2,173,298)	(2,173,298)
	(2,380,242)	(2,380,242)

20.2 Net gains and losses arising from financial instruments

	2022 RM'000	2021 RM'000
Financial assets at amortised cost	1,745	(90,429)
Financial liabilities at amortised cost	(91,986)	(88,204)
	(90,241)	(178,633)

20.3 Financial risks management

Pavilion REIT has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

20. Financial instruments (continued)

20.4 Credit risk

Credit risk is the risk of a financial loss to Pavilion REIT if the tenants or counterparty to a financial instrument fails to meet its contractual obligations. Pavilion REIT's exposure to credit risk arises principally from trade and other receivables and cash and cash equivalents. Pavilion REIT performs ongoing credit evaluation of its tenants and generally does not require collateral other than tenants' deposits.

At the end of the financial year, the maximum exposure to credit risk arising from financial assets are represented by the carrying amount of financial assets in the statement of financial position.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

There are no significant changes as compared to the previous year.

Exposure to credit risk and credit quality

As at the end of the financial year, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amount in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Pavilion REIT manages credit risk using credit verification process to ensure credit worthiness and good credit standing before tenancy agreements are entered into with tenants or credit granted to counter parties together with constant monitoring of any outstanding balances to ensure minimum credit risk exposure.

Impairment losses

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2022.

	Gross - carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2022			
Not past due	6,038	-	6,038
Past due	44,701	(21,247)	23,454
	50,739	(21,247)	29,492

20. Financial instruments (continued)

20.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

	Gross - carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2021			
Not past due	3,443	-	3,443
Past due	49,633	(18,662)	30,971
	53,076	(18,662)	34,414

The movements in the allowance for impairment losses of receivables during the financial year were:

	2022 RM'000	2021 RM'000
Balance at 1 January	18,662	19,241
Amount written off	(2,193)	(3,037)
Net remeasurement of loss allowance	4,778	2,458
Balance as at 31 December	21,247	18,662

The allowance account in respect of trade receivables is used to record impairment losses. Unless Pavilion REIT is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the financial year, the maximum exposure to credit risk is represented by their carrying amount in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, Pavilion REIT are of the view that the loss allowance is not material, hence, no allowance is necessary.

20. Financial instruments (continued)

20.5 Liquidity risk

Liquidity risk is the risk that Pavilion REIT will not be able to meet its financial obligations as they fall due. Pavilion REIT's exposure to liquidity risk arises principally from its various payables and borrowings.

The Manager maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance Pavilion REIT's operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Real Estate Investment Trust concerning limits on total borrowings financing.

Maturity analysis

The table below summarises the maturity profile of Pavilion REIT's financial liabilities as at the end of the financial year based on undiscounted contractual payments.

	Carrying amount RM'000	Contractual interest rate%	Contractual cash flow RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2022						
Financial liabilities						
Borrowings	2,194,039	3.85 - 4.97	2,437,336	872,072	60,216	1,505,048
Payables and accruals	229,130	-	229,130	184,817	16,309	28,004
	2,423,169		2,666,466	1,056,889	76,525	1,533,052
2021						
Financial liabilities						
Borrowings	2,173,298	3.04 - 4.90	2,396,253	449,539	747,268	1,199,446
Payables and accruals	206,944	-	206,944	125,267	71,970	9,707
	2,380,242		2,603,197	574,806	819,238	1,209,153

20. Financial instruments (continued)

20.6 Market risk

Market risk is the risk that changes in market prices such as interest rates that will affect Pavilion REIT's financial position or cash flows.

20.6.1 Interest rate risk

Pavilion REIT's exposure to changes in interest rates relates principally to interest-earning financial assets and interest-bearing financial liabilities.

Risk management objectives, policies and processes for managing the risk

Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The interest rate risks are uncertainties resulting from the effects of fluctuations in the prevailing level of the market interest rates on its financial position and cash flows. Interest rate risk exposure to Pavilion REIT is in respect of short-term deposits and borrowings.

Exposure to interest rate risk

The interest rate profile of Pavilion REIT's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial year are as follows:

	2022 RM'000	2021 RM'000
Fixed rate instrument		
Financial asset - Deposits placed with licensed banks	176,538	293,925
Financial liabilities - Borrowings	(775,000)	(925,000)
	(598,462)	(631,075)
Floating rate instruments		
Financial liabilities - Borrowings	(1,419,039)	(1,248,298)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

Pavilion REIT does not account for any fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the end of the financial year would not affect profit or loss or equity.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the financial year would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

20. Financial instruments (continued)

20.6 Market risk (continued)

20.6.1 Interest rate risk (continued)

	100bp increase 2022 RM'000	100bp decrease 2022 RM'000	100bp increase 2021 RM'000	100bp decrease 2021 RM'000
Floating rate instruments	(14,190)	14,190	(12,483)	12,483

20.7 Fair value information

The carrying amounts of cash and bank balances, receivables and deposits, payables and accruals approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments not carried at fair value.

	Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
2022					
Financial liabilities					
Tenants' deposits	-	-	(113,467)	(113,467)	(116,584)
Borrowings	-	-	(2,170,937)	(2,170,937)	(2,194,039)
	-	-	(2,284,404)	(2,284,404)	(2,310,623)
2021					
Financial liabilities					
Tenants' deposits	-	-	(110,399)	(110,399)	(113,877)
Borrowings	-	-	(2,169,965)	(2,169,965)	(2,173,298)
	-	-	(2,280,364)	(2,280,364)	(2,287,175)

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Tenants' deposits, borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of Pavilion REIT at the reporting date.

The discount rates used above have incorporated credit risk of Pavilion REIT and liquidity risk of the instruments. The inputs for these risks are unobservable because there are no identical or similar instruments to benchmark to.

21. Capital management

Pavilion REIT's objectives when managing capital is to provide unitholders with regular and stable distributions and achieve long-term growth in NAV per unit, while maintaining an appropriate capital structure.

Pavilion REIT's capital is represented by its unitholders' fund in the statement of financial position. The capital requirements imposed on Pavilion REIT is to ensure it maintains a healthy gearing/borrowings ratio of maximum 50% and meets the minimum interest coverage ratio which is an effective indicator of its financial strengths in addition to complying with the financial covenants prescribed by financial institutions as stated in the Facility Agreements. The Directors of the Manager will monitor and are determined to maintain an optimal gearing/borrowings ratio that will provide an ideal debt equity ratio that also complies with regulatory requirements.

As at 31 December 2022, Pavilion REIT recorded a gearing/borrowings ratio of 33.8% (2021: 34.8%) and interest coverage ratio in excess of the minimum requirement (2021: in excess of the minimum requirement). The calculation of the gearing/borrowings ratio and interest coverage ratio is based on the definition stated in the Facility Agreements. Pavilion REIT has not breached the financial covenants.

Distribution Policy

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of Pavilion REIT's distributable income. It is the intention of the Manager to distribute at least 90.0% of Pavilion REIT's distributable income on a half-yearly basis (or such other interval as determined by the Manager at its absolute discretion).

22. Leases

22.1 Operating leases as lessor

Pavilion REIT leases out its investment properties (Note 5) under operating leases. The operating lease payments to be received are as follows:

	2022 RM'000	2021 RM'000
Up to one year	304,712	334,316
More than one year up to two years	196,507	93,706
More than two years up to three years	114,061	18,646
	615,280	446,668

23. Capital commitments

Capital expenditure in respect of the following has not been provided for in the financial statements:

	2022 RM'000	2021 RM'000
Capital expenditure commitments		
Investment properties		
Authorised and contracted for:		
- Within one year	399	6,583

During the year, Pavilion REIT entered into a conditional sales and purchase agreement for the acquisition of Pavilion Bukit Jalil ("PBJ Mall") for an aggregate purchase consideration of RM2,200 million as disclosed in Note 25, which will become a capital commitment when all the conditions are met.

24. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to Pavilion REIT if Pavilion REIT has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Pavilion REIT and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of Pavilion REIT either directly or indirectly. The key management personnel include all the Directors of Pavilion REIT Management Sdn. Bhd. and MTrustee Berhad, and certain members of senior management of Pavilion REIT Management Sdn. Bhd. and MTrustee Berhad.

Significant related party transactions, other than those disclosed elsewhere in the financial statements, are as follows:

Companies related to the Manager	Nature of transactions	Transaction value		Balance outstanding	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Pavilion REIT Management Sdn. Bhd.	Rental income and its related charges	463	461	5	5
Malton Berhad Group *	Rental income and its related charges	2,576	2,991	6	9
Lumayan Indah Sdn. Bhd. ∞	Procurement of hotel related services	(2)	(28)	-	-
Impian Ekspresi Sdn. Bhd. ◊	Rental income and its related charges	975	776	62	131

24. Significant related party transactions (continued)

Companies related to the Manager	Nature of transactions	Transaction value 2022 RM'000	Transaction value 2021 RM'000	Balance outstanding 2022 RM'000	Balance outstanding 2021 RM'000
Kuala Lumpur Pavilion Sdn. Bhd. ^	Expenses of MRT station naming rights fee and its related charges	(1,221)	(1,250)	-	-
Urusharta Cemerlang (KL) Sdn. Bhd. Δ	Reimbursement of electricity supply to Pavilion Suites	1,883	1,509	338	116
	Reimbursement of shared common cost	55	55	42	-
	Shared common property maintenance charge and sinking fund	(473)	(393)	-	-
Harmoni Perkasa Sdn. Bhd. α	Reimbursement of electricity supply to Pavilion Hotel	3,542	2,311	298	229
	Procurement of hotel related services	(23)	(13)	-	-
Pavilion Management (DTC) Sdn. Bhd. ¤	Rental income and its related charges	259	248	1	43
Makna Mujur Sdn. Bhd. Ω	Rental expense and its related charges	(42)	(54)	-	-

The above transactions have been entered into in the normal course of business and have been established based on negotiated terms and conditions.

The above parties are deemed related as follows:

* Malton Berhad Group are deemed parties related to the Manager by virtue of the directorship and interest of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong, his spouse, in Malton Berhad.

24. Significant related party transactions (continued)

∞ Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Lumayan Indah Sdn. Bhd. ("LISB").

Tan Sri Lim Siew Choon is deemed interested in LISB through his interest in the ultimate holding company and Puan Sri Tan Kewi Yong is his spouse.

◊ Impian Ekspresi Sdn. Bhd. is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's directorship and deemed interest in Impian Ekspresi Sdn. Bhd. and his spouse, Puan Sri Tan Kewi Yong.

∧ Tan Sri Lim Siew Choon, Puan Sri Tan Kewi Yong and Dato' Lee Tuck Fook are directors of Kuala Lumpur Pavilion Sdn. Bhd.. Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong hold the entire issued and paid up share capital of Kuala Lumpur Pavilion Sdn. Bhd..

Δ Tan Sri Lim Siew Choon, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Urusharta Cemerlang (KL) Sdn. Bhd. ("UCKL").

Tan Sri Lim Siew Choon is deemed interested in UCKL through his interest in the ultimate holding company and Puan Sri Tan Kewi Yong is his spouse.

Ahmad Mohammed F Q Al-Khanji and Mohd Abdulrazzaq A A Al-Hashmi are also directors of a substantial shareholder of the holding company of UCKL.

α Puan Sri Tan Kewi Yong, Dato' Lee Tuck Fook, Ahmad Mohammed F Q Al-Khanji and Navid Chamdia are directors of the Manager and Harmoni Perkasa Sdn. Bhd. ("HPSB"). Tan Sri Lim Siew Choon is the spouse of Puan Sri Tan Kewi Yong. Lim Shoo Wenn, the daughter of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong is also a director of HPSB.

Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong are deemed interested in HPSB through their interest in the ultimate holding company.

Ahmad Mohammed F Q Al-Khanji is also a director of a substantial shareholder of the holding company of HPSB.

On top of that, HPSB provided the hall of Pavilion Hotel or other facilities in Pavilion Hotel to Pavilion REIT for event purpose.

¤ Pavilion Management (DTC) Sdn. Bhd. ("PMDTC") is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's directorship and deemed interest in PMDTC. Puan Sri Tan Kewi Yong is the spouse of Tan Sri Lim Siew Choon. Lim Shoo Wenn, the daughter of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong is also a director of PMDTC.

Ω Tan Sri Lim Siew Choon, Dato' Lee Tuck Fook, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Makna Mujur Sdn. Bhd..

Makna Mujur Sdn. Bhd. is deemed a party related to the Manager by virtue of Tan Sri Lim Siew Choon's directorship and deemed interest in Makna Mujur Sdn. Bhd. and Puan Sri Tan Kewi Yong being his spouse is one of the directors of the Manager.

25. Significant event

On 22 November 2022, the Board of Directors of Pavilion REIT Management Sdn. Bhd. ("Board"), the management company of Pavilion REIT ("Manager"), CIMB Investment Bank Berhad ("CIMB") and Maybank Investment Bank Berhad ("Maybank IB") announced that MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT, had on 22 November 2022 entered into a conditional sale and purchase agreement with Regal Path Sdn. Bhd. for the acquisition of Pavilion Bukit Jalil ("PBJ Mall") together with the related assets and rights for an aggregate purchase consideration of RM2,200 million ("Proposed Acquisition").

In conjunction with the Proposed Acquisition, the Board also proposes to undertake proposed placements of new units in Pavilion REIT ("Units") to raise gross proceeds of up to RM1,270 million at an issue price to be determined later by way of bookbuilding ("Proposed Placements") to partly fund the Proposed Acquisition and also defray the expenses relating to the Proposed Acquisition.

As at the date of this report, the Manager is working towards the issuance of Circular to unitholders.

Pavilion Real Estate Investment Trust

(Established in Malaysia)

Statement by the Manager

In the opinion of the Directors of the Manager, the financial statements set out on pages 1 to 47 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of Pavilion Real Estate Investment Trust as at 31 December 2022 and of its financial performance and cash flows for the year ended on that date.

For and on behalf of the Manager,
Pavilion REIT Management Sdn. Bhd.,
Signed in accordance with a resolution of the Directors of the Manager:

.....
Tan Sri Lim Siew Choon
Director

.....
Dato' Lee Tuck Fook
Director

Kuala Lumpur,

Date: 31 January 2023

Pavilion Real Estate Investment Trust

(Established in Malaysia)

Statutory declaration

I, Dato' Lee Tuck Fook, the Director of Pavilion REIT Management Sdn. Bhd. primarily responsible for the financial management of Pavilion Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 1 to 47 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Dato' Lee Tuck Fook, I/C No: 540601-04-5333, MIA CA 3434, at Kuala Lumpur on 31 January 2023.

.....

Dato' Lee Tuck Fook

Before me

PESURUHJAYA SUMPAH
W857
BALWANT SINGH
Tempoh Lantikan
1 Jun 2021 - 31 Dis 2023
MALAYSIA

No. 5A, Jalan 53,
Desa Jaya, Kepong
52100 Kuala Lumpur.

Trustee's report to the Unitholders of Pavilion Real Estate Investment Trust

(Established in Malaysia)

We have acted as Trustee of Pavilion Real Estate Investment Trust ("Pavilion REIT") for the financial year ended 31 December 2022. In our opinion and to the best of our knowledge, Pavilion REIT Management Sdn. Bhd. ("the Manager") has managed Pavilion REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the First Amended and Restated Trust Deed dated 18 February 2019, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of Pavilion REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared during the financial year ended 31 December 2022 are in line with and are reflective of the objectives of Pavilion REIT. Final income distribution of 4.29 sen per unit has been declared for the financial year ended 31 December 2022 and is payable on 28 February 2023.

For and on behalf of the Trustee,
MTrustee Berhad

.....

Nurizan Binti Jalil
Chief Executive Officer

Selangor,

Date: 31 January 2023

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF PAVILION REAL ESTATE INVESTMENT TRUST

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pavilion Real Estate Investment Trust ("Pavilion REIT"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in net assets value and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 1 to 47.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pavilion REIT as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of Pavilion REIT in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KPMG PLT, a limited liability partnership under Malaysian law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Key Audit Matter

Key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of Pavilion REIT for the current year. This matter was addressed in the context of our audit of the financial statements of Pavilion REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of investment properties

Pavilion REIT owns a portfolio of investment properties comprising 4 shopping malls and an office block located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position.

These investment properties are stated at their fair values, which are estimated by Pavilion REIT Management Sdn. Bhd. ("the Manager") with the assistance of external valuers.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied.

This is a key audit matter because some of the key assumptions are unobservable and hence, required significant judgement from us.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the Manager's processes for the selection of the external valuers and the determination of the scope of work of the valuers.
- We read the valuation reports issued by the external valuers.
- We considered the qualifications and competencies of the external valuers.
- We compared the valuation methodologies used by the external valuers against those applied by other external valuers for similar types of property.
- We test checked the data provided to external valuers to lease agreements.
- We challenged the capitalisation rates used in the valuation by comparing them against historical rates and other internal and external sources.
- We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of Pavilion REIT is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of Pavilion REIT and our auditors' report thereon.

Our opinion on the financial statements of Pavilion REIT does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of Pavilion REIT, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of Pavilion REIT or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements of Pavilion REIT

The Manager of Pavilion REIT is responsible for the preparation of financial statements of Pavilion REIT that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of Pavilion REIT that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Pavilion REIT, the Manager is responsible for assessing the ability of Pavilion REIT to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate Pavilion REIT or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of Pavilion REIT as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of Pavilion REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Pavilion REIT.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Pavilion REIT to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of Pavilion REIT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Pavilion REIT to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of Pavilion REIT, including the disclosures, and whether the financial statements of Pavilion REIT represent the underlying transactions and events in a manner that gives a true and fair view.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Pavilion REIT to express an opinion on the financial statements of Pavilion REIT. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of Pavilion REIT for the current year and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the unitholders of Pavilion REIT, as a body, in accordance with the trust deed of Pavilion REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Thong Foo Vung
Approval Number: 02867/08/2024 J
Chartered Accountant

Petaling Jaya

Date: 31 January 2023

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board who collectively and individually accept full responsibility for the accuracy of the information given herein. Our Board hereby confirms that after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements contained in this Circular or other facts, the omission of which would make any statement in this Circular false or misleading.

All information relating to Pavilion REIT and MTrustee in this Circular have been obtained from publicly available sources and/or provided by the management of Pavilion REIT and MTrustee. The responsibility of our Board with respect to such information is limited to ensuring that such information has been accurately reproduced in this Circular.

2. CONSENTS AND DECLARATIONS OF CONFLICT OF INTEREST

2.1 Principal Adviser

RHB Investment Bank, being the Principal Adviser to Malton for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad ("**RHB Bank**"), and the subsidiaries and associated companies of RHB Bank ("**RHB Banking Group**") form a diversified financial group. RHB Banking Group may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, among others, brokerage, securities trading, asset and fund management and credit transaction service businesses. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for the Company and/or its affiliates, in addition to the role as set out in this Circular. RHB Banking Group, its directors and major shareholders may from time to time hold or deal in the securities of the Company and/or its affiliates for their own accounts or their proprietary accounts.

Furthermore, in the ordinary course of business, RHB Banking Group may at any time offer or provide its services or engage in any transactions (whether on its own account or otherwise) with the Company and/or affiliates and/or any other entity or person, hold long or short positions in the securities offered by the Company and/or its affiliates, make investments recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of the Company and/or its affiliates.

The business of RHB Banking Group generally act independently of each other, and accordingly, there may be situations where parts of RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the said regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese Wall between different business divisions.

As at the LPD, RHB Banking Group has extended credit facilities amounting to RM68.45 million (with an amount of RM68.45 million outstanding) ("**Credit Facilities**") to our Group. The total credit facilities represent approximately 0.24% of the audited consolidated NA of RHB Bank as at 31 December 2021 of RM27,998.33 million.

Notwithstanding the above, RHB Investment Bank is of the opinion that concerns of any potential conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to Malton for the Proposed Disposal are mitigated by the following:

(i) RHB Investment Bank is a licensed investment bank and its appointment as the Principal Adviser to Malton for the Proposed Disposal is in the ordinary course of its business and RHB Investment Bank does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the Principal Adviser to Malton for the Proposed Disposal;

(ii) the Credit Facilities were approved by RHB Banking Group's relevant credit committee and granted on an arms' length basis and is not material when compared to the audited consolidated NA of RHB Bank as at 31 December 2021;

(iii) the Corporate Finance division of RHB Investment Bank is required under its investment banking licence to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese Wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and

(iv) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and RHB Banking Group's own internal controls which include, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

As at the LPD, save as disclosed above, RHB Investment Bank confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to Malton for the Proposed Disposal.

2.2 Independent Adviser

MIDF, being the Independent Adviser to Malton for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, its letter as set out in Part B of this Circular and all references thereto in the form and context in which they appear in this Circular.

MIDF confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Independent Adviser to Malton for the Proposed Disposal.

2.3 Valuer

Jones Lang Wootton, being the Valuer for the Pavilion Bukit Jalil Mall, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, its Valuation Certificate as set out in Appendix II of this Circular and all references thereto in the form and context in which they appear in this Circular.

Jones Lang Wootton confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Valuer for the Pavilion Bukit Jalil Mall.

2.4 Reporting Accountants

Deloitte, being the Reporting Accountants for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the pro forma consolidated financial information of Malton Group as at 30 June 2022 together with the Reporting Accountants' letter as set out in Appendix III of this Circular and all references thereto in the form and context in which they appear in this Circular.

Deloitte confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Reporting Accountants for the Proposed Disposal.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

As at the LPD, our Board is not aware of any material commitment incurred or known to be incurred by our Group which upon becoming enforceable may have a material and adverse impact on the financial position of our Group.

3.2 Contingent liabilities

As at the LPD, our Board is not aware of any contingent liability incurred or known to be incurred by our Group which upon becoming enforceable may have a material and adverse impact on the financial position of our Group.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, there is no material litigation, claims or arbitration involving the Pavilion Bukit Jalil Mall.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of our Company 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) from the date of this Circular up to and including the date of the EGM:

(i) CSPA;

(ii) Valuation Report and Valuation Certificate issued by the Valuer;

(iii) the Constitution of our Company and the Deed;

(iv) the audited financial statements of our Group for the past 2 FYEs 30 June 2021 and 30 June 2022, and the latest unaudited financial statements for the FPE 31 December 2022;

(v) the audited consolidated financial statements of Pavilion REIT for the past 2 FYEs 31 December 2021 and 31 December 2022; and

(vi) the letters of consent referred to in Section 2 above.

MALTON BERHAD
(Registration No. 199401035205 (320888-T))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Malton Berhad ("**Malton**" or the "**Company**") will be conducted on a virtual basis through live streaming and online remote participation and voting from the broadcast venue at Level 19, Pavilion Tower, 75, Jalan Raja Chulan, 50200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia using Remote Participation and Voting ("**RPV**") facilities via online meeting platform at www.swsb.com.my provided by ShareWorks Sdn Bhd in Malaysia on Wednesday, 22 March 2023 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

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

"**THAT** subject to and conditional upon the approvals of all relevant authorities or parties being obtained (if required), approval be and is hereby given to the Company for the disposal 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 ("**Pavilion Bukit Jalil Mall**") by Regal Path, a 51% joint venture of Malton, to Pavilion REIT for a total indicative disposal consideration of RM2,200,000,000 in accordance with the terms and conditions contained in the conditional sale and purchase agreement dated 22 November 2022 entered into between Regal Path and MTrustee Berhad, acting as the trustee of Pavilion REIT;

THAT the proceeds arising from the Proposed Disposal be utilised for the purposes set out in Section 2.10 of Part A of the Circular to shareholders in relation to the Proposed Disposal dated 3 March 2023, and the Board of Directors of the Company ("**Board**") be authorised with full powers to vary the manner and/or purposes of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient in the best interest of the Company;

AND THAT the Board be and is hereby authorised to take all steps, to do all acts, deeds and things and to execute all such documents and enter into all such arrangements, agreements, deeds and/or undertakings with any parties as they may deem fit, necessary, expedient and/or appropriate in order to finalise, implement and/or give full effect to the Proposed Disposal, with full power to assent to any conditions, modifications, alterations, variations and/or amendments as may be required by the relevant authorities or as the Board may deem fit or expedient in the best interest of the Company to implement, finalise and give full effect to the Proposed Disposal."

BY ORDER OF THE BOARD

HOR SHIOW JEI
(MAICSA 7023954) (SSM PC No. 202008003615)
Company Secretary

Kuala Lumpur
Dated: 3 March 2023

Notes:

1. *The EGM of the Company will be conducted on a virtual basis through live streaming and online remote participation and voting from the broadcast venue at Level 19, Pavilion Tower, 75, Jalan Raja Chulan, 50200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia using RPV facilities via online meeting platform at www.swsb.com.my provided by ShareWorks Sdn Bhd in Malaysia. Please follow the procedures provided in the Administrative Guide for the EGM in order to register, attend, participate and vote remotely via virtual meeting facilities.*

2. *The conduct of the virtual EGM is in line with the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 7 April 2022 ("**Revised Guidance Note and FAQs**"). According to the Revised Guidance Note and FAQs, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act, 2016 provided that the online platform is located in Malaysia.*

3. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of EGM shall be put to vote by poll. A Poll Administrator and Independent Scrutineer will be appointed to conduct the polling process and verify the results of the poll respectively.*

4. *A member of the Company who is entitled to attend, participate and vote at the EGM is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend, participate and vote in his stead. A member shall not be entitled to appoint more than 2 proxies to attend, participate and vote at the same meeting. Where a member appoints 2 proxies, he shall specify in the instrument appointing the proxies the proportions of his shareholdings to be represented by each proxy.*

5. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it shall not be entitled to appoint more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account to attend, participate and vote at the same meeting. Where 2 proxies are appointed, it shall specify the proportion of shareholdings to be represented by each proxy.*

6. *Where an exempt authorised nominee appoints proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

7. *The proxy form must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, executed under its common seal or by a duly authorised attorney.*

8. *All proxy forms must be deposited at the share registrar of the Company, ShareWorks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the meeting.*

9. *Only members registered in the Record of Depositors as at 14 March 2023 shall be eligible to attend, participate and vote at the EGM or appoint a proxy to attend, participate and vote on his/her behalf.*

PERSONAL DATA PRIVACY

*By registering for the remote participation and electronic voting meeting and/or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate and vote at the EGM, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

PROXY FORM

MALTON BERHAD
(Registration No. 199401035205 (320888-T))
(Incorporated in Malaysia)

I/We*, _____ *(full name in BLOCK)*

CDS Account No. _____ NRIC No./Passport No./Company No.*_____ of

_____

_____ *(full address),*

_____ *(email address)* _____ *(contact no.),*

being a member of MALTON BERHAD ("**Company**") holding _____ ordinary shares in the Company, hereby appoint:

Name of proxy (full name)	NRIC No./Passport No.	% of shareholding to be represented (Refer to Note 4 set out below)
Address	Email Address	Contact No.

and/or failing him/her

Name of proxy (full name)	NRIC No./Passport No.	% of shareholding to be represented (Refer to Note 4 set out below)
Address	Email Address	Contact No.

or the Chairman of the meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Extraordinary General Meeting ("**EGM**") of the Company, to be conducted on a virtual basis through live streaming and online remote participation and voting from the broadcast venue at Level 19, Pavilion Tower, 75, Jalan Raja Chulan, 50200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia using Remote Participation and Voting ("**RPV**") via online meeting platform at www.swsb.com.my provided by ShareWorks Sdn Bhd in Malaysia on Wednesday, 22 March 2023 at 10.00 a.m. and to vote as indicated below:

NO.	ORDINARY RESOLUTION	FOR	AGAINST
1.	Proposed Disposal		

Please indicate with an "X" in the relevant box for the resolution. Unless voting instructions are indicated as above, the proxy may abstain from voting as he/she deems fit.

_____
Signature(s)/Common Seal of member(s)

Date:

Notes:

1. *The EGM of the Company will be conducted on a virtual basis through live streaming and online remote participation and voting from the broadcast venue at Level 19, Pavilion Tower, 75, Jalan Raja Chulan, 50200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia using RPV facilities via online meeting platform at www.swsb.com.my provided by ShareWorks Sdn Bhd in Malaysia. Please follow the procedures provided in the Administrative Guide for the EGM in order to register, attend, participate and vote remotely via virtual meeting facilities.*

2. *The conduct of the virtual EGM is in line with the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 7 April 2022 ("**Revised Guidance Note and FAQs**"). According to the Revised Guidance Note and FAQs, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act, 2016 provided that the online platform is located in Malaysia.*

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4. *A member of the Company who is entitled to attend, participate and vote at the EGM is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend, participate and vote in his stead. A member shall not be entitled to appoint more than 2 proxies to attend, participate and vote at the same meeting. Where a member appoints 2 proxies, he shall specify in the instrument appointing the proxies the proportions of his shareholdings to be represented by each proxy.*

5. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it shall not be entitled to appoint more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account to attend, participate and vote at the same meeting. Where 2 proxies are appointed, it shall specify the proportion of shareholdings to be represented by each proxy.*

6. *Where an exempt authorised nominee appoints proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

7. *The proxy form must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, executed under its common seal or by a duly authorised attorney.*

8. *All proxy forms must be deposited at the share registrar of the Company, ShareWorks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the meeting.*

9. *Only members registered in the Record of Depositors as at 14 March 2023 shall be eligible to attend, participate and vote at the EGM or appoint a proxy to attend, participate and vote on his/her behalf.*

PERSONAL DATA PRIVACY

By registering for the remote participation and electronic voting meeting and/or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms as set out in the Notice of EGM dated 3 March 2023.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar of

MALTON BERHAD
[Registration No. 199401035205 (320888-T)]

SHAREWORKS SDN BHD
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Malaysia

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