The photograph depicted on the cover of this Prospectus shows Pavilion Kuala Lumpur Mall which forms part of the initial portfolio of Pavilion Real Estate Investment Trust, as well as two blocks of luxury serviced apartments known as Pavilion Residences, which will not be acquired by Pavilion Real Estate Investment Trust.
This photograph shows Pavilion Kuala Lumpur Mall and Pavilion Tower, both part of the initial portfolio of Pavilion Real Estate Investment Trust as well as two blocks of luxury serviced apartments known as Pavilion Residences, which will not be acquired by Pavilion Real Estate Investment Trust.
INITIAL PUBLIC OFFERING OF 790,000,000 NEW UNITS IN PAVILION REAL ESTATE INVESTMENT TRUST (“UNITS”) COMPRISING ISSUANCE OF:

(I) 755,000,000 NEW UNITS MADE AVAILABLE FOR APPLICATION BY MALAYSIAN AND FOREIGN INSTITUTIONAL INVESTORS AND SELECTED INVESTORS, AT THE INSTITUTIONAL PRICE BEING THE PRICE PER UNIT TO BE PAID BY THE INVESTORS (OTHER THAN CORNERSTONE INVESTORS) WHICH WILL BE DETERMINED BY WAY OF BOOKBUILDING (“INSTITUTIONAL PRICE”); AND

(II) 35,000,000 NEW UNITS MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC, THE ELIGIBLE TENANTS OF THE SUBJECT PROPERTIES (AS DEFINED HEREIN), THE DIRECTORS OF PAVILION REIT MANAGEMENT SDN BHD AND THE ELIGIBLE EMPLOYEES OF PAVILION REIT MANAGEMENT SDN BHD, URUSHARTA CEMERLANG SDN BHD, CAPITAL FLAGSHIP SDN BHD AND KUALA LUMPUR PAVILION SDN BHD AT THE RETAIL PRICE BEING THE INITIAL PRICE PAYABLE BY APPLICANTS (“RETAIL PRICE”), SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISION IN CONNECTION WITH THE LISTING OF AND QUOTATION FOR 3,000,000,000 UNITS ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

THE RETAIL PRICE IS PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO REFUND OF THE DIFFERENCE, IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN THE RETAIL PRICE. THE FINAL RETAIL PRICE WILL BE EQUAL TO THE LOWER OF:

(I) THE RETAIL PRICE OF RM0.88 PER UNIT; AND

(II) THE INSTITUTIONAL PRICE.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE SECTION 5 “RISK FACTORS” OF THIS PROSPECTUS.
This overview section is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus. Words and expressions not defined herein have the same meaning as in the main body of this Prospectus unless the context otherwise requires. Meanings of capitalised terms may be found in the “Definitions” section of this Prospectus.

**Pavilion REIT’s initial portfolio**

### Pavilion Kuala Lumpur Mall

- **NLA (sq ft)** 1,335,119
- **GFA (sq ft) (excluding car park)** 2,202,557
- **Appraised Value as at 1 June 2011** (1) RM3,415,000,000
- **Occupancy Rate as at 1 June 2011** (2) 97.7%
- **Contribution of the Subject Properties by Appraised Value** 96.4%

### Pavilion Tower

- **NLA (sq ft)** 167,407
- **GFA (sq ft) (excluding car park)** 243,288
- **Appraised Value as at 1 June 2011** (1) RM128,000,000
- **Occupancy Rate as at 1 June 2011** (2) 41.4%
- **Contribution of the Subject Properties by Appraised Value** 3.6%

**Notes:**

1. As appraised by the Independent Property Valuer.
2. Including tenancies which have been committed but yet to commence as at 1 June 2011, the Occupancy Rate for Pavilion Kuala Lumpur Mall and Pavilion Tower as at 1 June 2011 would have been 98.0% and 64.5% respectively.

### Stable income stream from the Subject Properties

#### Total Revenue

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<tr>
<th>Year</th>
<th>Rental Income</th>
<th>Other Income</th>
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<tr>
<td>FY2008</td>
<td>16</td>
<td>231</td>
</tr>
<tr>
<td>FY2009</td>
<td>23</td>
<td>242</td>
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<tr>
<td>FY2010</td>
<td>34</td>
<td>257</td>
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<tr>
<td>6-months ended 30 June 2011</td>
<td>21</td>
<td>133</td>
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<tr>
<td>Forecast Year 2012</td>
<td>34</td>
<td>280</td>
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2 Year CAGR* of 8.5%

#### Net Property Income

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<tr>
<th>Year</th>
<th>Rental Income</th>
<th>Other Income</th>
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<tr>
<td>FY2008</td>
<td>165</td>
<td>247</td>
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<tr>
<td>FY2009</td>
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<td>265</td>
</tr>
<tr>
<td>FY2010</td>
<td>203</td>
<td>291</td>
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<tr>
<td>6-months ended 30 June 2011</td>
<td>154</td>
<td>34</td>
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<tr>
<td>Forecast Year 2012</td>
<td>220</td>
<td>314</td>
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</tbody>
</table>

2 Year CAGR* of 10.9%

Note: *CAGR - Compounded annual growth rate
Pavilion REIT’s Structure and Strategies

**Structure of Pavilion REIT**

- **Pavilion REIT Management Sdn Bhd** is the manager of Pavilion REIT. The Manager undertakes primary management activities in relation to Pavilion REIT.

- **AmTrustee Berhad** is the trustee of Pavilion REIT. The Trustee provides corporate trusteeship services for Pavilion REIT.

- **Henry Butcher Malaysia Sdn Bhd** is the property manager of Pavilion REIT. The Property Manager is responsible for providing property management services for the properties in Pavilion REIT’s portfolio.

**Investment Objective, Policy and Strategies of Pavilion REIT**

- **Investment Objective**: To provide Unitholders with regular and stable distributions in NAV per Unit, while maintaining an appropriate capital structure.

- **Key Investment Strategies**
  - Proactively managing the Subject Properties and implementing asset enhancement strategies.
  - Actively pursuing acquisition opportunities in accordance with the Authorised Investments of Pavilion REIT.
  - Pursuing an efficient capital management strategy to maximize Distributable Income and to maintain financial flexibility for acquisition opportunities.

**Note:**
(1) Long-term in this context refers to a period of five years or more.
1. The largest exposure to the retail sector of any listed Malaysian REIT and one of the largest listed Malaysian REITs overall

Source: According to the latest publicly available financial statements of the respective REITs as at the Latest Practicable Date and in RM millions.
* Based on the Appraised Value as at 1 June 2011.

2. Strategically located in the Golden Triangle of Kuala Lumpur

- Destination for both local as well as international tourists and business travellers
- Accessible through a network of major roads and multiple modes of public transport, with an upcoming MRT station planned at Bukit Bintang with future connectivity with Kuala Lumpur Convention Centre via a covered sky bridge that is currently under construction
- 12 four and five-star hotels within 500 metres and near a host of international companies
3. Benefiting from Malaysia's economic growth and rising consumer spending

- Strong forecasted GDP growth of 5.0% – 5.5% in 2011 and 5.0% – 6.0% in 2012
- Gross monthly income in Malaysia grew by a compounded annual growth rate of 5.0% from 1999 to 2009
- Retail sales value increased by 9.9% in 2010 compared to 2009
- Tourist arrivals and tourist receipts in Malaysia reached a new high in 2010 with a total of 24.6 million visitors, along with total receipts of RM56.5 billion, a key driver of retail sales

4. Strong management team and brand image

- Highly experienced professionals in the Malaysian retail property market and has been actively involved in the marketing and on-going management of Pavilion Kuala Lumpur Mall
- The Sponsor and Pavilion REIT’s management team has built up the “Pavilion” brand name as one of the premier shopping centres in Malaysia
5. Diverse tenant base, consistent occupancy rates and rising rental rates with a unique tenant mix focused on maximising NLA Income of Pavilion Kuala Lumpur Mall

Diverse tenant base based on % of Occupied NLA as at 1 June 2011

High proportion of specialty tenants as at 1 June 2011

Consistent occupancy rates and rising rental rates

Note:

(1) Including trade sectors such as services, storage, auto gallery, health and fitness as well as optical and eye care.

Notes:

(1) Calculated based on the average monthly NLA Income (excluding Management Space) for the relevant FPE/FY divided by Occupied NLA (excluding Management Space) as at the end of the relevant FPE/FY.

(2) Including tenancies which have been committed but yet to commence as at 30 June 2011, the Occupancy Rate for Pavilion Kuala Lumpur Mall as at 30 June 2011 would have been 98.5%.
6. Opportunities for future growth

**Via Existing Portfolio**

- Reconfiguration of existing NLA to increase rental rates and variety of offerings
- Recent examples are the creation of “Tokyo Street” and reconfiguration of the Connection

**Through Acquisition**

- The following ROFRs were granted:
  - fahrenheit88 ROFR – five levels of retail space with three levels of basement car parks located at Bukit Bintang opposite Pavilion Kuala Lumpur Mall
  - Pavilion Extension ROFR – a potential expansion to Pavilion Kuala Lumpur Mall, which would comprise up to approximately 300,000 sq ft of retail NLA
  - USJ ROFR – six-storey retail mall to be developed at Subang Jaya
  - General ROFR – Sponsor’s future development in Malaysia

7. Strong balance sheet and conservative capital structure

Based on Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position, Pavilion REIT’s debt to asset ratio upon Listing will be 20.1%.

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**Note:**

(1) Based on the latest publicly available financial statements of various listed Malaysian REITs as at the Latest Practicable Date.
8. Award-winning building design enables efficient use of space and positions Pavilion Kuala Lumpur Mall as an attractive destination for shoppers.

Winner of more than 20 international and local awards, giving Pavilion Kuala Lumpur Mall recognition for its cutting-edge retail design and innovative marketing campaigns.
All terms used are defined under “Definitions” and “Presentation of Financial, Market, Industry and Other Information” commencing on pages xi and xxiv of this Prospectus respectively.

RESPONSIBILITY STATEMENTS

This Prospectus has been reviewed and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, there are no false or misleading statements, or omission of other facts which would make any statement in this Prospectus false or misleading. Each of the Directors accepts full responsibility for the Profit Forecasts included in this Prospectus and confirms that the Profit Forecasts have been prepared based on the assumptions made.

Both CIMB and Maybank IB, being the Joint Principal Advisers, acknowledge that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Offering and are satisfied that the Profit Forecasts (for which the Directors are fully responsible) prepared for inclusion in this Prospectus have been stated by the Directors after due and careful inquiry and have been duly reviewed by the Reporting Accountants.

STATEMENTS OF DISCLAIMER

The SC has approved the issue of, offer for subscription or purchase, or issue of an invitation to subscribe for or purchase Units in respect of the Offering and a copy of this Prospectus has been registered with the SC.

The approval, and registration of this Prospectus, should not be taken to indicate that the SC recommends Pavilion REIT or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus.

The SC is not liable for any non-disclosure on the part of the Manager and takes no responsibility for the contents in this Prospectus. The SC makes no representation on the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT ON THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Approval has been obtained from Bursa Securities for the listing of and quotation for the Units on the Main Market of Bursa Securities. Admission to the Official List on the Main Market is not to be taken as an indication of the merits of the invitation, Pavilion REIT or of its Units.

The valuation approved or accepted by the SC shall only be utilised for the purpose of the proposals, in relation to the Listing of Pavilion REIT, submitted to and approved by the SC, and shall not be construed as an endorsement by the SC on the value of the Subject Properties for any other purpose.
NOTICE TO INVESTORS AND ADDITIONAL STATEMENTS

Investors are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any person set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

Investors should note that any agreement by the Joint Underwriters named herein to underwrite the Units under the Retail Offering is not to be taken as an indication of the merits of the Units being offered.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

The Manager will not, prior to acting on any acceptance in respect of the Offering, make or be bound to make any inquiry as to whether investors have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any inquiry or investigation is made in connection therewith. It shall be the investors’ sole responsibility if they are or may be subject to the laws of countries or jurisdictions other than Malaysia to consult their legal and/or other professional advisers as to whether the Offering would result in the contravention of any laws of such countries or jurisdictions.

Further, it shall also be the investors’ sole responsibility to ensure that their applications for the Offering would be in compliance with the terms of the Offering and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which they may be subjected. The Manager will further assume that investors have accepted the Offering in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith.

However, the Manager reserves the right, in its absolute discretion, to treat any acceptance as invalid if the Manager believes that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any countries or jurisdictions other than Malaysia. The Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters shall not accept any responsibility or liability in the event that any application made by investors shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

This Prospectus is published solely in connection with the Offering. The Units being offered in the Offering are offered solely on the basis of the information contained and representations made in this Prospectus. The Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by the Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters, any of their respective directors or any other persons involved in the Offering. If anyone provides investors with different or inconsistent
information, investors should not rely upon it. Neither the delivery of this Prospectus nor any offer, subscription, sale or transfer made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of Pavilion REIT, the Manager or the Units since the date on the front cover of this Prospectus. Investors should take notice of such announcements and documents and upon release of such announcements and documents shall be deemed to have notice of such changes. Unless required by applicable laws, and save as provided in the Directors’ responsibility statement as set out in this Prospectus, no representation, warranty or covenant, express or implied, is made by any of Pavilion REIT, the Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by any of Pavilion REIT, the Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners or the Joint Underwriters or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

None of Pavilion REIT, the Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers is making any representation or undertaking to any purchaser or subscriber of Units regarding the legality of an investment by such purchaser or subscriber under appropriate legal, investment or similar laws. In addition, investors in the Units should not construe the contents of this Prospectus as legal, business, financial or tax advice. Investors should be aware that they may be required to bear the financial risks of an investment in the Units for an indefinite period of time. Investors should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units.

The distribution of this Prospectus and the offering, subscription, purchase, sale or transfer of the Units in certain jurisdictions may be restricted by law. Pavilion REIT, the Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to Pavilion REIT, the Manager, the Sponsor, the Trustees, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters. This Prospectus does not constitute, and the Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Bookrunners and the Joint Underwriters are not making, an offer of, or an invitation to subscribe for or purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

Copies of this Prospectus are available from the Bursa Malaysia Berhad’s website at www.bursamalaysia.com.

This Prospectus has been prepared in the context of an initial public offering under the laws of Malaysia.
ELECTRONIC PROSPECTUS


The internet is not a fully secured medium. The internet application for the Units may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial institutions. If investors doubt the validity or integrity of an Electronic Prospectus, investors should immediately request from the Manager or the Issuing House, a paper or printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper or printed copy of this Prospectus, the contents of the paper or printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as “third party internet sites”), whether by way of hyperlinks or by way of description of the third party internet sites, investors acknowledge and agree that:

(i) the Manager does not endorse and is not affiliated in any way to the third party internet sites. Accordingly, the Manager is not responsible for the availability of or the content or any data, files or other material provided on the third party internet sites. Investors bear all risks associated with the access to or use of the third party internet sites;

(ii) the Manager is not responsible for the quality of products or services in the third party internet sites, particularly in fulfilling any terms of any agreements with the third party internet sites. The Manager is also not responsible for any loss or damage or cost that investors may suffer or incur in connection with or as a result of dealing with the third party internet sites or the use of or reliance on any data, file or other material provided by such parties; and

(iii) any data, file or other material downloaded from the third party internet sites is done at the investors’ own discretion and risk. The Manager is not responsible, liable or under obligation for any damage to the investors’ computer systems or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of an Internet Participating Financial Institution, investors are advised that:

(i) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of an Electronic Prospectus to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via the investors’ web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of an Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to the investors or other parties; and
(ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium.

The Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, the investors or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault with the web browsers or other relevant software, any fault on the investors’ or any third party’s personal computers, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the websites of the Internet Participating Financial Institutions, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on the investors’ personal computers.
INDICATIVE TIMETABLE

An indicative timetable for the Offering is set out below:

<table>
<thead>
<tr>
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<th>Event</th>
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</thead>
<tbody>
<tr>
<td>11 November 2011</td>
<td>Opening of the Institutional Offering</td>
</tr>
<tr>
<td>14 November 2011, 10.00 a.m.</td>
<td>Opening date and time for the Retail Offering</td>
</tr>
<tr>
<td>21 November 2011, 5.00 p.m.</td>
<td>Closing date and time for the Retail Offering</td>
</tr>
<tr>
<td>23 November 2011</td>
<td>Closing of the Institutional Offering</td>
</tr>
<tr>
<td>23 November 2011</td>
<td>Price Determination Date</td>
</tr>
<tr>
<td>24 November 2011</td>
<td>Balloting of applications for Offer Units pursuant to the Retail Offering for the Malaysian Public portion</td>
</tr>
<tr>
<td>5 December 2011</td>
<td>Allotment of Offer Units to successful applicants</td>
</tr>
<tr>
<td>7 December 2011</td>
<td>Listing of Pavilion REIT on the Main Market</td>
</tr>
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</table>

Note:
(1) The above timetable is indicative only and is subject to change. The Institutional Offering will open and close at the dates stated above or such other date or dates as the Manager and the Joint Bookrunners may mutually decide in their absolute discretion. The application for the Units offered under the Retail Offering will open and close at the dates stated above or such other date or dates as the Manager and the Joint Principal Advisers may mutually decide in their absolute discretion.

If either the Institutional Offering or the Retail Offering is extended, the Price Determination Date and dates for the balloting, allotment of Units and Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.
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DEFINITIONS

The following terms in this Prospectus bear the same meaning unless the term is defined otherwise or the context requires otherwise:

Acquisitions : Acquisitions by the Trustee on behalf of Pavilion REIT of the Subject Properties and the Related Assets for a total purchase consideration of RM3,323,401,000 to be satisfied by the issuance of the Consideration Units and a cash payment of RM1,378,601,000

Act : Companies Act, 1965, as amended from time to time and any re-enactment thereof

ADA : Authorised Depository Agent

Anchor Tenant : A tenant which occupies more than 70,000 sq ft of NLA of Pavilion Kuala Lumpur Mall

Application Forms : Printed application forms for the application of the Offer Units under the Retail Offering accompanying this Prospectus

Appraised Value : In relation to a Subject Property, the value of that Subject Property as appraised by the Independent Property Valuer as at 1 June 2011

Asset Valuation Guidelines : Asset Valuation Guidelines issued by the SC on 8 May 2009, as amended from time to time

ATM : Automated teller machine

Authorised Investments : The following investments in which Pavilion REIT may invest, subject to the provisions of the REITs Guidelines:

(i) Real Estate;
(ii) SPVs;
(iii) Real Estate-Related Assets;
(iv) Non-Real Estate-Related Assets;
(v) cash, deposits and money market instruments; and
(vi) any other investment not specified in (i) to (v) above but specified as a permissible investment in the REITs Guidelines or as otherwise permitted by the SC

Average Offering Price : RM0.88, being the same as the Retail Price, which is used as a reference price to illustrate certain effects relating to the Offering and the Listing as set out in this Prospectus

Board : The board of directors of the Manager
DEFINITIONS (Cont'd)

Bukit Bintang : The area around Jalan Bukit Bintang, beginning at Jalan Raja
Ciulan and ending at Jalan Pudu and located within the Golden
Triangle, which is the main shopping, entertainment and tourism
district in Kuala Lumpur

Bursa Depository : Bursa Malaysia Depository Sdn Bhd (Company Number:
165570-W), a corporation incorporated under the laws of
Malaysia, being the central depository of Malaysia

Bursa Securities : Bursa Malaysia Securities Berhad (Company Number:
635998-W), a corporation incorporated under the laws of
Malaysia, being the securities exchange of Malaysia

CCTV : Close circuit television

CDS : Central Depository System

CDS Account : An account established by Bursa Depository for a depositor for
the recording of the deposit of securities and for dealing in such
securities by the depositor

Central Business District : The Kuala Lumpur Central Business District, which comprises
the older commercial area in the centre of Kuala Lumpur, as
illustrated in the map in Section 2.2 “Overview of the Subject
Properties” of this Prospectus

Central Depository Act : Securities Industry (Central Depositories) Act, 1991, as
amended from time to time and any re-enactment thereof

CFSB : Capital Flagship Sdn Bhd (Company Number: 868546-P), a
corporation incorporated under the laws of Malaysia

CIMB : CIMB Investment Bank Berhad (Company Number: 18417-M), a
corporation incorporated under the laws of Malaysia

Clawback and
Reallocation : The clawback and reallocation provision as set out in Section
3.4.3 ‘Clawback and Reallocation’ of this Prospectus

CMSA : Capital Markets and Services Act, 2007, as amended from time
to time and any re-enactment thereof

Completion Date of the
SPAs : The date when the Acquisitions are completed or deemed
completed on the terms set out in the SPAs, being the Listing
Date

Connection : A four-storey retail/entertainment block which has an alfresco
street concept for cafes, bistros and urban leisure, being one of
the six precincts at Pavilion Kuala Lumpur Mall

Consideration Units : The 2,210,000,000 Units to be issued in part satisfaction of the
purchase consideration for the Acquisitions at the issue price of
RM0.88 which shall be deemed fully paid

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DEFINITIONS (Cont'd)

Cornerstone Investors: The cornerstone investors being American International Assurance Bhd (Company Number: 790995-D), Employees Provident Fund Board, Great Eastern Life Assurance (Malaysia) Berhad (Company Number: 93745-A), HwangDBS Investment Management Berhad (Company Number: 429788-T), Kumpulan Wang Persaraan (Diperbadankan) and Permodalan Nasional Berhad (Company Number: 38218-X)

Cornerstone Price: Price per Cornerstone Unit to be paid by the Cornerstone Investors, which shall be the lower of RM0.90 per Unit and the Institutional Price

Cornerstone Units: The 265,000,000 Offer Units to be issued to the Cornerstone Investors

Credit Suisse: Credit Suisse (Singapore) Limited (Registration Number: 197702363D), a corporation incorporated under the laws of Singapore

Credit Suisse Malaysia: Credit Suisse Securities (Malaysia) Sdn Bhd (Company Number: 499609-H), a corporation incorporated under the laws of Malaysia

Deed: The trust deed dated 13 October 2011 constituting Pavilion REIT and registered with the SC on 18 October 2011, entered into between the Manager and the Trustee

Deposited Property: The total assets of Pavilion REIT, including all its Authorised Investments and other assets (after consulting with the auditor) to be in the nature of assets in accordance with the generally accepted accounting practices in Malaysia, for the time being held or deemed to be held in accordance to the Deed

Deutsche Bank: Deutsche Bank AG, Hong Kong Branch (Registration Number: F-2106)

Director: Director of the Manager

Distributable Income: The amount available for distribution to the Unitholders of Pavilion REIT and having the meaning as set out in Section 10.8 "Distributable Income" of this Prospectus

Distribution Period: Half-yearly, or such other interval as the Manager may determine in accordance with the Deed

DPU: Distribution per Unit

Electronic Application: Application for the Offer Units under the Retail Offering for the Malaysian Public through the ATMs of Participating Financial Institutions
DEFINITIONS (Cont'd)

Electronic Prospectus: A copy of this Prospectus that is issued, circulated or disseminated via the internet, electronic mail and/or distribution of CD-ROMs

Existing ROFRs: The fahrenheit88 ROFR, the Pavilion Extension ROFR, the USJ ROFR and the General ROFR

fahrenheit88: The property known as "fahrenheit88" comprising five levels of retail space with three levels of basement car parks located at Bukit Bintang opposite Pavilion Kuala Lumpur Mall with a postal address of No. 179 Jalan Bintang, 55100 Kuala Lumpur and which reopened in August 2010 after a period of refurbishment

fahrenheit88 ROFR: The ROFR dated 18 October 2011 granted by Makna Mujur Son Bhd to the Trustee (on behalf of Pavilion REIT) in relation to fahrenheit88

Final Retail Price: Final price per Unit payable by investors pursuant to the Retail Offering equivalent to RM0.88 per Offer Unit or the Institutional Price, whichever is lower, to be determined on the Price Determination Date

Forecast Period 2011: One-month period ending 31 December 2011

Forecast Year 2012: 12-month period ending 31 December 2012

FPE: Six-month period ended 30 June

FY: Financial year ended or, as the case may be, ending 31 December

GDP: Gross domestic product

General ROFR: The ROFR dated 18 October 2011 granted by the Sponsor to the Trustee (on behalf of Pavilion REIT) in relation to Real Estate Assets located in Malaysia used solely or predominantly for retail purposes (including mixed-use developments with a retail component)

GFA: Gross floor area

Golden Triangle: The general area between Jalan Tun Razak, Jalan Conlay – Raja Chulan, Jalan Sultan Ismail and Jalan Ampang which includes the popular Bukit Bintang and Kuala Lumpur City Centre areas as illustrated in the map in Section 2.2 "Overview of Subject Properties" of this Prospectus. The Golden Triangle is Kuala Lumpur's main commercial and tourist hub as well as the prime retail shopping district in Malaysia

Government: Government of Malaysia
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<td>Home Precinct</td>
<td>A precinct which used to exist at Pavilion Kuala Lumpur Mall specialising in home decoration and furnishings and which has been configured into a new precinct known as Tokyo Street</td>
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<td>Independent Property Market Consultant</td>
<td>CB Richard Ellis (Malaysia) Sdn Bhd (Company Number: 333510-P), a corporation incorporated under the laws of Malaysia</td>
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<td>Independent Property Valuer</td>
<td>Knight Frank (Proprietor: Ooi &amp; Zaharin Sdn Bhd) (Company Number: 585479-A), a corporation incorporated under the laws of Malaysia</td>
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<td>Institutional Offering</td>
<td>Offering of 755,000,000 Offer Units, subject to Clawback and Reallocation, to Malaysian and foreign institutional investors and selected investors (which includes Cornerstone Investors)</td>
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<td>Institutional Price</td>
<td>The price per Offer Unit payable by the investors (other than Cornerstone Investors) pursuant to the Institutional Offering which will be determined by way of bookbuilding</td>
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<td>Internet Application</td>
<td>Application for the Offer Units under the Retail Offering for the Malaysian Public portion through an Internet Participating Financial Institution</td>
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<td>Internet Participating</td>
<td>Participating financial institutions for the Internet Application, Financial Institution being Affin Bank Berhad, CIMB, CIMB Bank Berhad, Malayan Banking Berhad and RHB Bank Berhad</td>
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<td>Issuing House</td>
<td>Malaysian Issuing House Sdn Bhd (Company Number: 258345-X), a corporation incorporated under the laws of Malaysia</td>
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<td>JBGJ</td>
<td>The parties who are both Joint Global Coordinators and Joint Bookrunners</td>
</tr>
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<td>Joint Bookrunners</td>
<td>CIMB, Credit Suisse, Credit Suisse Malaysia, Deutsche Bank and Maybank IB, being the joint bookrunners in respect of the Institutional Offering</td>
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<td>Joint Global Coordinators</td>
<td>CIMB, Credit Suisse, Maybank IB and QNB Capital</td>
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<td>Joint Principal Advisers</td>
<td>CIMB and Maybank IB</td>
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<td>Joint Underwriters</td>
<td>Affin Investment Bank Berhad, Alliance Investment Bank Berhad, AInvestment Bank Berhad, CIMB, Maybank IB and MIMB Investment Bank Berhad, being the joint underwriters in respect of the Retail Offering</td>
</tr>
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<td>Klang Valley</td>
<td>The combined area of Kuala Lumpur, Putrajaya, the district of Petaling, the district of Gombak, the district of Klang and the district of Ulu Langat</td>
</tr>
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DEFINITIONS (Cont'd)

KLP : Kuala Lumpur Pavilion Sdn Bhd (Company Number: 566122-V), a corporation incorporated under the laws of Malaysia

Latest Practicable Date : 30 September 2011, being the latest practicable date prior to the issuance of this Prospectus

Lenders : Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Hong Leong Bank Berhad and Malayan Banking Berhad

Listing : Admission to the Official List and the listing of and quotation for the Units on the Main Market

Listing Date : The date of Listing

Listing Requirements : Main Market Listing Requirements of Bursa Securities

Lock-up Period : The period commencing from the date of the Major Unitholders' respective deed of undertaking in connection with the lock-up arrangements for the Lock-Up Units until the date falling 180 days after the Listing Date (both dates inclusive)

Lock-up Units : The Units which will be held by the Major Unitholders upon Listing which are subject to the lock-up arrangement for the duration of the Lock-up Period

Main Market : Main Market of Bursa Securities

Major Unitholders : Datuk Lim Siew Choon, Datin Tan Kwei Yong and QH

Malaysian FRS : Financial reporting standards issued by the Malaysian Accounting Standards Board

Malaysian Public : Malaysian citizens, companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia but excludes the Directors, substantial shareholders of the Manager, substantial Unitholders, the Trustee, and associates of the Directors and substantial Unitholders

Management Fee : Fee payable to the Manager which comprises the Base Fee, the Performance Fee, the Incentive Fee, the Acquisition Fee and the Divestment Fee as set out in Section 6.6 "Management Fee" of this Prospectus

Management Space : The retail office space measuring a total of 20,465 sq ft on levels 9 and 10 of Pavilion Kuala Lumpur Mall, which are currently occupied by the Sponsor and mail management

Manager : Pavilion REIT Management Sdn Bhd (Company Number: 939490-H), a corporation incorporated under the laws of Malaysia, being the manager of Pavilion REIT

Market Day : A day on which Bursa Securities is open for trading in securities
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<td><strong>Master Land</strong></td>
<td>The land held under the Master Title</td>
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<td><strong>Master Title</strong></td>
<td>The title bearing the details of H.S.(D) 118129 PT 71 Seksyen 63 in Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur</td>
</tr>
<tr>
<td><strong>Maybank IB</strong></td>
<td>Maybank Investment Bank Berhad (Company Number: 15938-H), a corporation incorporated under the laws of Malaysia</td>
</tr>
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<td><strong>Mechanical/Electrical Levels</strong></td>
<td>The six mechanical/electrical levels being part of Pavilion Tower to be assigned, transferred and vested in favour of the Trustee by UCSB in accordance with the terms of the Pavilion Tower SPA</td>
</tr>
<tr>
<td><strong>MER</strong></td>
<td>Management expense ratio, calculated by dividing the expenses of Pavilion REIT by the NAV of Pavilion REIT, where expenses of the REIT comprise all expenses, including the Management Fee, the Trustee’s fee, valuation fee and other administrative expenses provided for under the Deed</td>
</tr>
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<td><strong>MRT</strong></td>
<td>Mass Rail Transit</td>
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<td><strong>NAV</strong></td>
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<td><strong>Net Property Income or NPI</strong></td>
<td>Total Revenue less Property Operating Expenses</td>
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<td>RTL1, RTL2 and PRVC BG/RTL3</td>
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<td><strong>NLA</strong></td>
<td>Net lettable area which refers to the area in the Subject Properties that is lettable for NLA Income but excludes the Unrecognised Area and space used for building and centre management operations and common areas</td>
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<td><strong>NLA Income</strong></td>
<td>Rental Income and income from rental of storage space derived from Occupied NLA</td>
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<td><strong>Non-Real Estate-Related Assets</strong></td>
<td>Refers to any: (i) listed shares issued by non-property companies; (ii) debt securities issued by, or fully guaranteed by the Government; and (iii) commercial papers or other debt securities issued by companies or institutions with a credit rating of not less than: (a) A/P1 by RAM Holdings Berhad; and (b) A/MARC-1 by Malaysian Rating Corporation Berhad, and such other assets as may be permitted by the REITs Guidelines</td>
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</table>
DEFINITIONS (Cont'd)

Occupancy Rate : The percentage of Occupied NLA against total NLA

Occupied NLA : The total NLA of the Subject Properties which are let out to tenants, which is determined based on the commencement date stipulated in the respective tenancy agreements

Offer Units : The 790,000,000 Units to be offered pursuant to the Offering

Offering : The initial public offering of 790,000,000 Offer Units, comprising the Institutional Offering and the Retail Offering

Official List : A list specifying all securities listed on the Main Market

Participating Financial Institutions : The participating financial institutions for Electronic Applications as referred to in Appendix F of this Prospectus

Pavilion Extension : A potential expansion to Pavilion Kuala Lumpur Mall, which would comprise up to approximately 300,000 sq ft of retail NLA, subject to the relevant approvals being obtained

Pavilion Extension ROFR : The ROFR dated 18 October 2011 granted by Unusharta Cemertang (KL) Sdn Bhd to the Trustee (on behalf of Pavilion REIT) in relation to Pavilion Extension

Pavilion Kuala Lumpur Mall : A seven-storey shopping mall including four split-levels of car parks together with a three-storey retail office block sited atop and annexed with the Connection (being a four-storey retail/entertainment block) together with three levels of basement car parks (not including the 150 car parking bays intended to be used in conjunction with the proposed serviced suites to be constructed) erected on the leasehold land held under the Master Title located along Jalan Bukit Bintang and Jalan Raja Chulan, Kuala Lumpur known as “Pavilion Kuala Lumpur Mall”

Pavilion Kuala Lumpur Mall Related Assets : Moveable assets such as inventories, machineries, equipment, furniture and information technology equipment (including software) utilised/acquired by UCSB for the operation of, or in relation to, Pavilion Kuala Lumpur Mall as described in the Pavilion Kuala Lumpur Mall SPA

Pavilion Kuala Lumpur Mall SPA : The Sale and Purchase Agreement dated 18 October 2011 and entered into by UCSB, the Vendor of Pavilion Kuala Lumpur Mall, and the Trustee on behalf of Pavilion REIT in relation to the sale and purchase of Pavilion Kuala Lumpur Mall and Pavilion Kuala Lumpur Mall Related Assets
DEFINITIONS (Cont’d)

Pavilion Kuala Lumpur Project: An integrated mixed-use urban commercial development, which was developed on the Master Land comprising four components being:

(i) Pavilion Kuala Lumpur Mall;
(ii) Pavilion Tower;
(iii) two blocks of luxury serviced apartments known as Pavilion Residences (which will not be acquired by Pavilion REIT); and
(iv) a proposed block of serviced suites (which will not be acquired by Pavilion REIT)

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

Pavilion Tower: A twenty-storey office building (together with the Mechanical/Electrical Levels) located along Jalan Raja Chulan, Kuala Lumpur erected on part of the leasehold land held under the Master Title, proposed to be named as “Pavilion Tower”

Pavilion Tower Related Assets: Moveable assets such as inventories, machineries, equipment, furniture and information technology equipment (including software) utilised/acquired by CFSD for the operation of, or in relation, to Pavilion Tower as described in the Pavilion Tower SPA

Pavilion Tower SPA: The Sale and Purchase Agreement dated 18 October 2011 and entered into by UCSB as proprietor of the Master Land, CFSD as the Vendor of Pavilion Tower (excluding the Mechanical/Electrical Levels), and the Trustee on behalf of Pavilion REIT in relation to the following:

(i) sale and purchase of Pavilion Tower (excluding the Mechanical/Electrical Levels) and Pavilion Tower Related Assets; and
(ii) the assignment, transfer and vesting of all UCSB’s rights, title, interest, benefits in and to the Mechanical/Electrical Levels to the Trustee in consideration of the acquisition of Pavilion Tower (excluding the Mechanical/Electrical Levels) by the Trustee from CFSD

Placement Agreement: The placement agreement to be entered into between the Manager, the Sponsor and the Joint Bookrunners in respect of the placement of Offer Units under the Institutional Offering

Price Determination Date: The date on which the Institutional Price and the Final Retail Price will be determined
<table>
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<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Forecasts</td>
<td>The consolidated profit forecasts of Pavilion REIT for the Forecast Period 2011 and the Forecast Year 2012</td>
</tr>
<tr>
<td>Property Management Agreement</td>
<td>The property management agreement dated 18 October 2011 entered into between the Manager, the Trustee (on behalf of Pavilion REIT) and the Property Manager</td>
</tr>
<tr>
<td>Property Manager</td>
<td>Henry Butcher Malaysia Sdn Bhd (Company Number: 160636-P), a corporation incorporated under the laws of Malaysia, being the property manager of Pavilion REIT</td>
</tr>
<tr>
<td>Property Operating Expenses</td>
<td>All expenses or outgoings required to manage or maintain the Subject Properties as permitted by the Deed</td>
</tr>
<tr>
<td>PRVC</td>
<td>Pavilion REIT Venture Capital Sdn Bhd (Company Number: 949207-P), a corporation incorporated under the laws of Malaysia, being an unlisted single-purpose company which is wholly-owned by Pavilion REIT</td>
</tr>
<tr>
<td>PRVC BG</td>
<td>The bank guarantee facility of up to RM10.0 million for the issuance of performance bonds, bank guarantees, indemnities or undertakings granted by Alliance Bank Malaysia Berhad to PRVC</td>
</tr>
<tr>
<td>PRVC BG/RTL3</td>
<td>The facility which may take the form of either PRVC BG or RTL3</td>
</tr>
<tr>
<td>QH</td>
<td>Qatar Holding LLC (Licensed by the Qatar Financial Centre Authority under QFC Authority Licence Number: 00004), a limited liability company incorporated in Qatar, being a wholly-owned subsidiary of Qatar Investment Authority</td>
</tr>
<tr>
<td>QNB Capital</td>
<td>QNB Capital LLC, a company incorporated in the Qatar Financial Centre with authorization number 00096</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Land and things attached to the land both below and above ground and any interest or option or right to use, possession and/or occupation, or other right in or over any land and things attached to the land both below and above ground (other than a security interest arising under a mortgage, lien or other security) whether located in or outside of Malaysia</td>
</tr>
<tr>
<td>Real Estate Assets</td>
<td>Real Estate and SPVs</td>
</tr>
<tr>
<td>Real Estate-Related Assets</td>
<td>Includes units of other REITs, listed securities of and issued by property companies, listed or unlisted debt securities of and issued by property companies and real estate-related asset-backed securities</td>
</tr>
<tr>
<td>Registrar</td>
<td>Tricor Investor Services Sdn Bhd (Company Number: 118401-V), a corporation incorporated under the laws of Malaysia, being the registrar of Pavilion REIT</td>
</tr>
<tr>
<td>REIT</td>
<td>Real estate investment trust</td>
</tr>
</tbody>
</table>
DEFINITIONS (Cont'd)

REITs Guidelines : The Guidelines on Real Estate Investments Trusts issued by the SC on 21 August 2008 (and updated on 13 July 2011), as amended from time to time

Related Assets : Collectively, the Pavilion Kuala Lumpur Mall Related Assets and the Pavilion Tower Related Assets

Relevant Laws and Requirements : The laws, regulations, guidelines, rules and official requirements, guidance notes, practice notes (whether or not having the force of law) applicable to REITs from time to time including securities laws, the REITs Guidelines, the Listing Requirements, the Rules of Bursa Depository and taxation laws and rulings

Rental Income : Comprises base rent, service charges and promotional charges but excludes income from rental of storage space. Promotional charges are only applicable to retail tenancies of Pavilion Kuala Lumpur Mall

Reporting Accountants : KPMG (Firm Number: AF 0758)

Retail Offering : Offering of 35,000,000 Offer Units, subject to Clawback and Reallocation, to the Malaysian Public, the eligible tenants of the Subject Properties, the Directors of the Manager and the eligible employees of the Manager, UCSB, CFSB and KLP

Retail Price : RM0.88 per Offer Unit, being the initial price payable by applicants pursuant to the Retail Offering

Retail Underwriting Agreement : The retail underwriting agreement dated 18 October 2011 entered into between the Manager, the Sponsor and the Joint Underwriters

ROFR : Right of first refusal

RTL1 : The revolving term loan facility of up to RM900.0 million to part finance the acquisition of the Subject Properties and future acquisitions by Pavilion REIT granted by the Lenders to PRVC

RTL2 : The revolving term loan facility of up to RM100.0 million to finance general working capital of Pavilion REIT granted by the Lenders to PRVC (including the acquisition of the Related Assets)

RTL3 : The revolving term loan facility for the conversion of any amounts paid out under the performance bonds, bank guarantees, indemnities or undertakings issued under the PRVC BG granted by Alliance Bank Malaysia Berhad to PRVC

Rules of Bursa Depository : Rules of Bursa Malaysia Depository Sdn Bhd, as amended from time to time

SC : Securities Commission Malaysia
DEFINITIONS (Cont'd)

Service Provider Agreement: The service provider agreement dated 18 October 2011 entered into between the Property Manager and KLP

SPAs: Collectively, the Pavilion Kuala Lumpur Mall SPA and the Pavilion Tower SPA

Special Resolution: A resolution passed at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Deed by a majority consisting of not less than ¾ of the persons voting upon: a show of hands and if a poll is demanded, then by a majority consisting of not less than ¾ of the votes given on such poll, provided always that for the purpose of terminating or winding up of Pavilion REIT, a “Special Resolution” means a resolution passed by a majority in number representing at least ¾ of the value of the Units held by Unitholders at the meeting

Specialty Anchor Tenant: A tenant which occupies between 10,000 and 70,000 sq ft of NLA (both figures inclusive) of Pavilion Kuala Lumpur Mall

Specialty Tenant: A tenant which occupies less than 10,000 sq ft of NLA of Pavilion Kuala Lumpur Mall

SPV: Unlisted single-purpose company, corporation, entity or structure whose principal assets comprise Real Estate or shares or interests in a single-purpose company, corporation or such other entities (as may be permitted by the SC) whose principal assets comprise Real Estate

sq ft: Square feet

State Authority: In relation to the States of West Malaysia, the Ruler-in-Council or Governor-in-Council of a State and includes in Negeri Sembilan, the Yang di-Pertuan Besar acting on behalf of himself and the Ruling Chiefs (the Undang of Sungai Ujong, the Undang of Jelebu, the Undang of Johol, the Undang of Rembau and the Tunku Besar of Tampin), and in relation to the Federal Territories of Kuala Lumpur, Putrajaya and Labuan, the minister charged with the responsibility for local government

Subject Properties: Pavilion Kuala Lumpur Mall and Pavilion Tower, which form the initial property portfolio of Pavilion REIT at the point of Listing, and “Subject Property” means either one of them

Take-over Code: Malaysian Code on Take-Overs and Mergers 2010, as amended from time to time

Tax Consultant: KPMG Tax Services Sdn Bhd (Company Number: 96860-M), a corporation incorporated under the laws of Malaysia

Total Asset Value: The value of the Deposited Property in accordance with Generally Accepted Accounting Practices in Malaysia, as determined in accordance with the Deed
Total Revenue: Comprises Rental Income and other operating income earned through the Subject Properties (net of rental rebates and rent free periods)

Trustee: AmTrustee Berhad (Company Number: 163032-V), a corporation incorporated under the laws of Malaysia, acting in its capacity as trustee of Pavilion REIT

UCDSB: Urusharta Cemerlang Development Sdn Bhd (Company Number: 553210-U), a corporation incorporated under the laws of Malaysia

UCPC: Urusharta Cemerlang Project Corporation Sdn Bhd (Company Number: 553211-V), a corporation incorporated under the laws of Malaysia

UCSB or Sponsor: Urusharta Cemerlang Sdn Bhd (Company Number: 261695-T), a corporation incorporated under the laws of Malaysia, being the sponsor of Pavilion REIT

Unit: An undivided interest in Pavilion REIT as provided for in the Deed

United States: United States of America

Unitholders: The holders of Units

Unrecognised Area: New lettable area created along passageways/walkways within Pavilion Kuala Lumpur Mall which does not form part of the delineated lettable areas in the approved building plans (such as kiosks), and which are pending approval from the relevant local council

USJ ROFR: The ROFR granted by Equine Park Country Resort Sdn Bhd to the Trustee (on behalf of Pavilion REIT) in relation to a six-storey retail mall to be developed at Subang Jaya

Vendors: (In relation to the Acquisitions) the vendors of the Subject Properties and the Related Assets, namely:

(i) UCSB in respect of Pavilion Kuala Lumpur Mall and Pavilion Kuala Lumpur Mall Related Assets; and

(ii) CFSB in respect of Pavilion Tower and Pavilion Tower Related Assets
All references to the “Manager” are to “Pavilion REIT Management Sdn Bhd”, unless the context otherwise requires. Unless the context otherwise requires, references to “Management” are to the directors and senior management team of the Manager as at the date of this Prospectus, and statements in this Prospectus as to beliefs, expectations, estimates and opinions of Pavilion REIT are those of the Management. All references to “Pavilion REIT” in this Prospectus include references to AmTrustee Berhad, in its capacity as trustee for Pavilion REIT, unless the context otherwise requires.

In this Prospectus, references to the “Government” are to the Government of Malaysia; references to “Ringgit”, “Ringgit Malaysia”, “Malaysian Ringgit”, “RM” and “sen” are to the lawful currency of Malaysia. References to “US$” are to United States Dollar, the lawful currency of United States.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations and a reference to a section is a reference to the relevant section of this Prospectus.

Any reference in this Prospectus to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a date and time in this Prospectus shall be a reference to Malaysian date and time, unless otherwise stated.

In respect of Pavilion Tower which will be wholly acquired by the Trustee (on behalf of Pavilion REIT), beneficial ownership of Pavilion Tower (excluding the Mechanical/Electrical Levels) and the Mechanical/Electrical Levels are held by CFSB and UCSB respectively. Accordingly, any reference in this Prospectus to Pavilion Tower in the context where CFSB is named as the Vendor or as acquirer (from Macorp Sdn Bhd in March 2010), shall be a reference to Pavilion Tower (excluding the Mechanical/Electrical Levels). UCSB, being the proprietor of the Mechanical/Electrical Levels, will assign, transfer and vest all its rights, title, interest and benefits in and to the Mechanical/Electrical Levels to the Trustee (on behalf of Pavilion REIT) upon completion of the Pavilion Tower SPA.

Any reference in this Prospectus to NLA, Occupied NLA, NLA Income, average monthly rent and number of tenants/tenancies does not take into account the Unrecognised Area, notwithstanding that such area may be income-yielding. As at 1 June 2011, the Unrecognised Area comprises 10,397 sq ft. An application dated 6 June 2011 has been submitted by the Sponsor to the relevant authority to seek the requisite approval for the Unrecognised Area to be included in the delineated lettable areas in the approved building plans.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Figures and percentages are rounded to one or two decimal places, where appropriate. Percentage changes in this Prospectus have been calculated on the basis of relevant figures disclosed in the Prospectus, where applicable, which may be after rounding.

Certain acronyms, technical terms and other abbreviations used herein are defined in the “Definitions” section of this Prospectus.
This Prospectus includes statistical data provided by the Manager and various third parties and cites third-party projections regarding growth and performance of the markets in which Pavilion REIT operates. This data is taken or derived from information published by industry sources and from the Manager's internal data. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from the Manager. In particular, certain information in this Prospectus is extracted or derived from the Independent Property Market Report prepared by the Independent Property Market Consultant. The Manager believes that the statistical data and projections cited in this Prospectus are useful in helping prospective investors understand the major trends in the markets in which Pavilion REIT operates. However, none of Pavilion REIT, the Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Underwriters and the Joint Bookrunners has independently verified these figures. Moreover, the rapidly evolving nature of the property industry makes it difficult to obtain precise and accurate statistics. None of Pavilion REIT, the Manager, the Sponsor, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Underwriters and the Joint Bookrunners make any representation as to the correctness, accuracy or completeness of such data and accordingly prospective investors should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the forecasted figures. No assurances are or can be given that the estimated figures will be achieved, and prospective investors should not place undue reliance on the third-party projections cited in this Prospectus.

This Prospectus includes market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. While the Manager has taken reasonable steps to ensure that the information is extracted accurately and in its proper context, the Manager has not independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein.

All the information set out in this Prospectus is presented as at the Latest Practicable Date, unless otherwise indicated.

The information on the Manager’s, Pavilion REIT’s and the Subject Properties’ websites or any website directly or indirectly linked to such websites is not incorporated by reference into this Prospectus and should not be relied on.
FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute "forward-looking statements". All statements other than statements of historical facts included in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Pavilion REIT, the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which Pavilion REIT or the Manager will operate in the future. Because these statements reflect the current views of the Manager concerning future events, these statements necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements. Investors should not place any undue reliance on these forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

(i) estimated financial information regarding the future development and economic performance of, Pavilion REIT’s business;
(ii) future economic performance of Pavilion REIT and/or the Subject Properties, including any such statement contained in the Manager’s discussion and analysis of financial condition and/or results of operations;
(iii) potential growth opportunities;
(iv) financing plans;
(v) the Manager’s business strategy, plans and objectives of the Manager for future operations, including plans or objectives relating to the business of Pavilion REIT and/or the Subject Properties;
(vi) the competitive position and the effects of competition on Pavilion REIT’s investment portfolio;
(vii) development of additional revenue sources;
(viii) the amount and nature of future capital expenditures required by Pavilion REIT; and
(ix) the general industry environment.

Among the important factors that could cause the actual results, performance or achievements of Pavilion REIT or the Manager to differ materially from those in the forward-looking statements are the conditions of, and changes in, the domestic, regional and global economies, including, but not limited to, factors such as political, economic and social conditions in Malaysia, changes in government laws and regulations affecting Pavilion REIT, competition in the Malaysian property market in which Pavilion REIT may invest, currency exchange rates, interest rates, inflation, relations with tenants, relations with service providers, relations with lenders, hostilities (including any potential terrorist attacks), the performance and reputation of Pavilion REIT’s properties and/or acquisitions, difficulties in identifying future acquisitions, difficulty in completing acquisitions, changes in the Manager’s directors and executive officers, risks related to natural disasters, general volatility of the capital markets, general risks relating to the property market in which Pavilion REIT may invest and the market price of the Units as well as other matters not yet known to the Manager or not currently considered material by the Manager.
FORWARD-LOOKING STATEMENTS (Cont'd)

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those set out in Section 5 "Risk Factors", Section 4.5 "Profit Forecasts", Section 4.4 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Section 2 "Business and Subject Properties" of this Prospectus. Neither Pavilion REIT nor the Manager can give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. The Manager expressly disclaims any obligation or undertaking to release publicly any updates of or revisions to any forward-looking statement contained herein to reflect any change in the expectations of the Manager with regard thereto or any change in events, conditions or circumstances on which any such statement is based.
CORPORATE DIRECTORY

MANAGER : Pavilion REIT Management Sdn Bhd
            (Company Number: 939490-H)

Registered Office : Suite 802, 8th Floor
                    Wisma Lim Foo Yong
                    No. 86 Jalan Raja Chulan
                    50200 Kuala Lumpur, Malaysia
                    Telephone No.: +603 2148 9098
                    Facsimile No.: +603 2148 3980

Business Office : Level 10, Pavilion Kuala Lumpur
                 168, Jalan Bukit Bintang
                 55100 Kuala Lumpur, Malaysia
                 Telephone No.: +603 2118 8888
                 Facsimile No.: +603 2118 8888
                 E-mail: info@pavilion-reit.com
                 Website: www.pavilion-reit.com

Directors Of The Manager

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Datuk Lim Siew Choon</td>
<td>Chairman and Non-Independent Executive Director</td>
</tr>
<tr>
<td>2</td>
<td>Datin Tan Kewi Yong</td>
<td>Non-Independent Executive Director</td>
</tr>
<tr>
<td>3</td>
<td>Ahmad Mohd A Y Al-Sayed</td>
<td>Non-Independent Non-Executive Director</td>
</tr>
<tr>
<td>4</td>
<td>Omer Abdulaziz H A Al-Marwani</td>
<td>Non-Independent Non-Executive Director</td>
</tr>
<tr>
<td>5</td>
<td>Mohamed Badr S K Al-Sadah</td>
<td>Non-Independent Non-Executive Director</td>
</tr>
<tr>
<td>6</td>
<td>Navid Chamdia</td>
<td>Non-Independent Executive Director</td>
</tr>
<tr>
<td>7</td>
<td>Dato’ Lee Tuck Fook</td>
<td>Non-Independent Non-Executive Director</td>
</tr>
<tr>
<td>8</td>
<td>Ooi Ah Heong</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>9</td>
<td>Datuk Roger Tan Kim Hock</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>10</td>
<td>Dato’ Maznah binti Abdul Jalil</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>11</td>
<td>Dato’ Mohzani bin Datuk Dr Abdul Wahab</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>12</td>
<td>Syed Mohd Fareed bin Shaikh Alhabshi</td>
<td>Independent Non-Executive Director</td>
</tr>
</tbody>
</table>

Company Secretary Of The Manager : Lim Mei Yoong (Licensed Secretary Number: LS 02201)
             Suite 802, 8th Floor
             Wisma Lim Foo Yong
             No. 86, Jalan Raja Chulan
             50200 Kuala Lumpur, Malaysia
             Telephone No.: +603 2148 9098

TRUSTEE : AmTrustee Berhad
          (Company Number: 163032-V)

Registered Office : Level 22, Bangunan AmBank Group
                    55, Jalan Raja Chulan
                    50200 Kuala Lumpur, Malaysia
                    Telephone No.: +603 2036 2633
                    Facsimile No.: +603 2032 1914
CORPORATE DIRECTORY (Cont’d)

Business Office : Tingkat 15, Menara AmFirst
                No. 1, Jalan 19/3
                46300 Petaling Jaya
                Selangor Darul Ehsan, Malaysia
                Telephone No.: +603 7954 6862
                Facsimile No.: +603 7954 3712
                Website: www.ambankgroup.com

PROPERTY MANAGER : Henry Butcher Malaysia Sdn Bhd
                   (Company Number: 160638-P)
                   No. 25, Jalan Yap Ah Shak
                   Off Jalan Dang Wangi
                   50300 Kuala Lumpur, Malaysia
                   Telephone No.: +603 2694 2212
                   Website: www.henrybutcher.com.my

LEGAL ADVISERS TO THE MANAGER : Legal Adviser as to Malaysian law:
                                  Rahmat Lim & Partners
                                  Suite 33.01 Level 33
                                  The Gardens North Tower
                                  Mid Valley City
                                  Lingkaran Syed Putra
                                  59200 Kuala Lumpur, Malaysia
                                  Telephone No.: +603 2299 3888
                                  Website: www.rahmatlim.com

                                  Transaction and International Legal Adviser:
                                  Allen and Gledhill LLP
                                  One Marina Boulevard
                                  #28-00
                                  Singapore 018969
                                  Telephone No.: +65 6890 7188
                                  Website: www.allenandgledhill.com.sg

LEGAL ADVISERS TO THE JOINT GLOBAL COORDINATORS, JOINT BOOKRUNNERS AND JOINT UNDERWRITERS : Legal Adviser as to Malaysian law:
                                                                                             Shahrzad Rashid & Lee
                                                                                             Level 12, Menara Milenium
                                                                                             8 Jalan Damanlela
                                                                                             Damansara Heights
                                                                                             50490 Kuala Lumpur, Malaysia
                                                                                             Telephone No.: +603 2710 5555
                                                                                             Website: www.srt-law.com.my

                                                                                             Legal Adviser as to English law:
                                                                                             Clifford Chance Pte. Ltd.
                                                                                             One George Street
                                                                                             19th Floor
                                                                                             Singapore 049145
                                                                                             Telephone No.: +65 6410 2200
                                                                                             Website: www.cliffordchance.com

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AUDITORS/REPORTING ACCOUNTANTS : KPMG
(Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Telephone No.: +603 7721 3388
Website: www.kpmg.com.my

TAX CONSULTANT : KPMG Tax Services Sdn Bhd
(Company Number: 96860-M)
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Telephone No.: +603 7721 3388
Website: www.kpmg.com.my

PRINCIPAL BANKERS : Affin Bank Berhad
(Company Number: 25046-T)
17th Floor, Menara Affin
80, Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Telephone No.: +603 2055 9000
Website: www.affinbank.com.my

Alliance Bank Malaysia Berhad
(Company Number: 88103-W)
29th Floor, Menara Multi-Purpose, Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Telephone No.: +603 2694 8800
Website: www.alliancebank.com.my

AmBank (M) Berhad
(Company Number: 6515-D)
Level 19, Menara Dian
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Telephone No.: +603 2026 3939
Website: www.ambankgroup.com

CIMB Bank Berhad
(Company Number: 13491-P)
10th Floor Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur, Malaysia
Telephone No.: +603 2084 8888
Website: www.cimbbank.com
CORPORATE DIRECTORY (Cont'd)

Hong Leong Bank Berhad
(Company Number: 97141-X)
Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur, Malaysia
Telephone No.: +603 2164 2828
Website: www.hlbank.com.my

Malayan Banking Berhad
(Company Number: 3813-K)
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Telephone No.: +603 2070 8833
Website: www.maybank.com

INDEPENDENT PROPERTY MARKET CONSULTANT
CB Richard Ellis (Malaysia) Sdn Bhd
(Company Number: 333510-P)
#9-1, Level 9, Menara Millenium
Jalan Damanlela, Bukit Damansara
50490 Kuala Lumpur, Malaysia
Telephone No.: +603 2092 5955
Website: www.cbre.com.my

INDEPENDENT PROPERTY VALUER
Knight Frank (Proprietor: Ooi & Zaharin Sdn Bhd)
(Company Number: 585479-A)
Suite 9.01, 9th Floor
Menara IGB, Mid Valley City
Lingkaran Syed Putra
Kuala Lumpur, Malaysia
Telephone No.: +603 2289 9688
Website: www.knightfrank.com.my

ISSUING HOUSE
Malaysian Issuing House Sdn Bhd
(Company Number: 258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Telephone No.: +603 7841 8000
Website: www.mih.com.my

REGISTRAR
Tricor Investor Services Sdn Bhd
(Company Number: 118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Telephone No.: +603 2264 8888
Website: www.mytricoglobal.com
JOINT PRINCIPAL ADVISERS

CIMB Investment Bank Berhad
(Company Number: 18417-M)
10th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur, Malaysia
Telephone No.: +603 2084 8888
Website: www.cimb.com

Maybank Investment Bank Berhad
(Company Number: 15938-H)
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Telephone No.: +603 2059 1888
Website: www.maybank-ib.com

JOINT GLOBAL COORDINATORS

CIMB Investment Bank Berhad
(Company Number: 18417-M)
10th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur, Malaysia
Telephone No.: +603 2084 8888
Website: www.cimb.com

Credit Suisse (Singapore) Limited
(Registration Number: 197702363D)
1 Raffles Link
#03/#04-01
South Lobby
Singapore 039393
Telephone No.: +65 6212 2000
Website: www.credit-suisse.com

Maybank Investment Bank Berhad
(Company Number: 15938-H)
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Telephone No.: +603 2059 1888
Website: www.maybank-ib.com

QNB Capital LLC
(Qatar Financial Centre Regulatory Authority Number: 00096)
Office 1001
10th floor, Qatar Financial Centre Tower
Diplomatic Area, West Bay
P O Box 1000, Doha, Qatar
Telephone No.: +974 4496 8111
Website: www.qnbcapital.com.qa
JOINT BOOKRUNNERS

CIMB Investment Bank Berhad
(Company Number: 18417-M)
10th Floor, Bangunan CIMB
Jalan Sementan
Damansara Heights
50490 Kuala Lumpur, Malaysia
Telephone No.: +603 2084 8888
Website: www.cimb.com

Credit Suisse (Singapore) Limited
(Registration Number: 197702363D)
1 Raffles Link
#03/#04-01
South Lobby
Singapore 039393
Telephone No.: +65 6212 2000
Website: www.credit-suisse.com

Deutsche Bank AG, Hong Kong Branch
(Registration Number: F-2106)
Level 52, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong
Telephone No.: +852 2203 8888
Website: www.db.com

Maybank Investment Bank Berhad
(Company Number: 15938-H)
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Telephone No.: +603 2059 1888
Website: www.maybank-ib.com
JOINT UNDERWRITERS

Affin Investment Bank Berhad
(Company Number: 9999-V)
27th Floor, Menara Boussard
69, Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Telephone No.: +603 2142 3700
Website: www.affininvestmentbank.com.my

Alliance Investment Bank Berhad
(Company Number: 21605-D)
Level 3, Menara Multi-Purpose Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Telephone No.: +603 2692 7788
Website: www.allianceinvestmentbank.com.my

Amin Investment Bank Berhad
(Company Number: 23742-V)
22nd Floor, Bangunan Ambank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Telephone No.: +603 2078 2833
Website: www.ambankgroup.com

CIMB Investment Bank Berhad
(Company Number: 18417-M)
10th Floor, Bangunan CIMB Jalan Semantan
Damansara Heights
50490 Kuala Lumpur, Malaysia
Telephone No.: +603 2084 8888
Website: www.cimb.com

Maybank Investment Bank Berhad
(Company Number: 15938-H)
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Telephone No.: +603 2059 1888
Website: www.maybank-ib.com

MIMB Investment Bank Berhad
(Company Number: 10209-W)
21st Floor, Menara EON Bank
No. 288, Jalan Raja Laut
50350 Kuala Lumpur, Malaysia
Telephone No.: +603 2691 0200
Website: www.mimb.com.my
ADVISER TO THE SPONSOR: Amlnvestment Bank Berhad
(Company Number: 23742-V)
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Telephone No.: +603 2078 2633
Website: www.ambankgroup.com

LISTING SOUGHT: Main Market of Bursa Malaysia Securities Berhad

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INFORMATION SUMMARY

This section is only a summary of the salient information about the Offering and Pavilion REIT and is extracted from the full text of this Prospectus. The following section is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Prospectus and investors should read and understand this Prospectus in its entirety prior to making investment decisions. If necessary, investors should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers as to the legal, business, financial, tax and related aspects of an investment in the Units.

There are fees involved and investors are advised to consider them before investing in Pavilion REIT. Investors should be aware that the rental yields of the Subject Properties as well as other real estate that Pavilion REIT may invest in the future are not equivalent to the yields of the Units and the current rental receipts and yields of the Subject Properties may not be sustainable. Investors should also note that the value of the Subject Properties (including other investments that Pavilion REIT may have in the future), Unit prices and distributions payable, if any, may go down as well as up. For information concerning certain risk factors which should be considered by prospective investors, see Section 5 “Risk Factors” commencing on page 129 of this Prospectus.

OVERVIEW OF PAVILION REIT

Investment Policy

Pavilion REIT is a REIT established with the principal investment policy of investing, directly and indirectly, in a diversified portfolio of income producing real estate used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region as well as Real Estate-Related Assets.

Investment Objective

The Manager’s key objective is to provide Unitholders with regular and stable distributions and achieve long-term\(^1\) growth in NAV per Unit, while maintaining an appropriate capital structure.

Key Investment Strategies

The Manager intends to increase the income and consequently, the value of the Subject Properties, and continue Pavilion REIT’s growth through the following strategies:

(i) proactively managing the Subject Properties and implementing asset enhancement strategies;

(ii) actively pursuing acquisition opportunities in accordance with the Authorised Investments of Pavilion REIT; and

(iii) pursuing an efficient capital management strategy.

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\(^1\) Long-term in this context refers to a period of five years or more.
SUMMARY OF PAVILION REIT

Name of REIT  Pavilion REIT.

REIT type  Income stability and long-term growth.

Deed  Deed dated 13 October 2011 and registered with the SC on 18 October 2011.

The Manager  Pavilion REIT Management Sdn Bhd.

The Trustee  AmTrustee Berhad.

Approved size of Pavilion REIT  3,100,000,000 Units.

In addition to the above, the SC also granted its approval for the issuance of up to 620,000,000 new Units (together with the corresponding increase in Pavilion REIT's approved fund size) subject to Unitholders' approval to be obtained under a general mandate by 31 December 2012.

Authorised Investments  Real Estate, SPVs, Real Estate-Related Assets, Non-Real Estate-Related Assets, cash, deposits, money market instruments and any other investments not specified above but specified as a permissible investment in the REITs Guidelines or as otherwise permitted by the SC.

Authorised Investments limits  The investments of Pavilion REIT are subject to the following investment limits imposed by the REIT's Guidelines:

(i) at least 50.0% of Pavilion REIT's Total Asset Value must be invested in Real Estate Assets at all times; and

(ii) not more than 25.0% of Pavilion REIT's Total Asset Value may be invested in Non-Real Estate-Related Assets and/or cash, deposits and money market instruments,

provided that investments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows:

(i) the value of Pavilion REIT's investments in securities issued by any single issuer must not exceed 5.0% of Pavilion REIT's Total Asset Value;

(ii) the value of Pavilion REIT's investments in securities issued by any group of companies must not exceed 10.0% of Pavilion REIT's Total Asset Value; and

1 Long-term in this context refers to a period of five years or more.
(iii) Pavilion REIT’s investment in any class of securities must not exceed 10.0% of the securities issued by any single issuer; or such other limits and investments as may be permitted by the SC or the REITs Guidelines.

**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). For the period from the Listing Date to 31 December 2012, Pavilion REIT will distribute 100.0% of its Distributable Income. The actual proportion of Distributable Income distributed to Unitholders beyond 31 December 2012, which shall be at the absolute discretion of the Manager, may be greater than 90.0% of Pavilion REIT’s Distributable Income to the extent that the Manager believes it is appropriate, having regard to Pavilion REIT’s funding requirements, other capital management considerations and the availability of funds. Distributions, when made, will be in Ringgit Malaysia. Pavilion REIT’s first distribution will be 100.0% of its Distributable Income recorded during the period from the Listing Date to 31 December 2011. See Section 1.6 “Distribution Policy” of this Prospectus for further details.

**Borrowing Limitations and Gearing Policy**

Up to 50.0% of the Total Asset Value of Pavilion REIT at the time the borrowing is incurred (or such other limit permitted by the REIT’s Guidelines from time to time). However, Pavilion REIT’s total borrowings may exceed this limit with the prior approval of the Unitholders.

Upon Listing, based on Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position, Pavilion REIT will have total indebtedness of approximately RM730.6 million representing approximately 20.1% of its estimated Total Asset Value. Pavilion REIT’s actual indebtedness upon Listing is subject to the actual proceeds to be raised under the Offering.

**Performance Benchmark**

The following performance indicators can be considered in reviewing the performance of Pavilion REIT: (i) distribution yield, (ii) NAV, (iii) total return and (iv) MER. The performance indicators will be used to benchmark Pavilion REIT against its peers as well as against its own historical performance, where applicable.
<table>
<thead>
<tr>
<th>Valuation Policy</th>
<th>Independent professional valuation will be obtained at least once every three years in accordance with the REITs Guidelines or such other shorter interval as the Manager deems necessary and these valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redemption Policy</td>
<td>Unit holders have no right to request the Manager to repurchase their Units while the Units are listed.</td>
</tr>
<tr>
<td>Minimum Initial Investment</td>
<td>Minimum of 100 Units.</td>
</tr>
<tr>
<td>Minimum Additional Investment</td>
<td>Multiples of 100 Units.</td>
</tr>
<tr>
<td>Investor Profile</td>
<td>Pavilion REIT may appeal to an investor with long-term investment objectives who seeks regular distribution income and long-term NAV appreciation, and who understands the risks related to the real estate industry and REITs.</td>
</tr>
<tr>
<td>Form</td>
<td>The Units will be issued in registered form and Pavilion REIT shall be constituted by the Deed.</td>
</tr>
<tr>
<td>Board lot</td>
<td>100 Units per board lot. Investors may buy and/or sell the minimum of one (1) board lot (i.e. a minimum of 100 Units). Any additional investment in Pavilion REIT will be in board lot increments.</td>
</tr>
<tr>
<td>Quotation</td>
<td>Main Market.</td>
</tr>
<tr>
<td>Governing Law</td>
<td>The Deed is governed by Malaysian law.</td>
</tr>
</tbody>
</table>

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1. Long-term in this context refers to a period of five years or more.
STRUCTURE OF PAVILION REIT

Pavilion REIT Management Sdn Bhd is the manager of Pavilion REIT. The Manager undertakes primary management activities in relation to Pavilion REIT. The Manager’s main responsibility is to set the strategic direction of Pavilion REIT and give recommendations to the Trustee on the acquisition, divestment and enhancement of assets of Pavilion REIT in accordance with its stated investment strategy. The Manager is 51.0%-owned by UCDSB and 49.0%-owned by UCPC. For further details of the Manager, see Section 6 "The Manager" of this Prospectus.

AmTrustee Berhad is the trustee of Pavilion REIT. The Trustee provides corporate trusteeship services for Pavilion REIT. For further details of the Trustee, see Section 8 "The Trustee" of this Prospectus.

Henry Butcher Malaysia Sdn Bhd is the property manager of Pavilion REIT. The Property Manager is responsible for providing property management services for the properties in Pavilion REIT's portfolio. For further details of the Property Manager, see Section 9 "The Property Manager" of this Prospectus.

Pavilion REIT will acquire the Subject Properties in accordance with the terms of the SPAs. For further details of the SPAs, see Section 14.3 “Salient Terms of the SPAs” of this Prospectus. The following diagram illustrates the structure of Pavilion REIT and indicates the relationship between Pavilion REIT, the Manager, the Trustee, the Property Manager and the Unitholders:
OVERVIEW OF THE SUBJECT PROPERTIES

The Subject Properties form part of Pavilion Kuala Lumpur Project, an integrated mixed-use urban commercial development, which was developed on the Master Land. Pavilion Kuala Lumpur Project comprises four components being:

(i) Pavilion Kuala Lumpur Mall;
(ii) Pavilion Tower;
(iii) two blocks of luxury serviced apartments known as Pavilion Residences (which will not be acquired by Pavilion REIT); and
(iv) a proposed block of serviced suites (which will not be acquired by Pavilion REIT).

The Subject Properties were completed in 2007.

The Subject Properties are located at Bukit Bintang, which is the main shopping, entertainment and tourism district of Kuala Lumpur lying within the premier commercial precinct commonly referred to as the “Golden Triangle”. The site is located in close proximity to established retail centres and notable hotels, as well as high-rise commercial offices.

Being strategically located in the heart of Kuala Lumpur, the Subject Properties are accessible through a network of major roads, namely Jalan Bukit Bintang and Jalan Raja Chulan. The Subject Properties are also accessible through various modes of public transport. In addition to public buses and taxi services, the Subject Properties are within walking distance of the Bukit Bintang Monorail Station and the Raja Chulan Monorail Station, located approximately 300 metres due south-west and approximately 250 metres due north-west of the Subject Properties, respectively. In December 2016, the Government announced the Klang Valley MRT Project, which includes plans for an upcoming MRT station within the vicinity of the Subject Properties, further enhancing connectivity to this area. Further, a covered skybridge currently under construction will connect Pavilion Kuala Lumpur Mall to Kuala Lumpur Convention Centre which in turn adjoins Suria KLCC and the Petronas Twin Towers, a destination for tourists and business travellers.
Details of the Master Title are as follows:

<table>
<thead>
<tr>
<th>Land area of Master Land</th>
<th>48,606 square metres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease</td>
<td>99-year lease expiring on 26 October 2109</td>
</tr>
<tr>
<td>Title Information</td>
<td>H.S.(D) 118129 PT 71 Seksyen 63 in Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur</td>
</tr>
</tbody>
</table>
| Encumbrances/mortgaged/limitations in title | The following charges over the Master Title are registered in favour of Alliance Investment Bank Berhad:  
(a) a charge registered on 23 March 2006 vide Presentation No. 5017/2006;  
(b) a charge registered on 19 January 2009 vide Presentation No. 572/2009;  
(c) a charge registered on 23 January 2009 vide Presentation No. 1037/2009; and  
(d) a charge registered on 21 July 2010 vide Presentation No. 27320/2010.  
The above encumbrances will be discharged on the Listing Date. Following the discharge, there will be no encumbrances over the Master Land.  
A private caveat has also been lodged on the Master Land by the Trustee on 19 October 2011 to protect Pavilion REIT’s interests over the Subject Properties. |
| Express conditions        | The Master Land shall only be used for mixed-use commercial building, namely, for an office building, serviced apartment, hotel and shopping complex. |
Details of the Subject Properties are set out in the table below.

<table>
<thead>
<tr>
<th>Type</th>
<th>Pavilion Kuala Lumpur Mall</th>
<th>Pavilion Tower</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraised Value as at 1 June 2011 (RM '000)</td>
<td>3,415,000</td>
<td>128,000</td>
</tr>
<tr>
<td>Purchase consideration (RM '000)</td>
<td>3,190,300(^{(1)})</td>
<td>123,500(^{(2)})</td>
</tr>
<tr>
<td>Subject Properties weighting (by Appraised Value) (%)</td>
<td>96.4</td>
<td>3.6</td>
</tr>
<tr>
<td>NLA (sq ft)</td>
<td>1,335,119</td>
<td>167,407</td>
</tr>
<tr>
<td>GFA (sq ft)(^{(3)})</td>
<td>2,202,557</td>
<td>243,288</td>
</tr>
<tr>
<td>Number of tenancies as at 1 June 2011</td>
<td>459(^{(4)})</td>
<td>15(^{(5)})</td>
</tr>
<tr>
<td>Occupancy Rate as at 1 June 2011 (%)(^{(6)})</td>
<td>97.7</td>
<td>41.4</td>
</tr>
<tr>
<td>Number of car park bays</td>
<td>2,427</td>
<td></td>
</tr>
<tr>
<td>Shopper traffic for 2010(^{(7)})</td>
<td>31 million</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Notes:
1. Excludes the Pavilion Kuala Lumpur Mall Related Assets, which will be acquired for RM8,806,000, subject to adjustments, where applicable.
2. Excludes the Pavilion Tower Related Assets, which will be acquired for RM795,000, subject to adjustments, where applicable.
3. Excludes the car park GFA.
4. Includes retail tenancies, tenancies of the retail office block and storage spaces which are rented by existing tenants, determined based on the commencement date stipulated in the respective tenancy agreements.
5. Determined based on the commencement dates stipulated in the respective tenancy agreements.
6. Including tenancies which have been committed but not yet to commence as at 1 June 2011, the Occupancy Rate for Pavilion Kuala Lumpur Mall and Pavilion Tower as at 1 June 2011 would have been 98.0% and 64.5%, respectively.
7. Estimate based on the shopper traffic system in Pavilion Kuala Lumpur Mall.

Pavilion Kuala Lumpur Mall is one of Malaysia's premier shopping centres, comprising a seven-storey retail podium together with three-storey retail office block sited atop and the Connection annexed to it. It has six shopping "precincts" housing approximately 450 retail tenants (as at 1 June 2011), offering a variety of products including fashion, entertainment, health and beauty, electronics and dining services. One of the key features of Pavilion Kuala Lumpur Mall is the use of street-front duplexes which allow retailers occupying these duplexes to maximise their brand exposure. Pavilion Kuala Lumpur Mall has won numerous awards including "Award for Outstanding Achievement – Shopping Mall Category" by Kuala Lumpur Mayor's Tourism Awards 2011, "Best Retail Development – Malaysia" by International Property Awards in association with Bloomberg Television 2010, "Most Magical Mall Award" by Ministry of Tourism Malaysia 2007 and "Retail Merchant of the Year" by MasterCard worldwide for the MasterCard Hall of Fame Awards 2010.

Pavilion Tower is a modern commercial property connected to Pavilion Kuala Lumpur Mall, housing a number of international and local corporations. Its strengths include a central location, connectivity with Pavilion Kuala Lumpur Mall and state-of-the-art telecommunication technology. Pavilion Tower
was acquired by CFSB from Macorp Sdn Bhd on 10 March 2010 (pursuant to a sale and purchase agreement dated 11 January 2010). Subsequent to the acquisition, Pavilion Tower underwent renovations and only began tenaning its space from the third quarter of 2010.

Pavilion Kuala Lumpur Mall forms 96.4% of the total Appraised Value of the Subject Properties and contributed 99.4% of Pavilion REIT’s Net Property Income (based on the Pro Forma Net Property Income of Pavilion REIT for FPE2011).

COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS

The Manager believes that an investment in Pavilion REIT offers the following attractive qualities:

The largest exposure to the retail sector of any listed Malaysian REIT and one of the largest listed Malaysian REITs overall

According to the Independent Property Valuer, as at 1 June 2011, the Appraised Value of Pavilion Kuala Lumpur Mall is approximately RM3.4 billion, and as a result, Pavilion REIT has the largest portfolio of retail assets by appraised value of any Malaysian listed REIT.

Moreover, with a total Appraised Value of the Subject Properties of approximately RM3.5 billion as at 1 June 2011, Pavilion REIT will be one of the largest listed REITs in Malaysia overall by Appraised Value upon Listing. The Manager believes that Pavilion REIT’s size will enhance visibility with Malaysian and international investors and enable Pavilion REIT to raise larger amounts of capital for future acquisitions of Real Estate Assets thus placing Pavilion REIT in a better position to seize investment opportunities in the future. Upon Listing, Pavilion REIT is expected to achieve a market capitalisation of RM2.6 billion based on an illustrative Average Offering Price of RM0.88 per Unit. The chart below ranks listed Malaysian REITs by their exposure to the retail property sector according to appraised value.

![Chart showing REITs with and without retail exposure](chart.jpg)

REITs with retail exposure (ranked by total appraised value)

REITs with retail exposure (ranked by appraised value of retail properties)

- Retail assets
- Non-retail assets

Source: According to the latest publicly available financial statements of the respective REITs as at the Latest Practicable Date and in RM millions.

* Based on the Appraised Value as at 1 June 2011.
Strategically located in the Golden Triangle of Kuala Lumpur, the city’s prominent retail and commercial district, and positioned to attract a broad range of shoppers

The Subject Properties are situated in the Golden Triangle of Kuala Lumpur, the city’s prominent retail and commercial district. They are accessible through a network of major roads, including Jalan Bukit Bintang, which is Kuala Lumpur’s primary shopping district and Malaysia’s version of well-known shopping districts such as Ginza in Tokyo, Orchard Road in Singapore and Fifth Avenue in New York. There are also plans by the Government to further expand public transportation near the Subject Properties, with one MRT station proposed to be constructed in the Bukit Bintang area as part of the Economic Transformation Programme. According to the Independent Property Market Consultant, the catchment area of the Subject Properties extends across the whole of the Klang Valley, encompassing over six million people in 2010. Significantly, according to the Independent Property Market Consultant, with the exception of the development of Suria KLCC Phase II, there are no publicly announced plans for additional malls to be developed or for major additions in respect of existing malls in the Golden Triangle until 2014. Suria KLCC Phase II, with 140,000 sq ft of net lettable area, is expected to be fully completed in 2011. The map below illustrates the potential catchment area of the Subject Properties.

Source: Independent Property Market Report
In addition to the broad catchment area of residents, the Golden Triangle is also a destination for tourists and business travellers, especially the Bukit Bintang area, which is a hub for shopping, leisure, food and beverage outlets, major events and festive celebrations. Pavilion Kuala Lumpur Mall’s close proximity to hotels, such as the Ritz Carlton Kuala Lumpur, the Westin Kuala Lumpur and the Shangri-La Hotel Kuala Lumpur, encourages patronage by tourists and business travellers. According to the Independent Property Market Consultant, 12 four and five-star hotels are located within 500 metres of Pavilion Kuala Lumpur Mall. The Golden Triangle is also situated in close proximity to the Central Business District, which is home to a range of domestic and international corporates, which enables Pavilion Kuala Lumpur Mall to capitalise on the large pool of office workers in the vicinity. Further, a covered skybridge currently under construction will connect Pavilion Kuala Lumpur Mall to Kuala Lumpur Convention Centre which in turn adjoins Suria KLCC and the Petronas Twin Towers, a destination for tourists and business travellers.

Pavilion Kuala Lumpur Mall is positioned to appeal to a broad range of patrons, both Malaysian and international, and maintains a host of leading luxury and international brand names. The Manager believes that this makes Pavilion Kuala Lumpur Mall the preferred leisure and shopping destination for both international visitors and for Malaysian residents of the surrounding middle to upper class suburbs. In 2010, Pavilion Kuala Lumpur Mall recorded 31 million visits (based on the shopper traffic system in Pavilion Kuala Lumpur Mall), demonstrating the benefit of Pavilion Kuala Lumpur Mall’s location and the mall’s stature as a destination in itself.

Pavilion Tower also benefits from its convenient location in the Golden Triangle as well as from its connectivity with Pavilion Kuala Lumpur Mall. The Manager believes that both of these factors will help to continue to attract a range of Malaysian and international corporate tenants.

**Benefitting from Malaysia’s economic growth and rising consumer spending**

The following information is extracted from the Independent Property Market Report in Appendix B.

Pavilion REIT benefits from positive macroeconomic trends in Malaysia. Malaysia recorded GDP growth of 7.2% in 2010 and its GDP is expected to grow by 5.0% to 5.5% in 2011 and 5.0% to 6.0% in 2012. Income levels are also on the rise; from 1999 to 2009, the mean gross monthly income in Malaysia grew by a compounded annual growth rate of 5.0%. Consumer sentiment has rebounded strongly since the end of the global financial crisis, reaching an index level of 117.2 in 2010 after dipping to 71.4 in 2008.
The key drivers of the retail sector in Malaysia are also trending positively. Retail sales value increased by 9.9% in 2010 compared to 2009 and grew by 250% in total from 2004 to 2010 at a compounded annual growth rate of 23%. In particular, tourism has been and will continue to be a driver of retail sales. Tourist arrivals and tourist receipts in Malaysia reached a new high in 2010 with a total of 24.6 million visitors, along with total receipts of RM56.5 billion. Growth is expected to continue, with 25 million tourist arrivals and RM60 billion in tourist receipts forecasted for 2011. A key trend among tourists to Malaysia is their increasing spending on shopping; in 2009, shopping was the fastest-growing sub-segment of tourist spending in Malaysia with 13.7% year-on-year growth versus 7.7% for tourist spending overall. In the same year, total tourism spending grew by RM3.8 billion, of which RM1.8 billion was contributed from the shopping sub-segment. The Government has also announced plans to position Malaysia as a leading shopping destination by, for example, removing import duties over various clothing and accessory products.
The map below shows selected major tourist markets of Malaysia in 2010 with arrival statistics.

**Source:** Independent Property Market Report

**Strong management team and brand image**

The Manager has a strong asset management team, consisting of highly experienced professionals in the Malaysian retail property market. The management team has been actively involved in the marketing and on-going management of Pavilion Kuala Lumpur Mall and has overseen the development of the mall into one of Malaysia’s premier shopping centres. Their familiarity with the tenanting and operations of Pavilion Kuala Lumpur Mall will provide continuity for tenants of Pavilion Kuala Lumpur Mall after the Acquisitions. In addition, the management team will apply their expertise in respect of tenanting and marketing to retail properties to be acquired by Pavilion REIT in the future.

The Board is also made up of experienced professionals who have prior experience in property development, investment, management, marketing and tenanting as well as finance.

The Sponsor, together with the management team, has built up the "Pavilion" brand name alongside the development of Pavilion Kuala Lumpur Mall as one of the premier shopping centres in Malaysia. Pavilion Kuala Lumpur Mall has been designated as one of Malaysia’s leading tourism assets by the Ministry of Tourism Malaysia and has won several awards from Tourism Malaysia, including “Best Promotion and Events” in 2010 and “Innovative Shopping Complex” in 2009, helping to position the mall as a key shopping destination for tourists to the country. It has also won the “Award for Outstanding Achievement – Shopping Mall Category” by Kuala Lumpur Mayor’s Tourism Awards 2011.
Diverse tenant base, consistent occupancy rates and rising rental rates with a unique tenant mix focused on maximising NLA Income

Pavilion Kuala Lumpur Mall has demonstrated stable financial performance underpinned by a diverse base of tenants, consistent occupancy rates and rising rental rates despite turbulent economic conditions in recent years. Pavilion Kuala Lumpur Mall maintains a sizeable portfolio of approximately 450 retail tenants (as at 1 June 2011). Moreover, the tenant base at Pavilion Kuala Lumpur Mall is diverse. As at 1 June 2011, its top 10 tenants contributed 22.7% of NLA income and occupy an aggregate of 34.3% of Occupied NLA. Also, occupancy rates have remained consistent at Pavilion Kuala Lumpur Mall at 98.5%, 98.7%, 98.5%\(^1\) and 97.9%\(^2\) as at 31 December 2008, 31 December 2009, 31 December 2010 and 30 June 2011, respectively. In addition, the average monthly rental per sq ft at Pavilion Kuala Lumpur Mall has been increasing, from RM15.08 in FY2008, to RM15.58 in FY2009, to RM16.36 in FY2010 and to RM16.76 in FPE2011.

The Manager believes that the tenant mix at Pavilion Kuala Lumpur Mall is unique versus that of its competitors in that it has a larger proportion of non-anchor tenants, thus allowing for more favourable rental rates and wider availability of shopping choices to enhance shoppers’ experiences versus comparable retail properties with a greater proportion of anchor tenants. As at 1 June 2011, approximately 17.8% of the Occupied NLA at Pavilion Kuala Lumpur Mall was tenanted to an Anchor Tenant whereas the Manager believes that at comparable properties, a substantially larger percentage of their NLA are tenanted to anchor tenants. An additional 23.3% of the Occupied NLA as at 1 June 2011 was tenanted to Specialty Anchor Tenants and the remaining 58.9% of the Occupied NLA was tenanted to Specialty Tenants as well as for offices and storeroom usage. The Manager believes that this unique balance of tenants allows Pavilion Kuala Lumpur Mall to achieve higher rental rates given that non-anchor tenants generally pay higher rental rates compared to anchor tenants. In addition, maintaining a relatively high proportion of Specialty Tenants in turn provides greater variety for shoppers, which the Manager believes results in higher shopper traffic and thus further increases demand for space from potential tenants allowing for higher rental rates. Also, despite the high percentage of NLA tenanted to Specialty Anchor Tenants and Specialty Tenants, occupancy rates at Pavilion Kuala Lumpur Mall have remained near 100.0% for the past three years.

Further, the majority of the tenancies at Pavilion Kuala Lumpur Mall have a turnover rent component in addition to a fixed rent component, allowing Pavilion Kuala Lumpur Mall to benefit from additional rental upside as the sales levels of its tenants rise above certain thresholds.

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1 The reduction in occupancy rate of Pavilion Kuala Lumpur Mall as at 31 December 2010 was due to the closure of the Home Precinct, a precinct at Pavilion Kuala Lumpur Mall which specialised in home decoration and furnishings, for reconfiguration into Tokyo Street.

2 Including tenancies which have been committed but yet to commence as at 30 June 2011, the Occupancy Rate for Pavilion Kuala Lumpur Mall as at 30 June 2011 would have been 98.5%.
Opportunities for future growth

Pavilion REIT provides investors with growth opportunities both in terms of its existing portfolio as well as through the potential acquisition of additional retail properties. There is scope for enhancement of NLA and rental revenues at Pavilion Kuala Lumpur Mall, the most recent example of which is the creation of "Tokyo Street", which replaces a series of larger retail units with smaller retail units, thus increasing rental rates for the reconfigured area while also offering an attractive themed area to the mall. Certain sections of the Connection have been reconfigured to increase the variety of offerings, with a greater focus on catering to the growing demand for lifestyle and entertainment venues in Kuala Lumpur. The Manager intends to explore other opportunities for enhancing NLA and rentals including creating additional retail space where possible, via the use of push carts and kiosks, and using otherwise empty space as rental-yielding store rooms.

Pavilion REIT may also seek future growth via the acquisition of additional retail properties. The Trustee currently holds ROFRs for the acquisitions of fahrenheit88 and Pavilion Extension, both of which are in close proximity to the Subject Properties. The Sponsor has also provided the Trustee with the General ROFR for the Sponsor’s future retail developments in Malaysia. The Manager has also obtained the USJ ROFR for a six-storey retail mall to be developed at Subang Jaya, a growing suburb located within 20 kilometres of the Kuala Lumpur city centre. The Manager may also explore the acquisition of properties developed by third parties in instances where the potential acquisition meets the investment criteria of Pavilion REIT.

The Manager believes that the Existing ROFRs (in the event of disposal of the relevant asset by the grantor) will allow Pavilion REIT to further increase its presence in the prime Bukit Bintang area and diversify its geographical presence to suburban Kuala Lumpur and other key localities in Malaysia.

Strong balance sheet and conservative capital structure

Based on Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position, Pavilion REIT’s debt to asset ratio upon Listing will be 20.1%, which is below the average of listed Malaysian REITs of 29.8%¹, and significantly below the prescribed limit under the REITs Guidelines. Pavilion REIT may consider pursuing further acquisitions as a means of growing its asset size. Based on a debt to asset ratio of 50.0%, the Manager could raise up to RM1,085.6 million of additional debt to fund future acquisitions before taking into account the asset value of the future properties to be acquired.

¹ Based on the latest publicly available financial statements of various listed Malaysian REITs as at the Latest Practicable Date.
Award-winning building design enables efficient use of space and positions Pavilion Kuala Lumpur Mall as an attractive destination for shoppers

Pavilion Kuala Lumpur Mall has won an array of Malaysian and international design awards. In 2010 alone, Pavilion Kuala Lumpur Mall was awarded the "Innovative Design & Development of a New Retail Project" award by the International Council of Shopping Centres in Asia Shopping Centre Awards 2010 and "The Architecture Award (Retail) – Asia Pacific" by the International Property Awards in association with Bloomberg Television 2010. In 2009 Pavilion Kuala Lumpur Mall was named the "World's Best Retail Centre" at the International Real Estate Federation (FIABCI) Prix d'Excellence Awards in addition to receiving several other Malaysian and international design awards.

Pavilion Kuala Lumpur Mall's modern design features enable high traffic flow and ease of accessibility while also offering concepts that the Manager believes are unique to this property. Pavilion Kuala Lumpur Mall has eight entry points, allowing shoppers to enter the mall from various parts of the Bukit Bintang shopping area and enabling efficient shopper flow even during peak times. In addition, outdoor walkway areas extend for 20 to 35 metres to the sidewalk. This allows for visibility of the architecture of the building, creating a public space and easing shopper traffic around the mall. The Connection is an alfresco concept comprising a "street" of bistro concept stores and restaurants which remain open until 3.00 a.m., catering to tourists and locals. The Manager believes that the Connection is one of Kuala Lumpur's popular alfresco dining areas and a tourist attraction in its own right.

The Manager believes that Pavilion Kuala Lumpur Mall also has various unique design characteristics making it an attractive leisure destination. The average ceiling height of 5.5 metres provides Pavilion Kuala Lumpur Mall with a spacious design, making the mall more attractive to retailers. Safety is also a focus; there are more than 405 CCTVs throughout Pavilion Kuala Lumpur Mall including its carpark, and 296 panic buttons located at 20-metre intervals throughout the carparks. There is also a trained private security team.

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PRINCIPAL STATISTICS RELATING TO THE OFFERING

The Offering 790,000,000 Offer Units offered under the Institutional Offering and the Retail Offering.

The Institutional Offering 755,000,000 Offer Units offered by way of a placement to Malaysian and foreign institutional investors and selected investors (which includes Cornerstone Investors), subject to Clawback and Reallocation, at the Institutional Price (other than Cornerstone Investors).

The Retail Offering 35,000,000 Offer Units offered to the Malaysian Public, the eligible tenants of the Subject Properties, the Directors of the Manager and the eligible employees of the Manager, UCSB, CFSB and KLP, subject to Clawback and Reallocation, at the Retail Price, in accordance with the following:

(i) 31,000,000 Offer Units for application by the Malaysian Public;
(ii) 1,000,000 Offer Units to the eligible tenants of the Subject Properties;
(iii) 1,200,000 Offer Units to the Directors of the Manager; and
(iv) 1,800,000 Offer Units to the eligible employees of the Manager, UCSB, CFSB and KLP.

Clawback and Reallocation The Offer Units may be re-allocated between the Institutional Offering and the Retail Offering in the event of an over-subscription in one and an under-subscription in the other.

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| Retail Price | RM0.88 per Offer Unit, determined and agreed upon by the Manager, the Joint Principal Advisers, the JBGC and the Joint Underwriters after taking into consideration the following factors:
|             | (i) the financial history and conditions of the Subject Properties;
|             | (ii) the pro forma NAV per Unit upon Listing of RM0.94;
|             | (iii) the forecasted distribution yields of Pavilion REIT;
|             | (iv) the future prospects of Pavilion REIT; and
|             | (v) the prevailing capital and property market conditions and sentiments.
| The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date and will be equal to the lower of:
|             | (i) the Retail Price of RM0.88 per Unit; and
|             | (ii) the Institutional Price.
| Prospective retail investors should be aware that the Final Retail Price will not, in any event, be higher than the Retail Price. |

| Institutional Price | The Institutional Price will be determined by way of bookbuilding. |
| Cornerstone Price | The price payable by the Cornerstone Investors for the Cornerstone Units shall be the lower of RM0.90 per Unit and the Institutional Price, after taking into consideration of a slight potential premium to the Retail Price, the commitment provided by the Cornerstone Investors in subscribing the Offer Units prior to the commencement of the Institutional Offering and the lock-up agreed by the Cornerstone Investors as set out in Section 3.12 “Lock-up Arrangements” of this Prospectus. |

| Expected Gross Proceeds | Based on an illustrative Average Offering Price of RM0.88 per Offer Unit, the Offering is expected to raise gross proceeds of RM695,200,000 arising from the issuance of 790,000,000 Offer Units. |
Use of Proceeds

The Manager intends to utilise the expected gross proceeds to be raised from the Offering in the following manner, assuming full subscription under the Offering and based on the illustrative Average Offering Price of RM0.88:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>(RM'000)</th>
<th>Timeframe for utilization from date of receipt of proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listing expenses(1)</td>
<td>42,000</td>
<td>Immediate</td>
</tr>
<tr>
<td>Working capital</td>
<td>5,200</td>
<td>Within 12 months</td>
</tr>
<tr>
<td>Part payment of the purchase consideration for the Acquisitions(2)</td>
<td>646,000</td>
<td>Immediate</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>695,200</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

1. Listing expenses include estimated expenses incurred in relation to the Offering. If the actual listing expenses are less than the estimated amount, the excess cash shall be used for working capital purposes. Any shortfall will be met from proceeds set aside for working capital purposes.

2. The balance of the purchase consideration for the Acquisitions will be settled via the issuance of Consideration Units and proceeds raised from the New Debt Facilities.

Any variation to the actual proceeds to be raised or actual listing expenses from the estimated amounts stated above will be adjusted to the amounts to be applied toward part payment of the purchase consideration for the acquisition of the Subject Properties, subject to an adequate amount being allocated for working capital purposes, which the Manager estimates to be in the range of RM5.0 million to RM15.0 million. In turn, this will have an effect on the amount of proceeds to be raised from the New Debt Facilities. See Section 3.9 "Use of Proceeds" of this Prospectus for further details.
FINANCIAL HIGHLIGHTS

Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position as at the Listing Date

The following table is only an extract from, and should be read together with, Section 4.4 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Prospectus and the report set out in Appendix D, “Reporting Accountants’ Letter on the Consolidated Pro Forma Statement of Financial Position”.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>(Unaudited) (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, Plant &amp; Equipment</td>
<td>8,600</td>
</tr>
<tr>
<td>Investment Properties</td>
<td>3,543,000</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td><strong>3,551,600</strong></td>
</tr>
<tr>
<td>Inventories</td>
<td>1,001</td>
</tr>
<tr>
<td>Other Receivables</td>
<td>754</td>
</tr>
<tr>
<td>Cash and Bank Balances</td>
<td>79,061</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>80,816</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>3,632,416</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unitholders’ Fund</td>
<td>2,827,200</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>2,827,200</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>730,601</td>
</tr>
<tr>
<td>Other Payables</td>
<td>72,013</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td><strong>802,614</strong></td>
</tr>
<tr>
<td>Other Payables</td>
<td>2,602</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>2,602</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>805,216</strong></td>
</tr>
</tbody>
</table>

| Total Equity and Liabilities | **3,632,416** |
| NAV (RM’000) | **2,827,200** |
| Units in issue (’000) | 3,000,000 |
| NAV per Unit (RM) | 0.94 |
Pavilion REIT's Consolidated Pro Forma Statement of Financial Position as at the Listing Date illustrates the effects of the Acquisitions and the Offering, based on the assumption that such events had been effected on the date of establishment of Pavilion REIT. As at the date of its establishment, Pavilion REIT did not have any assets and liabilities.

Pavilion REIT's Consolidated Pro Forma Statement of Financial Position as at the Listing Date was prepared based on the following listing scheme:

(i) In accordance with the SPAs, Pavilion REIT (via the Trustee) will acquire the Subject Properties and the Related Assets for a total purchase consideration of RM3,323,401,000:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Purchase consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acquired from UCSB</strong></td>
<td></td>
</tr>
<tr>
<td>Pavilion Kuata Lumpur Mall</td>
<td>3,190,300</td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall Related Assets</td>
<td>8,806</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,199,106</strong></td>
</tr>
<tr>
<td><strong>Acquired from CFSB</strong></td>
<td></td>
</tr>
<tr>
<td>Pavilion Tower</td>
<td>123,500</td>
</tr>
<tr>
<td>Pavilion Tower Related Assets</td>
<td>795</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>124,295</strong></td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>3,323,401</strong></td>
</tr>
</tbody>
</table>

The acquisition of the Subject Properties and the Related Assets will be financed through:

(a) the issuance of the Consideration Units; and

(b) cash consideration of RM1,378,601,000, which will be funded through the proceeds from the Offering and funds received from the drawdown of a portion of the New Debt Facilities.

Pavilion REIT will be acquiring the Related Assets in order for it to undertake daily maintenance and operations of the Subject Properties. The purchase consideration payable in respect of the Related Assets is based on the Vendors' estimate of the net book value of the Related Assets as at the Completion Date of the SPAs. This may be adjusted downwards as at the Completion Date of the SPAs.

In the preparation of Pavilion REIT's Consolidated Pro Forma Statement of Financial Position, it is assumed that no adjustments will be made to the purchase consideration of the Related Assets and the carrying values of the Related Assets.
In addition, the following assets and liabilities will also be transferred to Pavilion REIT at their respective carrying value in the accounts of UCSB and CFSB as at the Completion Date of the SPAs. In preparation of this consolidated pro forma financial position, the following assets and liabilities have been set out based on their respective carrying value in the accounts of UCSB and CFSB as at 30 June 2011, which were prepared in accordance with approved accounting standards in Malaysia.

<table>
<thead>
<tr>
<th>Assets</th>
<th>RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments and deposits</td>
<td>754</td>
</tr>
<tr>
<td>Cash and cash equivalent from tenants' deposits</td>
<td>73,861(1)</td>
</tr>
<tr>
<td></td>
<td>74,615</td>
</tr>
</tbody>
</table>

| Liabilities                                 |
|---------------------------------------------|--------|
| Other payables – tenants' deposits          | (74,615) |

Note:
(1) Cash and cash equivalents from tenants' deposits will be transferred to Pavilion REIT by UCSB and CFSB after netting off the deposits and prepayments to be reimbursed to UCSB and CFSB, by Pavilion REIT.

(ii) Offering of 790,000,000 Offer Units which comprise the following:

(a) Retail Offering

35,000,000 Offer Units to the Malaysian Public, the eligible tenants of the Subject Properties, the Directors of the Manager and the eligible employees of the Manager, UCSB, CFSB and KLP.

(b) Institutional Offering

755,000,000 Offer Units to Malaysian and foreign institutional investors and selected investors at the Institutional Price (other than Cornerstone Investors) to be determined by way of bookbuilding.

In the preparation of Pavilion REIT's Consolidated Pro Forma Statement of Financial Position, it is assumed that each of the Retail Price and the Institutional Price is RM0.88 per Unit.

(iii) Credit facilities

Pavilion REIT will obtain the New Debt Facilities amounting to RM1,010.0 million (being the aggregate size of the New Debt Facilities) of which RM736.5 million will be drawn down to part finance the Acquisitions and to finance the initial transaction costs for the New Debt Facilities. The borrowings in Pavilion REIT's Consolidated Pro Forma Statement of Financial Position are recorded net of transaction costs amounting to RM5.9 million which will be expensed to profit and loss over the period that the borrowings are outstanding.

(iv) Listing and quotation of the entire 3,000,000,000 Units on the Main Market.
Pro Forma Net Property Income


The Pro Forma Net Property Income of Pavilion REIT for FY2008, 2009, 2010 and FPE2010 and FPE2011 have been prepared based on the information extracted from the Vendors’ audited financial statements for the last three financial years up to FY2010 and the unaudited management financial statements for FPE2010 and FPE2011, of the Subject Properties which were prepared in accordance with approved accounting standards in Malaysia, as if the Acquisitions had been completed by Pavilion REIT on an earlier date. The Pro Forma Net Property Income of Pavilion REIT has been prepared in a manner consistent with the accounting policies to be adopted by Pavilion REIT.

Pavilion Tower was acquired by CFSB on 10 March 2010 (pursuant to a sale and purchase agreement dated 11 January 2010); therefore the Pro Forma Net Property Income of Pavilion REIT for FY2008 and FY2009 do not include any financial information for Pavilion Tower.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Income</td>
<td>230,586</td>
<td>242,224</td>
<td>256,699</td>
<td>127,613</td>
<td>133,005</td>
</tr>
<tr>
<td>Other income</td>
<td>15,672</td>
<td>22,674</td>
<td>34,481</td>
<td>16,133</td>
<td>21,050</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>246,258</td>
<td>264,898</td>
<td>291,180</td>
<td>143,746</td>
<td>154,055</td>
</tr>
<tr>
<td>Utilities</td>
<td>(33,539)</td>
<td>(36,237)</td>
<td>(36,610)</td>
<td>(18,404)</td>
<td>(17,899)</td>
</tr>
<tr>
<td>Maintenance</td>
<td>(12,842)</td>
<td>(15,561)</td>
<td>(19,935)</td>
<td>(8,149)</td>
<td>(11,404)</td>
</tr>
<tr>
<td>Quit rent and</td>
<td>(8,143)</td>
<td>(8,105)</td>
<td>(8,576)</td>
<td>(4,001)</td>
<td>(4,508)</td>
</tr>
<tr>
<td>assessment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating</td>
<td>(26,543)</td>
<td>(18,634)</td>
<td>(23,185)</td>
<td>(11,051)</td>
<td>(8,661)</td>
</tr>
<tr>
<td>expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Operating</td>
<td>(81,067)</td>
<td>(78,537)</td>
<td>(88,306)</td>
<td>(41,605)</td>
<td>(42,472)</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPI</td>
<td>165,191</td>
<td>186,361</td>
<td>202,874</td>
<td>102,141</td>
<td>111,583</td>
</tr>
</tbody>
</table>
Profit Forecasts

The following is an extract from Section 4.5 "Profit Forecasts" of this Prospectus. Statements contained in Section 4.5 “Profit Forecasts” of this Prospectus that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in Section 4.5.3 “Bases and Assumptions” of this Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by any of Pavilion REIT, the Manager, the Trustee, the Joint Principal Advisers, the Joint Global Coordinators or any other person that the underlying assumptions will materialise, or that these results will be achieved or are likely to be achieved. See Section on “Forward-looking Statements” and Section 5 “Risk Factors” of this Prospectus for further details. Investors in the Units are cautioned not to place undue reliance on these forward-looking statements.

None of Pavilion REIT, the Manager, the Trustee, the Joint Principal Advisers, or the Joint Global Coordinators guarantees the performance of Pavilion REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast yields stated in the following table are calculated based on the illustrative Average Offering Price of RM0.88.

Such yields will vary accordingly for investors who purchase Units at a price that differs from the illustrative Average Offering Price.

Investors are cautioned that rental yield on the Subject Properties to be held by Pavilion REIT is not equivalent to the yield of the Units. Current rental receipts and yields may not sustain. The values of the Subject Properties may rise as well as fall.

The following table shows Pavilion REIT’s Profit Forecasts for the Forecast Period 2011 and the Forecast Year 2012. The financial year end of Pavilion REIT is 31 December. The forecast period of 2011 has been prepared assuming that the first financial year is the one-month period ending 31 December 2011, giving an implied Listing Date of 1 December 2011. The Profit Forecasts may be different to the extent that the Listing Date is other than 1 December 2011. The Profit Forecasts are based on the assumptions set out in Section 4.5.3 “Bases and Assumptions” of this Prospectus and have been examined by the Reporting Accountants, being KPMG, and should be read together with the report set out in Appendix E, “Reporting Accountants’ Letter on the Profit Forecasts”, as well as the assumptions and the sensitivity analysis set out in Section 4.5 “Profit Forecasts” of this Prospectus.
### Information Summary (Cont’d)

<table>
<thead>
<tr>
<th></th>
<th>Forecast Period 2011 (RM'000)</th>
<th>Forecast Year 2012 (RM'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental Income</td>
<td>23,060</td>
<td>280,389</td>
</tr>
<tr>
<td>Other Income</td>
<td>2,710</td>
<td>33,957</td>
</tr>
<tr>
<td></td>
<td><strong>25,770</strong></td>
<td><strong>314,346</strong></td>
</tr>
<tr>
<td><strong>Property Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>(3,262)</td>
<td>(36,469)</td>
</tr>
<tr>
<td>Maintenance</td>
<td>(1,956)</td>
<td>(24,023)</td>
</tr>
<tr>
<td>Quit Rent and Assessment</td>
<td>(750)</td>
<td>(9,093)</td>
</tr>
<tr>
<td>Others Operating Expenses</td>
<td>(1,829)</td>
<td>(21,865)</td>
</tr>
<tr>
<td>Property Operating Expenses</td>
<td>(7,797)</td>
<td>(94,390)</td>
</tr>
<tr>
<td><strong>Net Property Income (NPI)</strong></td>
<td><strong>17,973</strong></td>
<td><strong>219,956</strong></td>
</tr>
<tr>
<td>Interest Income</td>
<td>128</td>
<td>1,534</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>18,101</td>
<td>221,490</td>
</tr>
<tr>
<td><strong>Trust Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Fee</td>
<td>(1,443)</td>
<td>(17,452)</td>
</tr>
<tr>
<td>Trustee’s Fee</td>
<td>(35)</td>
<td>(400)</td>
</tr>
<tr>
<td>Other Trust Expenses</td>
<td>(167)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Borrowing Costs</td>
<td>(2,891)</td>
<td>(34,821)</td>
</tr>
<tr>
<td>Profit before Taxation</td>
<td>13,567</td>
<td>166,817</td>
</tr>
<tr>
<td>Taxation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit after Taxation</td>
<td>13,567</td>
<td>166,817</td>
</tr>
<tr>
<td>Add: Non cash items¹⁾</td>
<td>437</td>
<td>5,289</td>
</tr>
<tr>
<td><strong>Distributable Income</strong></td>
<td><strong>14,004</strong></td>
<td><strong>172,106</strong></td>
</tr>
</tbody>
</table>

|                           |                               |                             |
| Number of Units in issue (million)²⁾ | 3,000.00                  | 3,002.48                     |
| Distribution rate (%)     | 100.0                         | 100.0                       |
| Distribution cover (time)  | 1.00                          | 1.06                        |
| Distribution per Unit (sen)³⁾ | 0.47                      | 5.73                        |
| Illustrative Average Offering Price (RM/Unit) | 0.88                  | 0.88                        |
| Distribution Yield (%) on Illustrative Average Offering Price(⁴⁾ | 6.41                     | 6.51                        |

**Notes:**

1. Non cash items comprise the Management Fee payable in Units, depreciation of plant and equipment and amortisation of transition costs for REIT financing that are expensed.
2. The increase in number of Units in issue is a result of the assumed part payment of the Management Fee for the relevant periods in the form of Units issued at an assumed issue price of RM0.88 per Unit.
3. Assuming a listing date of 1 December 2011.
4. Distribution yield for the Forecast Period 2011 has been annualised.
RISK FACTORS

Prospective investors should carefully consider certain risks connected with an investment in the Units, as set out in Section 5 “Risk Factors” of this Prospectus.

Risks Relating to the Subject Properties

(i) The Subject Properties have tenancy cycles in which a substantial number of the tenancies expire in certain years.

(ii) The Subject Properties may face increased competition from other properties.

(iii) The loss of key tenants of Pavilion Kuala Lumpur Mall, a downturn in the businesses of Pavilion Kuala Lumpur Mall’s key tenants or any breach by the key tenants of their obligations under their tenancy agreements could have an adverse effect on the financial conditions and results of operations of Pavilion REIT.

(iv) The Subject Properties may require significant capital expenditure beyond the Manager’s current estimate and Pavilion REIT may not be able to secure funding.

(v) Transportation infrastructure near the Subject Properties may be redirected, relocated, terminated, delayed or not completed.

(vi) Pavilion REIT may be adversely affected by construction or development works around the vicinity of the Subject Properties.

(vii) Renovations, redevelopment works or physical damage to the Subject Properties or continued development of the Pavilion Kuala Lumpur Project may disrupt the operations of the Subject Properties and collection of Rental Income or otherwise resulting in an adverse impact to the financial condition of Pavilion REIT.

(viii) The Subject Properties might be adversely affected if the Manager and the Property Manager do not provide adequate management and maintenance.

(ix) Pavilion REIT may suffer material losses in excess of insurance proceeds or Pavilion REIT may not put in place or maintain adequate insurance in relation to the Subject Properties and its potential liabilities to third parties.

(x) The due diligence on the Subject Properties may not have identified all material defects, breaches of laws and regulations and other deficiencies.

(xi) The Appraised Values of the Subject Properties are based on various assumptions which may or may not materialise; the price at which Pavilion REIT is able to sell the Subject Properties in future may be lower than the acquisition value of the Subject Properties.

(xii) Pavilion REIT is dependent on third parties for certain services.

(xiii) Pavilion REIT has no control over the Master Title of the Subject Properties.

(xiv) Completion of the SPAs and transfer of certain contracts may not occur.

(xv) The Subject Properties or any part of them may be acquired compulsorily.
Risks Relating to Pavilion REIT's Operations

(i) Pavilion REIT is exposed to economic and real estate market conditions (including uncertainties and instability in global market conditions and increased competition in the retail and office property market).

(ii) The Total Revenue earned from, and the value of, the Subject Properties may be adversely affected by a number of factors.

(iii) Operating risks inherent to the retail property industry and increases in operating and other expenses of the Subject Properties could have an adverse effect on Pavilion REIT's financial condition and results of operations.

(iv) Pavilion REIT will be heavily reliant on Pavilion Kuala Lumpur Mall for a substantial portion of NPI.

(v) Pavilion REIT is subject to risks inherent in concentrating investments primarily in retail properties in a single country.

(vi) The amount Pavilion REIT may borrow is limited, which may affect the operations and expansion of Pavilion REIT.

(vii) Changes in consumer behaviour patterns in Malaysia may adversely affect Pavilion REIT.

(viii) Pavilion REIT may face risks associated with debt financing and existing and future debt facilities and debt covenants may limit or affect Pavilion REIT's operations.

(ix) The Manager may not be successful in implementing its investment strategies, including asset enhancements, for Pavilion REIT.

(x) Pavilion REIT is not licensed to sell electricity to tenants of the Subject Properties and is reliant on the Sponsor's licence.

(xi) Pavilion REIT and the Manager are reliant on the Sponsor for the use of, among others, the "Pavilion Kuala Lumpur" brand name.

(xii) Pavilion REIT may not meet the requirements to enjoy tax exemptions under Section 61A of the Income Tax Act, 1967 by virtue of, among others, tax adjustments or changes in tax laws.

(xiii) Pavilion REIT depends on certain key personnel and the loss of any key personnel may adversely affect its operations.

(xiv) The removal of the Manager could have an adverse effect on Pavilion REIT's financial condition and results of operations.

(xv) Pavilion REIT may be adversely affected by the illiquidity of real estate investments and the lack of alternative uses and may be exposed to a higher level of risk compared to other types of unit trusts that have a more diverse range of investments.

(xvi) Possible change of investment strategies may adversely affect Unitholders' investments in Pavilion REIT.
(xvii) Pavilion REIT is subject to third-party litigation risk by shoppers, contractors and tenants of the Subject Properties which could result in significant liabilities and damage to Pavilion REIT's reputation.

(xviii) Pavilion REIT may engage in interest rate hedging transactions, which can limit gains and increase costs.

(xix) While the Subject Properties are located in Malaysia, Pavilion REIT's future acquisitions may be located outside Malaysia, which would expose Pavilion REIT to risks in other countries.

(xx) Potential conflicts of interest among Pavilion REIT, the Manager, the Sponsor and the Major Unitholders could result in corporate actions and business decisions that are not in the Unitholders' best interests.

(xxi) Pavilion REIT and the Manager are newly established entities without an established operating history.

(xxii) Pavilion REIT may incur unanticipated costs and liabilities, in connection with environmental laws and regulations.

(xxiii) Occurrence of any acts of God, war and terrorist attacks may adversely and materially affect the business and operations of the Subject Properties.

(xxiv) The outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere could adversely impact the business, financial condition and results of operations of Pavilion REIT.

**Risks Relating to an Investment in the Units**

(i) The actual performance of Pavilion REIT and the Subject Properties could differ materially from the forward-looking statements in this Prospectus.

(ii) The sale of a substantial number of Units by the Major Unitholders and/or any of their transferees of the Units (following the lapse of the lock-up arrangements) could adversely affect the price of the Units and Pavilion REIT's rights granted under the Existing ROFRs.

(iii) Pavilion REIT's Consolidated Pro Forma Statement of Financial Position and Pro Forma Net Property Income included herein may not reflect actual financial position and results.

(iv) Pavilion REIT may not be able to make distributions to Unitholders or the level of distributions may fall.

(v) The NAV per Unit may be diluted if further issues are priced below the then current NAV per Unit.

(vi) Unitholders who do not or are not able to participate in future equity financing by Pavilion REIT will experience a dilution in their interest in Pavilion REIT.

(vii) The price of the Units may decline after the Listing.

(viii) Cyclical market and economic conditions may affect the price and demand for the Units.
(ix) The laws, regulations and accounting standards in Malaysia may change, including the introduction of new or revised legislation, regulations, guidelines or directives affecting REITs.

(x) The Malaysian Ringgit may be subject to exchange controls.

(xi) Foreign investment in Malaysian assets may be subject to further controls.

(xii) Unit holders may be unable to recover in claims brought against the Manager as the Manager is not an entity with significant assets.

(xiii) The Manager is not obliged to redeem Units.

(xiv) The REIT market in Malaysia is relatively undeveloped and the Units have never been publicly traded; the listing of the Units on the Main Market may not result in an active or liquid market for the Units.

(xv) Failure in the Listing may result in refund in monies without interest.

(xvi) There is no assurance that the Units will remain listed on Bursa Securities and/or not be suspended from trading.
FEES AND CHARGES

There are fees and charges involved and investors are advised to consider them before investing in Pavilion REIT.

The following is a summary of the amount of certain fees and charges payable by the Unitholders in connection with the purchase, sale and holding of their investments in Pavilion REIT or trading of the Units on Bursa Securities (so long as the Units are listed):

<table>
<thead>
<tr>
<th>Payable by the Unitholders directly</th>
<th>Amount payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Bursa Securities clearing fee</td>
<td>0.03% of the transaction value, subject to a maximum of RM1,000 per transaction</td>
</tr>
<tr>
<td>(b) Brokerage</td>
<td>A percentage of the transaction value prescribed by or negotiated with the ADAs</td>
</tr>
<tr>
<td>(c) Stamp duty</td>
<td>RM1.00 for every RM1,000 or fractional part of the transaction value, subject to a maximum of RM200 per transaction</td>
</tr>
</tbody>
</table>

The above rates may be subject to changes by the relevant parties. Further information on the charges you may incur from the trading of Units on Bursa Securities may be found on Bursa Malaysia Berhad’s website at www.bursamalaysia.com.

The following is a summary of certain fees and charges payable by Pavilion REIT in connection with the establishment and on-going management and operation of Pavilion REIT:

<table>
<thead>
<tr>
<th>Payable by Pavilion REIT</th>
<th>Amount payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Management Fee (payable to the Manager)</td>
<td>The Manager may elect to receive the Management Fee in cash or Units or a combination of cash and Units (as it may in its sole discretion determine) except for the Incentive Fee, which is fully payable in Units. The Incentive Fee is only applicable in respect of the second full financial year in which Pavilion REIT has been established and in operation, being FY2013. No Incentive Fee is payable for FY2011 and FY2012. Nevertheless, taking into consideration that the Incentive Fee is not common among other listed Malaysian REITs, the Manager has, and will continue to, waive its rights to the Incentive Fee unless otherwise approved by Unitholders via an ordinary resolution, obtained at a general meeting to be convened. For this purpose, the Major Unitholders, who are also substantial shareholders of the Manager, will abstain from voting on such resolution in respect of their direct and/or indirect unitholdings in view that they have an interest in the outcome of such resolution which is different from the other Unitholders. The Manager intends to convene the said general meeting in FY2012.</td>
</tr>
</tbody>
</table>
The Manager is entitled under the Deed to the following management fees (exclusive of service tax, if any):

(i) **Base Fee**
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).

For the purposes of calculating the Base Fee only, where Pavilion REIT holds its investments through one or more SPVs, the Total Asset Value shall include the value of all the assets of the relevant SPV, pro-rated, if applicable, to the proportion of Pavilion REIT’s interest in the relevant SPV.

(ii) **Performance Fee**
Up to 5.0% per annum of Pavilion REIT’s Net Property Income in the relevant financial year.

(iii) **Incentive Fee**
Payable in accordance with the following (subject to the relevant approval by Unitholders being obtained):

<table>
<thead>
<tr>
<th>Fee Payable</th>
<th>Criteria</th>
<th>Annual growth in Distributable Income in a Financial Year (Calculated before accounting for Incentive Fee in that Financial Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 0.10%</td>
<td>Exceeds 7.5% and up to 10.0%</td>
<td></td>
</tr>
<tr>
<td>Up to 0.15%</td>
<td>Exceeds 10.0% and up to 12.5%</td>
<td></td>
</tr>
<tr>
<td>Up to 0.20%</td>
<td>Exceeds 12.5%</td>
<td></td>
</tr>
<tr>
<td>Payable by Pavilion REIT</td>
<td>Amount payable</td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td><strong>(iv) Acquisition Fee</strong></td>
<td>1.0% of the transaction value (being the total purchase consideration) of any Real Estate and Real Estate-Related Assets directly or indirectly acquired from time to time by the Trustee or one or more SPVs on behalf of Pavilion REIT pro-rated, if applicable, to the proportion of Pavilion REIT’s interest. In the case of acquisition of SPVs, 1.0% of the underlying value (being the appraised value of the Real Estate as determined by an independent valuer appointed by the Trustee) of any Real Estate (which are held through the SPVs) pro-rated, if applicable, to the proportion of Pavilion REIT’s interest. Any payment to third party agents or brokers in connection with the acquisition of any Real Estate and Real Estate-Related Assets for Pavilion REIT shall not be paid by the Manager out of the Acquisition Fee received or to be received by the Manager (but shall be borne by Pavilion REIT).</td>
<td></td>
</tr>
<tr>
<td><strong>(v) Divestment Fee</strong></td>
<td>0.5% of the transaction value (being the total sale consideration) of any Real Estate and Real Estate-Related Assets directly or indirectly sold or divested from time to time by the Trustee or one or more SPVs on behalf of Pavilion REIT pro-rated, if applicable, to the proportion of Pavilion REIT’s interest. In the case of divestment of SPVs, 0.5% of the underlying value (being the appraised value of the Real Estate as determined by an independent valuer appointed by the Trustee) of any Real Estate (which are held through the SPVs) pro-rated, if applicable, to the proportion of Pavilion REIT’s interest. Any payment to third party agents or brokers in connection with the sale or divestment of any Real Estate and Real Estate-Related Assets for Pavilion REIT shall not be paid by the Manager out of the Divestment Fee received or to be received by the Manager (but shall be borne by Pavilion REIT).</td>
<td></td>
</tr>
<tr>
<td>Payable by Pavilion REIT</td>
<td>Amount payable</td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td>Based on the Profit Forecast, the Management Fee estimated for the Forecast Period 2011 and Forecast Year 2012 amounts to RM1.4 million and RM17.5 million, respectively, which were computed based on a Base Fee of 0.3% per annum of the Total Asset Value of Pavilion REIT (excluding cash and bank balances which are held in non-interest bearing account) and a Performance Fee of 3.0% of Pavilion REIT’s NPI for the respective years. While the Manager intends to receive between 15% to 50% of its Management Fee in the form of Units for FY2011 and FY2012, for the purpose of the Profit Forecast, it is assumed that 15.0% of the Management Fee will be paid in Units for the Forecast Period 2011 and Forecast Year 2012.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Trustee’s fee</td>
<td>Up to 0.05% per annum of the NAV of Pavilion REIT. For FY2011 and FY2012, the Trustee’s fee will be capped at RM400,000 per annum.</td>
<td></td>
</tr>
<tr>
<td>(c) Property management fee <em>(Payable to the Property Manager)</em></td>
<td>The Property Manager is entitled to a property management fee of RM30,000 per month (excluding service 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 Subject Properties, including fees and reimbursements for similar permissible expenses payable to its services provider(s).</td>
<td></td>
</tr>
<tr>
<td>Payable by Pavilion REIT</td>
<td>Amount payable</td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>(d) Other REIT expenses</td>
<td>These include:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• auditor’s fee;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• valuation fee;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• professional fees;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• reporting fees;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• borrowing costs;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• annual listing fee;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Registrar’s fees;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• tax consultant’s fees;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• printing, posting and general expenses that are directly related to and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>necessary for the administration of Pavilion REIT; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• all other expenses related to Pavilion REIT as provided for in the Deed.</td>
<td></td>
</tr>
</tbody>
</table>

For further details of the fees and charges, please refer to Section 3.10 "Brokerage, Commissions and Other Fees and Charges Payable Directly by Unitholders", Section 6.6.1 "Details of Management Fee", Section 6.6.2 "Illustration of Management Fee Payable", Section 8.5 "Trustee’s Fee" and Section 9.5 "Property Management Fee" of this Prospectus.
1. DETAILED INFORMATION ON PAVILION REIT

1.1 OVERVIEW OF PAVILION REIT

Investment Policy

Pavilion REIT is a REIT established with the principal investment policy of investing, directly and indirectly, in a diversified portfolio of income producing real estate used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region as well as Real Estate-Related Assets.

Investment Objective

The Manager’s key objective is to provide Unitholders with regular and stable distributions and achieve long-term\(^1\) growth in NAV per Unit, while maintaining an appropriate capital structure.

1.2 STRUCTURE OF PAVILION REIT

The following diagram illustrates the structure of Pavilion REIT as well as key relationships among Pavilion REIT, the Manager, the Trustee, the Property Manager and the Unitholders.

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\(^1\) Long-term in this context refers to a period of five years or more.
1.3 STRATEGIES

The Manager intends to increase the income and consequently, the value of the Subject Properties, and continue Pavilion REIT’s growth through the following strategies:

(i) proactively managing the Subject Properties and implementing asset enhancement strategies;

(ii) actively pursuing acquisition opportunities in accordance with the Authorised Investments of Pavilion REIT; and

(iii) pursuing an efficient capital management strategy.

Proactively managing the Subject Properties and implementing asset enhancement strategies

The Manager’s strategy for organic growth is to work closely with the Property Manager to actively manage the Subject Properties by continuing to increase shopper traffic at Pavilion Kuala Lumpur Mall, attracting new retail and office tenants and by active management of the tenant base of the Subject Properties via a host of value-added services. Through such active management, the Manager seeks to maintain a waiting list for retail and office spaces, thereby allowing for increasing rental rates while maintaining high occupancy rates. The Manager also constantly sources for new tenant formats that will attract and provide unique experiences to shoppers. The Manager intends to employ the following specific active asset management strategies.

Maximise quality shopper traffic at Pavilion Kuala Lumpur Mall

The Manager believes that the core focus in respect of Pavilion Kuala Lumpur Mall is to maximise quality shopper traffic. The Manager believes that by continually exploring avenues to draw additional quality shoppers to Pavilion Kuala Lumpur Mall, the mall’s current tenant base will benefit from higher sales and the mall will benefit from turnover rent as well as from higher demand for retail space by potential tenants, which the Manager believes will translate into increasing rental rates and continued high occupancy rates. The Manager, working closely with the Property Manager, intends to do this by:

(i) continuing to engage in promotions with strategic partners in the banking, airline, hospitality, MICE (meetings, incentives, conventions and exhibitions) and other industries in order to explore cross-marketing opportunities;

(ii) advertising in key regional markets such as Hong Kong, Singapore and Indonesia as well as in airline magazines in order to enhance the brand presence of Pavilion Kuala Lumpur Mall abroad;

(iii) working closely with the Ministry of Tourism Malaysia, local council and overseas tourism offices in order to better position Pavilion Kuala Lumpur Mall as a key destination for visitors to the country, such as via the Tourist Reward Card, which provides discounts and value-added shopping experiences to tourists shopping at the mall; and
(iv) positioning Pavilion Kuala Lumpur Mall as an iconic shopping mall and a preferred destination for high profile and world class events, such as the International Fashion Week, the Malaysian Grand Prix, international artistes appearances, international festivals, regional and national product launches and more.

*Active management of tenant base in order to increase rental rates and maintain high occupancy rates*

The Manager, working closely with the Property Manager, intends to maximise the Rental Income at the Subject Properties by increasing rental rates over time while maintaining high occupancy rates. The Manager intends to do this by:

(i) further developing its relationship with tenants to enhance the level of service and experience of tenants at the Subject Properties;

(ii) proactively engaging with tenants at Pavilion Kuala Lumpur Mall at an operational level in order to help improve the financial performance of tenants when required, such as providing training in display techniques and advertising;

(iii) maintaining a high level of tenant satisfaction by proactively responding to tenants’ requests and tailoring tenanting solutions to meet tenants’ requirements through dedicated tenanting and design teams; and

(iv) actively targeting new tenants to improve the tenant mix at the Subject Properties in order to continue to provide a unique proposition for shoppers at Pavilion Kuala Lumpur Mall and to manage specific business sector risks at Pavilion Tower, in order to maintain high occupancy rate, once achieved.

*Continued asset enhancement initiatives*

The Manager intends to continue to improve rental rates by undertaking asset enhancement activities to maintain and improve the overall premium quality of Pavilion Kuala Lumpur Mall and to configure NLA in order to maximise rental potential. For Pavilion Kuala Lumpur Mall, the Manager, in close collaboration with the Property Manager, intends to do so by:

(i) exercising space planning through reconfiguring and improving efficiency of NLA as tenancies expire in order to create new shopping experiences and increase rental rates, such as the creation of “Tokyo Street”;

(ii) converting selected ancillary areas to usable rental space; and

(iii) increasing retail space by creating new retail units and kiosks in common areas.

The Manager will also work closely with the Property Manager to explore asset enhancement initiatives in respect of Pavilion Tower as appropriate.

*Attracting new office tenants and exploring expansion needs of existing office tenants*

The Manager intends to take advantage of Pavilion Tower’s prime location in the Golden Triangle and connectivity with Pavilion Kuala Lumpur Mall to appeal to domestic and international companies seeking office space in Kuala Lumpur. Pavilion Tower’s integration with Pavilion Kuala Lumpur Mall offers tenants a comprehensive range of retail and service offerings.
Improving cost efficiency

The Manager will work closely with the Property Manager to minimise property-related and other operating expenses at the Subject Properties without compromising the delivery of quality and value-added property-related services to tenants and shoppers. Strategies contemplated by the Manager to improve cost discipline include implementing cost control management systems and adopting energy-efficient practices to achieve utility cost savings for common areas. For example, the Manager will continue to work closely with the Property Manager to reduce utilities expenses at the Subject Properties by implementing programmes geared towards improving efficiency in the use of water and electricity. The Manager will also selectively appoint consultants to explore further cost management initiatives and employ the use of new technology to improve efficiency.

Activey pursuing acquisition opportunities in accordance with the Authorised Investments of Pavilion REIT

The Manager will seek to acquire yield accretive income-producing properties meeting its investment criteria that will provide regular and stable cash flows and yields. The Manager will also selectively pursue acquisition opportunities which allow for additional revenue growth through asset enhancement. Pavilion REIT enjoys the benefit of the Existing ROFRs in respect of various existing and future retail properties but will also pursue other additional acquisition opportunities in Kuala Lumpur and in other key localities in Malaysia, including actively sourcing for potential opportunities to acquire appropriate suburban malls.

The Manager believes that the Existing ROFRs (in the event of disposal of the relevant asset by the grantor) provide Pavilion REIT opportunities to further increase its presence in the prime Bukit Bintang area and to diversify its geographical presence to suburban Kuala Lumpur and other key localities in Malaysia.

Yield accretion

The Manager intends to seek to acquire stable income-producing Real Estate Assets which will be yield accretive and that have the potential to contribute to stable distributions and long-term\(^1\) growth in NAV per Unit. The Manager will only consider pursuing any acquisition opportunities or acquire properties pursuant to the Existing ROFRs assuming these criteria are met.

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\(^1\) Long-term in this context refers to a period of five years or more.
Repositioning opportunities

The Manager will also selectively pursue the acquisition of properties to which it can add value through various techniques including changing the property-level management team, asset enhancement initiatives and renovations as well as leveraging on its existing relationships with tenants of Pavilion Kuala Lumpur Mall. Through these repositioning techniques, the Manager intends to increase rental rates, occupancy rates and potentially capital values as well as the competitive positioning of such acquired properties. The Manager will only seek to acquire such properties in the event that it believes it can modify the internal or external characteristics and improve the tenancy mix of the respective property in order to improve the yield of the respective property.

Pursuing an efficient capital management strategy

The Manager aims to optimise Pavilion REIT’s capital structure and cost of capital within the borrowing limits set out in the REITs Guidelines. In addition, the Manager intends to use a combination of debt and equity financing to fund future acquisitions and capital expenditures. The Manager intends to maintain financial flexibility in order to be able to pursue attractive acquisition opportunities as they arise. For example, the Manager intends to establish a Commercial Paper/Medium Term Notes programme after the Listing in order to ensure quick access to debt markets as funding needs arise or to refinance existing borrowings.

The Manager's ongoing capital management strategy involves adopting and maintaining an appropriate gearing level and adopting an active interest rate management strategy to manage the risks associated with changes in interest rates. By doing so, the Manager intends to maximise Pavilion REIT’s Distributable Income while maintaining an appropriate level of risk associated with debt financing.

The Manager intends to implement this strategy by (i) diversifying sources of debt funding, (ii) maintaining a reasonable level of debt service capability, (iii) securing favourable terms of funding, (iv) managing its financial obligations, (v) where appropriate, managing the exposures arising from adverse market interest rates through appropriate hedging strategies (subject to the approval from the relevant authorities, if any) and (vi) actively managing the range of maturities to reduce refinancing risk and optimise the cost of capital.

1.3.1 Authorised Investments and Investment Limits

The list of Authorised Investments of Pavilion REIT is as follows:

(i) Real Estate;
(ii) SPVs;
(iii) Real Estate-Related Assets;
(iv) Non-Real Estate-Related Assets;
(v) cash, deposits and money market instruments; and
(vi) any other investment not specified in (i) to (v) above but specified as a permissible investment in the REITs Guidelines or as otherwise permitted by the SC.
The investments of Pavilion REIT are subject to the following investment limits imposed by the REIT's Guidelines:

(i) at least 50.0% of Pavilion REIT's Total Asset Value must be invested in Real Estate Assets at all times; and

(ii) not more than 25.0% of Pavilion REIT's Total Asset Value may be invested in Non-Real Estate-Related Assets and/or cash, deposits and money market instruments,

provided that investments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows:

(i) the value of Pavilion REIT's investments in securities issued by any single issuer must not exceed 5.0% of Pavilion REIT's Total Asset Value;

(ii) the value of Pavilion REIT's investments in securities issued by any group of companies must not exceed 10.0% of Pavilion REIT's Total Asset Value; and

(iii) Pavilion REIT's investment in any class of securities must not exceed 10.0% of the securities issued by any single issuer; or

such other limits and investments as may be permitted by the SC or the REIT’s Guidelines.

1.4 INVESTORS' PROFILE

Pavilion REIT may appeal to an investor with long-term investment objectives who seeks regular distribution income and long-term NAV appreciation, and who understands the risks related to the real estate industry and REITs.

1.5 PERFORMANCE BENCHMARK

The following performance indicators can be considered in reviewing the performance of Pavilion REIT:

(i) Distribution Yield

The ratio of the distribution paid to Unitholders from Pavilion REIT's Distributable Income to the market price of the Units.

(ii) NAV

NAV represents the Total Asset Value after subtracting all of Pavilion REIT's liabilities and obligations.

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1 Long-term in this context refers to a period of five years or more.
1. DETAILED INFORMATION ON PAVILION REIT (Cont'd)

(iii) **Total Return**

The change in market price of the Units over a period of time plus any distributions received during the relevant period.

(iv) **MER**

The ratio of expenses incurred in operating Pavilion REIT to the NAV of Pavilion REIT.

The performance indicators will be used to benchmark Pavilion REIT against its peers as well as against its own historical performance, where applicable.

1.6 **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). For the period from the Listing Date to 31 December 2012, Pavilion REIT will distribute 100.0% of its Distributable Income. The actual proportion of Distributable Income distributed to Unitholders beyond 31 December 2012, which shall be at the absolute discretion of the Manager, may be greater than 90.0% of Pavilion REIT’s Distributable Income to the extent that the Manager believes it is appropriate, having regard to Pavilion REIT’s funding requirements, other capital management considerations and the availability of funds. Distributions, when made, will be in Ringgit Malaysia.

Half-yearly basis refers to each consecutive six-month period commencing on and ending on the following dates (all dates inclusive) in each FY during the continuance of Pavilion REIT or such other interval as the Manager may determine in accordance with the Deed:

(i) 1 January to 30 June; and

(ii) 1 July to 31 December,

except that the first half-year of Pavilion REIT shall commence on the date the Deed is registered with the SC and end on 31 December 2011 and the last half-year of Pavilion REIT shall end on the date Pavilion REIT ceases to operate.

For the avoidance of doubt, Pavilion REIT’s first distribution will be 100.0% of its Distributable Income recorded during the period from the Listing Date to 31 December 2011.
1.7 VALUATION POLICY

Independent professional valuation will be obtained at least once every three years in accordance with the REITs Guidelines or such other shorter interval as the Manager deems necessary and these valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines. The Manager has engaged the Independent Property Valuer to carry out valuation for the Subject Properties as at 1 June 2011. The Manager has yet to decide on the exact date for the next valuation for the Subject Properties, but in any event, such valuation will be carried out within three years from 1 June 2011, in accordance with Pavilion REIT's valuation policy. Please refer to the Valuation Certificate enclosed as Appendix A of this Prospectus, which is to be read together with the full valuation reports for the Subject Properties. Copies of the full valuation reports will be available for inspection at the registered office of the Manager for a period of 12 months from the date of this Prospectus.

1.8 BORROWING LIMITATIONS AND GEARING POLICY

Pavilion REIT may borrow up to 50.0% of the Total Asset Value of Pavilion REIT at the time the borrowing is incurred (or such other limit permitted by the REITs Guidelines from time to time). However, Pavilion REIT's total borrowings may exceed this limit with the prior approval of the Unitholders.

Upon Listing, based on the Pavilion REIT's Consolidated Pro Forma Statement of Financial Position, Pavilion REIT will have total indebtedness of approximately RM730.6 million representing approximately 20.1% of its estimated Total Asset Value. Pavilion REIT's actual indebtedness upon Listing is subject to the actual proceeds to be raised under the Offering.

1.9 INTELLECTUAL PROPERTY

Pavilion REIT does not own any registered intellectual property rights. The Trustee and the Manager have been granted a non-exclusive licence to use, among others, the registered trademark "Pavilion Kuala Lumpur" and other pending trademarks by the Sponsor. Pursuant to the Deed and the licence agreement dated 18 October 2011 between the Sponsor, the Trustee and the Manager, the Trustee and the Manager shall cause and ensure the removal of the registered trademark "Pavilion Kuala Lumpur" and such other pending trademarks from any of the Subject Properties upon the occurrence of any of the following events:

(i) UCDSB and/or its subsidiaries ceasing to hold at least 51.0% equity interest in the Manager;

(ii) UCPC and/or its subsidiaries ceasing to hold at least 49.0% equity interest in the Manager; or

(iii) the Manager ceasing to be the management company of Pavilion REIT,

unless otherwise permitted in writing by the Sponsor.
2. BUSINESS AND SUBJECT PROPERTIES

Unless otherwise specified, all information relating to the Subject Properties in the Prospectus are as at 1 June 2011.

2.1 ACQUISITIONS BY PAVILION REIT

On 18 October 2011, the Trustee on behalf of Pavilion REIT entered into the SPAs with the Vendors for the acquisition of the Subject Properties and the Related Assets for a total purchase consideration of RM3,323,401,000:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Purchase consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acquired from UCSB</strong></td>
<td></td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall</td>
<td>3,190,300</td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall Related Assets</td>
<td>8,806</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,199,106</strong></td>
</tr>
<tr>
<td><strong>Acquired from CFSB</strong></td>
<td></td>
</tr>
<tr>
<td>Pavilion Tower</td>
<td>123,500</td>
</tr>
<tr>
<td>Pavilion Tower Related Assets</td>
<td>795</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>124,295</strong></td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>3,323,401</strong></td>
</tr>
</tbody>
</table>

In aggregate, the Subject Properties (excluding the Related Assets) will be acquired for a purchase consideration of RM3,313,800,000, which represents a discount of 6.47% to the Appraised Value of RM3,543,000,000.

Pavilion REIT will be acquiring the Related Assets in order for it to undertake daily maintenance and operations of the Subject Properties. The purchase consideration payable in respect of the Related Assets of RM9,601,000 is based on the Vendors’ estimate of the net book value of the Related Assets as at the Completion Date of the SPAs. The purchase consideration of the Related Assets will be adjusted to the actual net book value of the Related Assets in the Vendors’ book immediately prior to the Completion Date of the SPAs (to be certified by an external auditor to be mutually appointed by the parties in writing) subject always that the adjusted purchase consideration of the Related Assets shall not be more than RM9,601,000.
2. BUSINESS AND SUBJECT PROPERTIES (Cont'd)

The total purchase consideration for the Acquisitions of RM3,323,401,000 will be satisfied through:

(i) the issuance of the Consideration Units; and

(ii) RM1,378,601,000 in cash, which in turn will be funded through the proceeds from the Offering and funds received from the drawdown of a portion of the New Debt Facilities.

2.2 OVERVIEW OF THE SUBJECT PROPERTIES

The Subject Properties form part of Pavilion Kuala Lumpur Project, an integrated mixed-use urban commercial development, which was developed on the Master Land. Pavilion Kuala Lumpur Project comprises four components, being:

(i) Pavilion Kuala Lumpur Mall;

(ii) Pavilion Tower;

(iii) two blocks of luxury serviced apartments known as Pavilion Residences (which will not be acquired by Pavilion REIT); and

(iv) a proposed block of serviced suites (which will not be acquired by Pavilion REIT).

The Subject Properties were completed in 2007.

The Subject Properties are located at Bukit Bintang, which is the main shopping, entertainment and tourism district of Kuala Lumpur lying within the premier commercial precinct commonly referred to as the “Golden Triangle”. The site is located in close proximity to established retail centres and notable hotels, as well as high-rise commercial offices.

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The location of the Golden Triangle is illustrated by the map below.

Source: Independent Property Market Report

Being strategically located in the heart of Kuala Lumpur, the Subject Properties are accessible through a network of major roads, namely Jalan Bukit Bintang and Jalan Raja Chulan. The Subject Properties are also accessible through various modes of public transport. In addition to public buses and taxi services, the Subject Properties are within walking distance of the Bukit Bintang Monorail Station and the Raja Chulan Monorail Station, located approximately 300 metres due south-west and approximately 250 metres due north-west of the Subject Properties, respectively. In December 2010, the Government announced the Klang Valley MRT Project, which includes plans for an upcoming MRT station within the vicinity of the Subject Properties, further enhancing connectivity to this area. Further, a covered skybridge currently under construction will connect Pavilion Kuala Lumpur Mall to Kuala Lumpur Convention Centre which in turn adjoins Suria KLCC and the Petronas Twin Towers, a destination for tourists and business travellers.
2. BUSINESS AND SUBJECT PROPERTIES (Cont'd)

The location of the Subject Properties is illustrated by the map below.

Source: Independent Property Market Report

Details of the Master Title are as follows:

<table>
<thead>
<tr>
<th>Land area of Master Land</th>
<th>48,606 square metres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenure</td>
<td>99-year lease expiring on 26 October 2109</td>
</tr>
<tr>
<td>Title information</td>
<td>H.S.(D) 118129 PT 71 Seksyen 63 in Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur</td>
</tr>
<tr>
<td>Encumbrance/material limitations in title</td>
<td>The following charges over the Master Title are registered in favour of Alliance Investment Bank Berhad:</td>
</tr>
<tr>
<td></td>
<td>(a) a charge registered on 23 March 2006 vide Presentation No. 5017/2006;</td>
</tr>
<tr>
<td></td>
<td>(b) a charge registered on 19 January 2009 vide Presentation No. 572/2009;</td>
</tr>
<tr>
<td></td>
<td>(c) a charge registered on 23 January 2009 vide Presentation No. 1037/2009; and</td>
</tr>
<tr>
<td></td>
<td>(d) a charge registered on 21 July 2010 vide Presentation No. 27320/2010.</td>
</tr>
<tr>
<td>Express conditions</td>
<td>The above encumbrances will be discharged on the Listing Date. Following the discharge, there will be no encumbrances over the Master Land. A private caveat has also been lodged on the Master Land by the Trustee on 19 October 2011 to protect Pavilion REIT’s interests over the Subject Properties.</td>
</tr>
</tbody>
</table>

The Master Land shall only be used for mixed-use commercial building namely, an office building, serviced apartment, hotel and shopping complex.
Details of the Subject Properties are set out in the table below.

<table>
<thead>
<tr>
<th>Subject Properties</th>
<th>Pavilion Kuala Lumpur Mall</th>
<th>Pavilion Tower</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
<td>Retail</td>
<td>Office</td>
</tr>
<tr>
<td><strong>Appraised Value as at 1 June 2011 (RM '000)</strong></td>
<td>3,415,000</td>
<td>128,000</td>
</tr>
<tr>
<td><strong>Purchase consideration (RM '000)</strong></td>
<td>3,190,300$\textsuperscript{(1)}</td>
<td>123,500$\textsuperscript{(2)}</td>
</tr>
<tr>
<td><strong>Subject Properties weighting (by Appraised Value) (%)</strong></td>
<td>96.4</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>NLA (sq ft)</strong></td>
<td>1,335,119</td>
<td>167,407</td>
</tr>
<tr>
<td><strong>GFA (sq ft)$\textsuperscript{(3)}</strong></td>
<td>2,202,557</td>
<td>243,288</td>
</tr>
<tr>
<td><strong>Number of tenancies (as at 1 June 2011)</strong></td>
<td>459$\textsuperscript{(4)}$</td>
<td>13$\textsuperscript{(3)}$</td>
</tr>
<tr>
<td><strong>Occupancy Rate as at 1 June 2011 (%)$\textsuperscript{(5)}</strong></td>
<td>97.7</td>
<td>41.4</td>
</tr>
<tr>
<td><strong>Number of car park bays</strong></td>
<td></td>
<td>2,427</td>
</tr>
<tr>
<td><strong>Shopper traffic for 2010$\textsuperscript{(7)}$</strong></td>
<td>31 million</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

**Notes:**

1. Excludes the Pavilion Kuala Lumpur Mall Related Assets, which will be acquired for RM8,806,000, subject to adjustments, where applicable.
2. Excludes the Pavilion Tower Related Assets, which will be acquired for RM795,000, subject to adjustments, where applicable.
3. Excludes the car park GFA.
4. Includes retail tenancies, tenancies of the retail office block and storage spaces which are rented by existing tenants, determined based on the commencement date stipulated in the respective tenancy agreements.
5. Determined based on the commencement date stipulated in the respective tenancy agreements.
6. Including tenancies which have been committed but yet to commence as at 1 June 2011, the Occupancy Rate for Pavilion Kuala Lumpur Mall and Pavilion Tower as at 1 June 2011 would have been 98.0% and 64.5%, respectively.
7. Estimate based on the shopper traffic system in Pavilion Kuala Lumpur Mall.

Pavilion Kuala Lumpur Mall is one of Malaysia’s premier shopping centres, comprising a seven-storey retail podium together with three-storey retail office block sited atop and the Connection annexed to it. It has six shopping "precincts" housing approximately 450 retail tenants (as at 1 June 2011), offering a variety of products including fashion, entertainment, health and beauty, electronics and dining services. One of the key features of Pavilion Kuala Lumpur Mall is the use of street-front duplexes which allow retailers occupying these duplexes to maximise their brand exposure. Pavilion Kuala Lumpur Mall has won numerous awards including "Award for Outstanding Achievement – Shopping Mall Category" by Kuala Lumpur Mayor’s Tourism Awards 2011, "Best Retail Development – Malaysia" by International Property Awards in association with Bloomberg Television 2010, "Most Magical Mall Award" by Ministry of Tourism Malaysia 2007 and "Retail Merchant of the Year" by MasterCard worldwide for the MasterCard Hall of Fame Awards 2010.
Pavilion Tower is a modern commercial property connected to Pavilion Kuala Lumpur Mall, housing a number of international and local corporations. Its strengths include a central location, connectivity with Pavilion Kuala Lumpur Mall and state-of-the-art telecommunication technology. Pavilion Tower was acquired by CFSB from Macorp Sdn Bhd on 10 March 2010 (pursuant to a sale and purchase agreement dated 11 January 2010). Subsequent to the acquisition, Pavilion Tower underwent renovations and only began tenancing its space from the third quarter of 2010.

Pavilion Kuala Lumpur Mall forms 96.4% of the total Appraised Value of the Subject Properties and contributed 99.4% of Pavilion REIT's Net Property Income (based on the Pro Forma Net Property Income of Pavilion REIT for FPE2011).
2.3 COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS

The Manager believes that an investment in Pavilion REIT offers the following attractive qualities:

*The largest exposure to the retail sector of any listed Malaysian REIT and one of the largest listed Malaysian REITs overall*

According to the Independent Property Valuer, as at 1 June 2011, the Appraised Value of Pavilion Kuala Lumpur Mall is approximately RM3.4 billion, and as a result, Pavilion REIT has the largest portfolio of retail assets by appraised value of any Malaysian listed REIT.

Moreover, with a total Appraised Value of approximately RM3.5 billion as at 1 June 2011, Pavilion REIT will be one of the largest listed REITs in Malaysia overall by Appraised Value upon Listing. The Manager believes that Pavilion REIT’s size will enhance visibility with Malaysian and international investors and enable Pavilion REIT to raise larger amounts of capital for future acquisitions of Real Estate Assets thus placing Pavilion REIT in a better position to seize investment opportunities in the future. Upon Listing, Pavilion REIT is expected to achieve a market capitalisation of RM2.6 billion based on an illustrative Average Offering Price of RM0.88 per Unit. The chart below ranks listed Malaysian REITs by their exposure to the retail property sector according to appraised value.

![Chart showing REITs with and without retail exposure]  

Source: According to the latest publicly available financial statements of the respective REITs as at the Latest Practicable Date and in RM millions.

*Based on the Appraised Value as at 1 June 2011.
Strategically located in the Golden Triangle of Kuala Lumpur, the city’s prominent retail and commercial district, and positioned to attract a broad range of shoppers

The Subject Properties are situated in the Golden Triangle of Kuala Lumpur, the city’s prominent retail and commercial district. They are accessible through a network of major roads, including Jalan Bukit Bintang, which is Kuala Lumpur’s primary shopping district and Malaysia’s version of well-known shopping districts such as Ginza in Tokyo, Orchard Road in Singapore and Fifth Avenue in New York. There are also plans by the Government to further expand public transportation near the Subject Properties, with one MRT station proposed to be constructed in the Bukit Bintang area as part of the Economic Transformation Programme. According to the Independent Property Market Consultant, the catchment area of the Subject Properties extends across the whole of the Klang Valley, encompassing over six million people in 2010. Significantly, according to the Independent Property Market Consultant, with the exception of the development of Suria KLCC Phase II, there are no publicly announced plans for additional malls to be developed or for major additions in respect of existing malls in the Golden Triangle until 2014. Suria KLCC Phase II, with 140,000 sq ft of net lettable area, is expected to be fully completed in 2011. The map below illustrates the potential catchment area of the Subject Properties.

Source: Independent Property Market Report
In addition to the broad catchment area of residents, the Golden Triangle is also a destination for tourists and business travellers, especially the Bukit Bintang area, which is a hub for shopping, leisure, food and beverage outlets, major events and festive celebrations. Pavilion Kuala Lumpur Mall's close proximity to hotels, such as the Ritz Carlton Kuala Lumpur, the Westin Kuala Lumpur and the Shangri-La Hotel Kuala Lumpur, encourages patronage by tourists and business travellers. According to the Independent Property Market Consultant, 12 four and five-star hotels are located within 500 metres of Pavilion Kuala Lumpur Mall. The Golden Triangle is also situated in close proximity to the Central Business District, which is home to a range of domestic and international corporates, which enables Pavilion Kuala Lumpur Mall to capitalise on the large pool of office workers in the vicinity. Further, a covered skybridge currently under construction will connect Pavilion Kuala Lumpur Mall to Kuala Lumpur Convention Centre which in turn adjoins Suria KLCC and the Petronas Twin Towers, a destination for tourists and business travellers.

Pavilion Kuala Lumpur Mall is positioned to appeal to a broad range of patrons, both Malaysian and international, and maintains a host of leading luxury and international brand names. The Manager believes that this makes Pavilion Kuala Lumpur Mall the preferred leisure and shopping destination for both international visitors and for Malaysian residents of the surrounding middle to upper class suburbs. In 2010, Pavilion Kuala Lumpur Mall recorded 31 million visits (based on the shopper traffic system in Pavilion Kuala Lumpur Mall), demonstrating the benefit of Pavilion Kuala Lumpur Mall's location and the mall's stature as a destination in itself.

Pavilion Tower also benefits from its convenient location in the Golden Triangle as well as from its connectivity with Pavilion Kuala Lumpur Mall. The Manager believes that both of these factors will help to continue to attract a range of Malaysian and international corporate tenants.
Benefiting from Malaysia’s economic growth and rising consumer spending

The following information is extracted from the Independent Property Market Report in Appendix B.

Pavilion REIT benefits from positive macroeconomic trends in Malaysia. Malaysia recorded GDP growth of 7.2% in 2010 and its GDP is expected to grow by 5.0% to 5.5% in 2011 and 5.0% to 6.0% in 2012. Income levels are also on the rise; from 1999 to 2009, the mean gross monthly income in Malaysia grew by a compounded annual growth rate of 5.0%. Consumer sentiment has rebounded strongly since the end of the global financial crisis, reaching an index level of 117.2 in 2010 after dipping to 71.4 in 2008.

Malaysia Retail Trade Sector Sales Value 2004 - 2010

![Bar chart showing sales value (RM billion) from 2004 to 2010]

Source: Independent Property Market Report

The key drivers of the retail sector in Malaysia are also trending positively. Retail sales value increased by 9.9% in 2010 compared to 2009 and grew by 250% in total from 2004 to 2010 at a compounded annual growth rate of 23%. In particular, tourism has been and will continue to be a driver of retail sales. Tourist arrivals and tourist receipts in Malaysia reached a new high in 2010 with a total of 24.6 million visitors, along with total receipts of RM56.5 billion. Growth is expected to continue, with 25 million tourist arrivals and RM60 billion in tourist receipts forecasted for 2011. A key trend among tourists to Malaysia is their increasing spending on shopping; in 2009, shopping was the fastest-growing sub-segment of tourist spending in Malaysia with 13.7% year-on-year growth versus 7.7% for overall tourist spending. In the same year, total tourism spending grew by RM3.8 billion, of which: RM1.8 billion was contributed from the shopping sub-segment. The Government has also announced plans to position Malaysia as a leading shopping destination by, for example, removing import duties over various clothing and accessory products.
The map below shows selected major tourist markets of Malaysia in 2010 with arrival statistics.

Source: Independent Property Market Report
Strong management team and brand image

The Manager has a strong asset management team, consisting of highly experienced professionals in the Malaysian retail property market. The management team has been actively involved in the marketing and on-going management of Pavilion Kuala Lumpur Mall and has overseen the development of the mall into one of Malaysia’s premier shopping centres. Their familiarity with the tenanting and operations of Pavilion Kuala Lumpur Mall will provide continuity for tenants of Pavilion Kuala Lumpur Mall after the Acquisitions. In addition, the management team will apply their expertise in respect of tenanting and marketing to retail properties to be acquired by Pavilion REIT in the future.

The Board is also made up of experienced professionals who have prior experience in property development, investment, management, marketing and tenanting as well as finance.

The Sponsor, together with the management team, has built up the “Pavilion” brand name alongside the development of Pavilion Kuala Lumpur Mall as one of the premier shopping centres in Malaysia. Pavilion Kuala Lumpur Mall has been designated as one of Malaysia’s leading tourism assets by the Ministry of Tourism Malaysia and has won several awards from Tourism Malaysia, including “Best Promotion and Events” in 2010 and “Innovative Shopping Complex” in 2009, helping to position the mall as a key shopping destination for tourists to the country. It has also won the “Award for Outstanding Achievement – Shopping Mall Category” by Kuala Lumpur Mayor’s Tourism Awards 2011.

Diverse tenant base, consistent occupancy rates and rising rental rates with a unique tenant mix focused on maximising NLA income

Pavilion Kuala Lumpur Mall has demonstrated stable financial performance underpinned by a diverse base of tenants, consistent occupancy rates and rising rental rates despite turbulent economic conditions in recent years. Pavilion Kuala Lumpur Mall maintains a sizeable portfolio of approximately 450 retail tenants (as at 1 June 2011). Moreover, the tenant base at Pavilion Kuala Lumpur Mall is diverse. As at 1 June 2011, its top 10 tenants contributed 22.7% of NLA income and occupy an aggregate of 34.3% of Occupied NLA. Also, occupancy rates have remained consistent at Pavilion Kuala Lumpur Mall at 98.5%, 98.7%, 98.5%1 and 97.9%2 as at 31 December 2008, 31 December 2009, 31 December 2010 and 30 June 2011, respectively. In addition, the average monthly rental per sq ft at Pavilion Kuala Lumpur Mall has been increasing, from RM15.03 in FY2008, to RM15.58 in FY2009, to RM16.36 in FY2010 and to RM16.76 in FPE2011.

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1 The reduction in occupancy rate of Pavilion Kuala Lumpur Mall as at 31 December 2010 was due to the closure of the Home Precinct, a precinct at Pavilion Kuala Lumpur Mall which specialised in home decoration and furnishings, for reconfiguration into Tokyo Street.

2 Including tenancies which have been committed but yet to commence as at 30 June 2011, the Occupancy Rate for Pavilion Kuala Lumpur Mall as at 30 June 2011 would have been 98.5%.
The Manager believes that the tenant mix at Pavilion Kuala Lumpur Mall is unique versus that of its competitors in that it has a larger proportion of non-anchor tenants, thus allowing for Pavilion REIT to achieve more favourable rental rates and wider availability of shopping choices to enhance shoppers' experiences versus comparable retail properties with a greater proportion of anchor tenants. As at 1 June 2011, approximately 17.8% of the Occupied NLA at Pavilion Kuala Lumpur Mall was tenanted to an Anchor Tenant whereas the Manager believes that at comparable properties, a substantially larger percentage of their NLA are tenanted to anchor tenants. An additional 23.3% of the Occupied NLA as at 1 June 2011 was tenanted to Specialty Anchor Tenants and the remaining 58.9% of the Occupied NLA was tenanted to Specialty Tenants as well as for offices and storeroom usage. The Manager believes that this unique balance of tenants allows Pavilion Kuala Lumpur Mall to achieve higher rental rates given that non-anchor tenants generally pay higher rental rates compared to anchor tenants. In addition, maintaining a relatively high proportion of Specialty Tenants in turn provides greater variety for shoppers, which the Manager believes results in higher shopper traffic and thus further increases demand for space from potential tenants allowing for higher rental rates. Also, despite the high percentage of NLA tenanted to Specialty Anchor Tenants and Specialty Tenants, occupancy rates at Pavilion Kuala Lumpur Mall have remained near 100.0% for the past three years.

Further, the majority of the tenancies at Pavilion Kuala Lumpur Mall have a turnover rent component in addition to a fixed rent component, allowing Pavilion Kuala Lumpur Mall to benefit from additional rental upside as the sales levels of its tenants rise above certain thresholds.

**Opportunities for future growth**

Pavilion REIT provides investors with growth opportunities both in terms of its existing portfolio as well as through the potential acquisition of additional retail properties. There is scope for enhancement of NLA and rental revenues at Pavilion Kuala Lumpur Mall, the most recent example of which is the creation of “Tokyo Street”, which replaces a series of larger retail units with smaller retail units, thus increasing rental rates for the reconfigured area while also offering an attractive themed area to the mall. Certain sections of the Connection have been reconfigured to increase the variety of offerings, with a greater focus on catering to the growing demand for lifestyle and entertainment venues in Kuala Lumpur. The Manager intends to explore other opportunities for enhancing NLA and rentals including creating additional retail space where possible, via the use of push carts and kiosks, and using otherwise empty space as rental-yielding store rooms.

Pavilion REIT may also seek future growth via the acquisition of additional retail properties. The Trustee currently holds ROFRs for the acquisitions of fahrenheit88 and Pavilion Extension, both of which are in close proximity to the Subject Properties. The Sponsor has also provided the Trustee with the General ROFR for the Sponsor’s future retail developments in Malaysia. The Manager has also obtained the USJ ROFR for a six-storey retail mall to be developed at Subang Jaya, a growing suburb located within 20 kilometres of the Kuala Lumpur city centre. The Manager may also explore the acquisition of properties developed by third parties in instances where the potential acquisition meets the investment criteria of Pavilion REIT.
The Manager believes that the Existing ROFRs (in the event of disposal of the relevant asset by the grantor) will allow Pavilion REIT to further increase its presence in the prime Bukit Bintang area and to diversify its geographical presence to suburban Kuala Lumpur and other key localities in Malaysia.

**Strong balance sheet and conservative capital structure**

Based on Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position, Pavilion REIT’s debt to asset ratio upon Listing will be 20.1%, which is below the average of listed Malaysian REITs of 29.8%\(^1\), and significantly below the prescribed limit under the REITs Guidelines. Pavilion REIT may consider pursuing further acquisitions as a means of growing its asset size. Based on a debt to asset ratio of 50.0%, the Manager could raise up to RM1,065.6 million of additional debt to fund future acquisitions before taking into account the asset value of the future properties to be acquired.

**Award-winning building design enables efficient use of space and positions Pavilion Kuala Lumpur Mall as an attractive destination for shoppers**

Pavilion Kuala Lumpur Mall has won an array of Malaysian and international design awards. In 2010 alone, Pavilion Kuala Lumpur Mall was awarded the “Innovative Design & Development of a New Retail Project” award by the International Council of Shopping Centres in Asia Shopping Centre Awards 2010 and “The Architecture Award (Retail) – Asia Pacific” by the International Property Awards in association with Bloomberg Television 2010. In 2009 Pavilion Kuala Lumpur Mall was named the “World’s Best Retail Centre” at the International Real Estate Federation (FIABCI) Prix d’Excellence Awards in addition to receiving several other Malaysian and international design awards.

Pavilion Kuala Lumpur Mall’s modern design features enable high traffic flow and ease of accessibility while also offering concepts that the Manager believes are unique to this property. Pavilion Kuala Lumpur Mall has eight entry points, allowing shoppers to enter the mall from various parts of the Bukit Bintang shopping area and enabling efficient shopper flow even during peak times. In addition, outdoor walkway areas extend for 20 to 35 metres to the sidewalk. This allows for visibility of the architecture of the building, creating a public space and easing shopper traffic around the mall. The Connection is an alfresco concept comprising a “street” of bistros and restaurants which remain open until 3.00 a.m., catering to tourists and locals. The Manager believes that The Connection is one of Kuala Lumpur’s popular alfresco dining areas and a tourist attraction in its own right.

The Manager believes that Pavilion Kuala Lumpur Mall also has various unique design characteristics making it an attractive leisure destination. The average ceiling height of 5.5 metres provides Pavilion Kuala Lumpur Mall with a spacious design, making the mall more attractive to retailers. Safety is also a focus; there are more than 405 CCTVs throughout Pavilion Kuala Lumpur Mall including its carpark, and 296 panic buttons located at 20-metre intervals throughout the car parks. There is also a trained private security team.

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\(^1\) Based on the latest publicly available financial statements of various listed Malaysian REITs as at the Latest Practicable Date.
2. BUSINESS AND SUBJECT PROPERTIES (Cont’d)

2.4 PAVILION KUALA LUMPUR MALL

2.4.1 Vendor
UCSB

2.4.2 Address
168 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

2.4.3 Description

Pavilion Kuala Lumpur Mall is one of Malaysia’s premier shopping centres, comprising a seven-storey retail podium together with a three-storey retail office block sited atop and the Connection annexed to it. It is home to approximately 450 retail tenants (as at 1 June 2011), providing a comprehensive array of retail options and products for shoppers such as fashion, entertainment, health and beauty, electronics and dining services through six distinctive shopping “precincts”, namely:

(i) Couture Pavilion (“Designer, Luxury and International Boutiques”);
(ii) Gourmet Emporium (“Cuisines, Conveniences and Groceries”);
(iii) Centre Court (“Events, Performances and Festivities”);
(iv) the Connection (“Street Bistro, Cafes and Urban leisure”);
(v) Seventh Heaven (“Relaxation, Rejuvenation and Renewal for Men and Women”); and
(vi) Tokyo Street (“Little Tokyo of Malaysia”).

Some of its tenants include retailers carrying new brands which debuted in Malaysia through Pavilion Kuala Lumpur Mall, among a range of local and international brands.

Pavilion Kuala Lumpur Mall also features award-winning designs. Some key features include street-front duplexes which allow retailers occupying these duplexes to maximise their brand exposure and a staircase modelled after the Spanish Steps in Italy leading into the Centre Court, a brightly-it versatile seating space for large-scale public gatherings of up to 2,000 guests. Some of the recent events hosted by Pavilion Kuala Lumpur Mall include Pavilion Pit Stop organised in conjunction with the Malaysian Formula 1 Grand Prix, fundraising events for the 2011 Japan earthquake and tsunami disaster, Chinese New Year and Hari Raya celebrations and the launch of the Standard Chartered-Liverpool FC MasterCard in conjunction with Liverpool Football Club’s inaugural visit to Malaysia. In addition, located directly in front of Pavilion Kuala Lumpur Mall is the “Tallest Liuli Crystal Fountain” in Malaysia according to the Malaysian Book of Records featuring the Hibiscus, Malaysia’s national flower.
A range of public amenities and features are available to complement the shopping and leisure experience. These include ATMs, valet service, coach parking bays, four concierge service counters located in strategic gateways throughout the shopping centre, dining concierge, restrooms with parent rooms, the provision of strollers and wheelchairs and prayer rooms. Telecommunication: devices and fibre optics for mobile phones are also installed throughout the mall which ensures that there are virtually no blind spots where mobile phone reception cannot be received. In addition, Pavilion Kuala Lumpur Mall is disabled-friendly as it includes facilities such as designated car park bays located near basement lift lobbies, ramped external walkways available at various locations into the shopping centre from street level, lifts with sound indicators and a tactile system with embossed letters and numbers for the visually impaired and handicap toilets.

Additional features of Pavilion Kuala Lumpur Mall include a large loading dock area that has 29 loading bays with dock levellers to enable expedient loading and unloading of goods. In all, there are approximately 130 lifts and escalators, including dedicated express lifts for Dining at 6, an area where a variety of international cuisines are offered.

Since 2007, Pavilion Kuala Lumpur Mall has won over 20 local and international awards. In 2011, Pavilion Kuala Lumpur Mall has won the following awards:

- “Award for Outstanding Achievement – Shopping Mall Category” by Kuala Lumpur Mayor’s Tourism Awards 2011; and

In 2010, Pavilion Kuala Lumpur Mall won the following nine awards:

- “Retail Merchant of the Year” by MasterCard Worldwide for MasterCard Hall of Fame Awards 2010;
- “Marketing” by International Council of Shopping Centres in Asia Shopping Centre Awards 2010;
- “Innovative Design & Development of a New Retail Project” by International Council of Shopping Centres in Asia Shopping Centre Awards 2010;
- “Best Thematic Decoration” by Tourism Malaysia Shopping Centre Awards for Malaysia Mega Sale Carnival 2010;
- “Best Promotions and Events” by Tourism Malaysia Shopping Centre Awards for Malaysia Mega Sale Carnival 2010;
- “The Architecture Award (Retail) – Asia Pacific” by International Property Awards in association with Bloomberg Television 2010;
- “The Architecture Award (Retail) – Malaysia” by International Property Awards in association with Bloomberg Television 2010;
- “Best Retail Development – Malaysia” by International Property Awards in association with Bloomberg Television 2010; and
- “Best Indoor Fun” by Expatriate Lifestyle Awards 2010.
In 2009, Pavilion Kuala Lumpur Mall won the following five awards:

- "Best Thematic Decoration" by Tourism Malaysia Shopping Centre Awards for Malaysia Year End Sale 2009;
- "Innovative Shopping Complex" by Malaysia Tourism Awards 2008/2009;
- "Best Shopping Complex" by LIBUR Tourism Awards 2009;
- "Best Indoor Fun" by Expatriate Lifestyle Awards 2009; and
- "World's Best Retail Center" by International Real Estate Federation (FIABCI) Prix d'Excellence Awards 2009.

In 2008 and 2007, Pavilion Kuala Lumpur Mall won the following six awards:

- "Best Thematic Decoration" by Tourism Malaysia Shopping Centre Awards for Malaysia Mega Sale Carnival 2008;
- "Best Retail Development" by International Real Estate Federation (FIABCI) Malaysia Property Awards 2008;
- "Premier Retail Centre" by Brand Laureate Awards 2008;
- "Best Shopping Mall" by LIBUR Tourism Awards 2008;
- "Silver Award, Favourite Shopping Complex" by Diplomatic Tourism Awards 2008; and
- "Most Magical Mall Award" by Ministry of Tourism Malaysia 2007.
<table>
<thead>
<tr>
<th>Existing use</th>
<th>Shopping Centre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of Subject Property as at 1 June 2011</td>
<td>Four years</td>
</tr>
<tr>
<td>GFA (sq ft)⁽¹⁾</td>
<td>2,202,557</td>
</tr>
<tr>
<td>NLA (sq ft)</td>
<td>1,335,119</td>
</tr>
<tr>
<td>Number of car park bays</td>
<td>2,427</td>
</tr>
</tbody>
</table>
| Total Revenue (RM '000) | 2008: 246,258  
                    | 2009: 264,896  
                    | 2010: 289,300  |
| NPI (RM '000)     | 2008: 165,191  
                    | 2009: 186,361  
                    | 2010: 203,326  |
| Appraised Value as at 1 June 2011 | RM3,415,000,000 |
| Purchase consideration⁽²⁾ | RM3,190,300,000 |
| Number of tenancies as at 1 June 2011⁽³⁾ | 459 |

Notes:
(1) Excludes the car park GFA.
(2) Excludes the Pavilion Kuala Lumpur Mall Related Assets, which will be acquired for RM8,806,000, subject to adjustments where applicable.
(3) Includes retail tenancies, tenancies of the retail office block and storage spaces which are rented by existing tenants, determined based on the commencement date stipulated in the respective tenancy agreements.

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2. BUSINESS AND SUBJECT PROPERTIES (Cont'd)

2.4.4 Tenant Profile of Pavilion Kuala Lumpur Mall

(i) Top 10 Tenants of Pavilion Kuala Lumpur Mall

The top 10 tenants by contribution to NLA income (disclosed based on their respective trade names) of Pavilion Kuala Lumpur Mall as at 1 June 2011 are set out below. The top 10 tenants contributed an aggregate of 22.7% to NLA income and occupy an aggregate of 34.3% of Occupied NLA of Pavilion Kuala Lumpur Mall as at 1 June 2011.

<table>
<thead>
<tr>
<th>Tenants by trade name</th>
<th>Trade sector</th>
<th>Percentage of Occupied NLA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parkson</td>
<td>Department store</td>
<td>17.8</td>
</tr>
<tr>
<td>TANGS Fashion Lifestyle Store</td>
<td>Department store</td>
<td>5.1</td>
</tr>
<tr>
<td>Golden Screen Cinemas</td>
<td>Urban leisure</td>
<td>4.4</td>
</tr>
<tr>
<td>Forever 21</td>
<td>Fashion</td>
<td>1.7</td>
</tr>
<tr>
<td>Padini</td>
<td>Fashion</td>
<td>1.5</td>
</tr>
<tr>
<td>Esprit</td>
<td>Fashion</td>
<td>1.1</td>
</tr>
<tr>
<td>Food Republic</td>
<td>Food and beverage</td>
<td>0.9</td>
</tr>
<tr>
<td>Zara</td>
<td>Fashion</td>
<td>0.8</td>
</tr>
<tr>
<td>Royal Selangor</td>
<td>Gifts and souvenirs</td>
<td>0.5</td>
</tr>
<tr>
<td>Topshop and Topman</td>
<td>Fashion</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>34.3</strong></td>
</tr>
</tbody>
</table>
(ii) Trade Sector Analysis of Pavilion Kuala Lumpur Mall

The table below provides a breakdown of the different trade sectors represented in Pavilion Kuala Lumpur Mall as at 1 June 2011.

<table>
<thead>
<tr>
<th>Trade sector</th>
<th>Percentage of Occupied NLA (%)</th>
<th>Percentage of NLA Income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion</td>
<td>25.3</td>
<td>38.2</td>
</tr>
<tr>
<td>Department store/Supermarket</td>
<td>24.6</td>
<td>11.3</td>
</tr>
<tr>
<td>Food and beverage</td>
<td>17.6</td>
<td>18.8</td>
</tr>
<tr>
<td>Urban leisure</td>
<td>6.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Office</td>
<td>5.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Beauty and personal care</td>
<td>4.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Others(^{(1)})</td>
<td>3.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Jewellery, timepieces and writing instruments</td>
<td>3.1</td>
<td>7.4</td>
</tr>
<tr>
<td>IT and digital</td>
<td>2.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Shoes, bags and leather products</td>
<td>2.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Home decorations and furnishings</td>
<td>1.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Property showroom</td>
<td>1.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Gifts and souvenirs</td>
<td>1.5</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Note:
(1) Including trade sectors such as services, storage, auto gallery, health and fitness as well as optical and eye care.

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2. BUSINESS AND SUBJECT PROPERTIES (Cont’d)

2.4.5 Occupancy Rate and Average Monthly Rental

The table below sets out the Occupancy Rate of Pavilion Kuala Lumpur Mall as at 31 December 2008, 2009 and 2010 and as at 30 June 2011 as well as the average monthly rental for Pavilion Kuala Lumpur Mall for the last three financial years and FPE2011.

<table>
<thead>
<tr>
<th>Period</th>
<th>Occupancy Rate (%)</th>
<th>Average monthly rental (RM) per sq ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2008</td>
<td>98.5</td>
<td>15.08</td>
</tr>
<tr>
<td>FY2009</td>
<td>98.7</td>
<td>15.58</td>
</tr>
<tr>
<td>FY2010</td>
<td>96.5</td>
<td>16.36</td>
</tr>
<tr>
<td>FPE2011</td>
<td>97.9(a)</td>
<td>16.76</td>
</tr>
</tbody>
</table>

Notes:
(1) Calculated based on the average monthly NLA income (excluding Management Space) for the relevant FPE/FY divided by Occupied NLA (excluding Management Space) as at the end of the relevant FPE/FY.
(2) Including tenancies which have been committed but yet to commence as at 30 June 2011, the Occupancy Rate for Pavilion Kuala Lumpur Mall as at 30 June 2011 would have been 98.5%.

The reduction in occupancy rate of Pavilion Kuala Lumpur Mall as at 31 December 2010 was due to the closure of the Home Precinct, a precinct at Pavilion Kuala Lumpur Mall which specialised in home decoration and furnishings, for reconfiguration into Tokyo Street. See Section 2.4.8 “Expansion and Renovation of Pavilion Kuala Lumpur Mall” of this Prospectus for further details of the Tokyo Street reconfiguration.

2.4.6 Tenancy Expiry Profile of Pavilion Kuala Lumpur Mall

The table below illustrates Pavilion Kuala Lumpur Mall’s expired tenancies and renewal rates of expired tenancies for the past three financial years and FPE2011.

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of tenancies expired</th>
<th>NLA of expired tenancies (sq ft)</th>
<th>Renewal rates by number of expired tenancies (%)</th>
<th>Renewal rates by NLA of expired tenancies (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2008</td>
<td>3</td>
<td>60</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>FY2009</td>
<td>17</td>
<td>3,605</td>
<td>64.7</td>
<td>51.6</td>
</tr>
<tr>
<td>FY2010</td>
<td>283</td>
<td>1,027,499</td>
<td>84.5</td>
<td>89.4</td>
</tr>
<tr>
<td>FPE2011</td>
<td>51</td>
<td>110,971</td>
<td>90.2</td>
<td>96.1</td>
</tr>
</tbody>
</table>
The table below illustrates the tenancy expiry profile of Pavilion Kuala Lumpur Mall as at 1 June 2011.

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of tenancies expiring&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Percentage of Occupied NLA&lt;sup&gt;(2)&lt;/sup&gt; expiring (%)</th>
<th>Average monthly rental of expiring tenancies (RM) per sq ft&lt;sup&gt;(3)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six-month period ending 31 December 2011</td>
<td>68</td>
<td>5.5</td>
<td>19.92</td>
</tr>
<tr>
<td>FY2012</td>
<td>102</td>
<td>17.5</td>
<td>15.05</td>
</tr>
<tr>
<td>FY2013</td>
<td>249</td>
<td>67.2</td>
<td>18.19</td>
</tr>
<tr>
<td>FY2014 and thereafter</td>
<td>40</td>
<td>9.8</td>
<td>13.58</td>
</tr>
<tr>
<td>Total</td>
<td>459</td>
<td>100.0</td>
<td>-</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Includes retail tenancies, tenancies of the retail office block and storage spaces which are rented by existing tenants, determined based on the commencement date stipulated in the respective tenancy agreements.
(2) Excluding the Management Space.
(3) Calculated based on the aggregate of the NLA Income applicable to the expiring tenancies divided by the aggregate Occupied NLA relating to such expiring tenancies as at 1 June 2011.

2.4.7 **Average Monthly Rental By Levels**

The table below sets out the average monthly rental (NLA Income) for each level in Pavilion Kuala Lumpur Mall applicable as at 1 June 2011.

<table>
<thead>
<tr>
<th>Level&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Average monthly rental (RM) per sq ft&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basement 1</td>
<td>9.10</td>
</tr>
<tr>
<td>Basement 2</td>
<td>3.18</td>
</tr>
<tr>
<td>Basement 3</td>
<td>2.20</td>
</tr>
<tr>
<td>Level 1</td>
<td>22.00</td>
</tr>
<tr>
<td>Level 2</td>
<td>25.34</td>
</tr>
<tr>
<td>Level 3</td>
<td>21.81</td>
</tr>
<tr>
<td>Level 4</td>
<td>18.89</td>
</tr>
<tr>
<td>Level 5</td>
<td>13.45</td>
</tr>
<tr>
<td>Level 6</td>
<td>10.93</td>
</tr>
<tr>
<td>Level 7</td>
<td>6.24</td>
</tr>
<tr>
<td>Retail office space (Levels 8-9)</td>
<td>5.74</td>
</tr>
</tbody>
</table>

**Notes:**
(1) Excludes the Management Space. Following the Listing, rental will be payable by the Sponsor and the Manager, as tenants, in relation to the Management Space. See Section 11.2.5 “Tenancies entered into by the Manager and the Sponsor in relation to the Management Space” of this Prospectus for further details.
(2) Calculated based on the aggregate of the NLA Income applicable to the tenancies for each level divided by Occupied NLA of the relevant level, as at 1 June 2011.
2. BUSINESS AND SUBJECT PROPERTIES (Cont’d)

2.4.8 Expansion and Renovation of Pavilion Kuala Lumpur Mall

(i) Completed by the Vendor

As at the Latest Practicable Date, the Vendor has completed the following asset enhancements: the reconfiguration of the Home Precinct, a precinct at Pavilion Kuala Lumpur Mall which specialised in home decoration and furnishings, into “Tokyo Street”, a shopping precinct with approximately 40,000 sq ft of mall space which offers a range of Japanese food and beverage, retail and service brands, the reconfiguration of the Connection, the creation of additional toilets, the creation of a covered tourist bus drop-off, the improvement of the entrance for VIP drop-offs and the construction of the crystal fountain in front of the mall. Further, the Vendor has also introduced additional push carts and kiosks at Pavilion Kuala Lumpur Mall.

(ii) Future Opportunities

The Manager will continue to review the use of GFA and NLA at Pavilion Kuala Lumpur Mall and where appropriate and feasible, convert such GFA and NLA into higher-yielding lettable space.

2.4.9 Fire Protection and Safety of Pavilion Kuala Lumpur Mall

There are more than 405 CCTVs throughout Pavilion Kuala Lumpur Mall including its carpark, and 296 panic buttons located at 20-metre intervals throughout the car parks. A key aspect is the integration of the CCTV and panic button system such that when a panic button is activated, the closest located CCTV will be mobilised and will immediately zoom-in and capture the vicinity of the activated panic button, reducing response time from the time of activation to the rendering of assistance. There are also mechanical smoke curtains, smoke detectors and a suction system located throughout the property. Qualified fire safety managers ensure that all fire protection systems and equipment (including fire sprinkler systems and accessories) are in working order.

2.4.10 Retail Property Competition

Based on the Independent Property Market Report, the cumulative supply of retail space in the Klang Valley stands at approximately 43.3 million sq ft as at June 2011. Of this amount, 3.4 million sq ft, or 7.8% of total supply, is attributable to premium fashion malls, which include Pavilion Kuala Lumpur Mall, Suria KLCC, Starhill Gallery and The Gardens.

Suria KLCC is the second largest premium fashion mall in Klang Valley after Pavilion Kuala Lumpur Mall. Earlier fears of cannibalisation of shopper traffic due to having two large premium malls in close proximity to each other were proven unfounded as the catchments for Suria KLCC and Pavilion Kuala Lumpur Mall are not identical.

Despite its close proximity to Starhill Gallery, the Independent Property Market Consultant does not believe that Pavilion Kuala Lumpur Mall competes with Starhill Gallery as there is minimal overlap in merchandise and brands. In fact, the Independent Property Market Consultant believes that the two malls complement each other as they both act to provide a wider range of luxury brand offers not available elsewhere.
According to the Independent Property Market Consultant, nine malls with a total net lettable area of 4.7 million sq ft are scheduled to be opened in Kuala Lumpur from 2011 to 2014 which may lead to potential dilution in retail market share. However, of these nine malls, only Suria KLCC Phase II and Kenanga Wholesale City are within or close to the Golden Triangle. Suria KLCC Phase II, with 140,000 sq ft of net lettable area, is expected to be fully completed in 2011. Suria KLCC Phase II is the only additional supply of premium retail space in the Golden Triangle up till 2014.

The Manager believes that Pavilion Kuala Lumpur Mall is one of the leading retail properties located in Malaysia given its strategic location on Jalan Bukit Bintang, which is the main shopping, entertainment and tourism district of Kuala Lumpur, strong luxury offers, well-planned tenant mix and dramatic architecture and ambience. Please see Appendix B "Independent Property Market Report" of this Prospectus for further details on the retail property competition faced by Pavilion Kuala Lumpur Mall.

2.4.11 Rights and Easements

UCSB has granted certain rights and easements over Pavilion Kuala Lumpur Mall, including but not limited to:

(i) the residents of the proposed block of serviced suites, the right to access the loading bays located within Pavilion Kuala Lumpur Mall;

(ii) the residents of the two blocks of luxury serviced apartments known as Pavilion Residences, the right to access and use the loading bays located within Pavilion Kuala Lumpur Mall;

(iii) the residents of Pavilion Tower, the right to access and use the loading bays located within Pavilion Kuala Lumpur Mall;

(iv) Urusharta Cemerlang (KL) Sdn Bhd ("UCKL") and Harmoni Perkasa Sdn Bhd, a wholly-owned subsidiary of the Sponsor, respectively:

(a) perpetual easement over Pavilion Kuala Lumpur Mall as required for the passage and provision of water sewage, electricity and other services and utilities located within Pavilion Kuala Lumpur Mall for purposes of and/or to serve the Pavilion Extension and the proposed serviced suites and the right to construct, lay and locate and use in common sewers, pipe, wires, cables ducts and other utilities as may be consented by UCSB;

(b) perpetual easement over Pavilion Kuala Lumpur Mall for the construction, installation, maintenance, entrance to or exit from and the right to tap into all storm, drainage facilities, water, sewer and other utilities lines, tanks, pipes, conduits, ducts, and other utility servicing or located within Pavilion Kuala Lumpur Mall;

(c) perpetual easements over Pavilion Kuala Lumpur Mall as required for ingress and/or egress of vehicles between Pavilion Kuala Lumpur Mall and the site concerned and the right to construct connection/walkway as may be consented by UCSB, as reasonably necessary so as to allow such ingress and egress; and
(d) with respect to UCKL only, perpetual right and title to any and all income and/or receivables as may be derived from all those portions of extension from Pavilion Kuala Lumpur Mall for purposes of connection to the relevant portions of the Pavilion Extension; and

(v) Lumayan Indah Sdn Bhd, the right and perpetual easement to construct and maintain an overhead bridge ("LISB Link Bridge") proposed to be constructed to connect a building erected or to be erected on all that piece of land held under Geran 34208, Lot No. 383 Seksyen 57, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan ("LISB Building") (LISB Link Bridge and LISB Building to be collectively hereinafter referred to as "LISB Property") to Pavilion Kuala Lumpur Mall so as to allow ingress and egress to and from Pavilion Kuala Lumpur Mall and LISB Property.

The acquisition of Pavilion Kuala Lumpur Mall will be subject to the above-mentioned rights and easements granted by UCSB.

The Manager believes that the completion of the construction of all the sites and connectivity between Pavilion Kuala Lumpur Mall and all such sites in the future as described above will encourage shopper traffic to Pavilion Kuala Lumpur Mall.
2. BUSINESS AND SUBJECT PROPERTIES (Cont'd)

2.5 PAVILION TOWER

2.5.1 Vendor

CFSB

2.5.2 Address

75 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia

2.5.3 Description

Pavilion Tower is a 20-storey modern office building with NLA of 167,407 sq ft which was acquired with vacant possession by CFSB from Macorp Sdn Bhd on 10 March 2010 (pursuant to a sale and purchase agreement dated 11 January 2010). It is a commercial property in the Golden Triangle, housing a number of international and local corporations. Pavilion Tower underwent renovations and re-opened for tenanting in the third quarter of 2010. Following the Acquisitions, the Manager will actively seek new tenants.

Pavilion Tower's strengths include its central location in the Golden Triangle, connectivity with Pavilion Kuala Lumpur Mall and state-of-the-art telecommunication technology.

The table below sets out a summary of selected information on Pavilion Tower.

<table>
<thead>
<tr>
<th>Existing use</th>
<th>Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of Subject Property as at 1 June 2011</td>
<td>Four years</td>
</tr>
<tr>
<td>GFA (sq ft)(^{(1)})</td>
<td>243,288</td>
</tr>
<tr>
<td>NLA (sq ft)</td>
<td>167,407</td>
</tr>
<tr>
<td>Appraised Value as at 1 June 2011</td>
<td>RM128,000,000</td>
</tr>
<tr>
<td>Purchase consideration(^{(2)})</td>
<td>RM123,500,000</td>
</tr>
<tr>
<td>Number of tenancies as at 1 June 2011(^{(3)})</td>
<td>15</td>
</tr>
</tbody>
</table>

Notes:

(1) Excludes the car park GFA.

(2) Excludes the Pavilion Tower Related Assets, which will be acquired for RM795,000, subject to adjustments, where applicable.

(3) Determined based on the commencement date stipulated in the respective tenancy agreements.
2. BUSINESS AND SUBJECT PROPERTIES (Cont'd)

2.5.4 Tenant Profile of Pavilion Tower

The major tenants by contribution to NLA Income of Pavilion Tower as at 1 June 2011 are set out below. The major tenants contributed an aggregate of 71.2% to NLA Income of Pavilion Tower and occupy an aggregate of 71.4% of Occupied NLA of Pavilion Tower.

<table>
<thead>
<tr>
<th>Tenants by trade name</th>
<th>Trade sector</th>
<th>Occupied NLA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malton Group(^{(1)})</td>
<td>Property developer</td>
<td>43.0</td>
</tr>
<tr>
<td>Mrail International Sdn Bhd</td>
<td>Locomotive technology provider</td>
<td>14.3</td>
</tr>
<tr>
<td>Clever Eagle Sdn Bhd</td>
<td>Service office</td>
<td>14.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>71.4</strong></td>
</tr>
</tbody>
</table>

Note:

Notwithstanding the above, it should be noted that since 1 July 2011, the largest contributor in terms of Occupied NLA of Pavilion Tower is Aker Engineering Malaysia Sdn Bhd ("Aker"), whose tenancies have been committed as at 1 June 2011 but had only commenced on 1 July 2011. Had Aker’s tenancies commenced on 1 June 2011, the major tenants would have contributed an aggregate of 81.0% to NLA Income of Pavilion Tower while their contribution to Occupied NLA would have been as follows:

<table>
<thead>
<tr>
<th>Tenants by trade name</th>
<th>Trade sector</th>
<th>Occupied NLA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aker</td>
<td>Oil and gas</td>
<td>35.8</td>
</tr>
<tr>
<td>Malton Group</td>
<td>Property developer</td>
<td>27.6</td>
</tr>
<tr>
<td>Mrail International Sdn Bhd</td>
<td>Locomotive technology provider</td>
<td>9.2</td>
</tr>
<tr>
<td>Clever Eagle Sdn Bhd</td>
<td>Service office</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>81.7</strong></td>
</tr>
</tbody>
</table>
2. BUSINESS AND SUBJECT PROPERTIES (Cont’d)

2.5.5 Tenancy Expiry Profile of Pavilion Tower

The table below illustrates the tenancy expiry profile of Pavilion Tower as at 1 June 2011.

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of tenancies expiring</th>
<th>Percentage of Occupied NLA expiring (%)</th>
<th>Average monthly rental of expiring tenancies (RM) (per sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>1</td>
<td>4.9</td>
<td>6.00</td>
</tr>
<tr>
<td>FY2013</td>
<td>12</td>
<td>66.7</td>
<td>5.97</td>
</tr>
<tr>
<td>FY2014 and thereafter</td>
<td>2</td>
<td>28.4</td>
<td>5.75</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100.0</td>
<td>-</td>
</tr>
</tbody>
</table>

Note:
(1) Calculated based on the aggregate of the NLA Income applicable to the expiring tenancies divided by Occupied NLA relating to such expiring tenancies as at 1 June 2011.

In addition to the above, it should be noted that tenancies entered into by Aker in respect of Pavilion Tower, which have been committed as at 1 June 2011 but had only commenced on 1 July 2011, would expire in 2014.

2.5.6 Occupancy Rate and Average Monthly Rental

The Occupancy Rate of Pavilion Tower as at 31 December 2010 and as at 30 June 2011 was 29.6% and 41.4% respectively. Including tenancies which have been committed but yet to commence as at 30 June 2011, the Occupancy Rate for Pavilion Tower as at 30 June 2011 would have been 64.5%.

The average monthly rental of Pavilion Tower for FY2010 and for FPE2011 was RM5.98 and RM5.92 per sq ft respectively (calculated based on the aggregate monthly NLA Income as at the end of the relevant FPE/FY divided by the Occupied NLA as at the end of the relevant FPE/FY).

On the same computation basis with the exception of including tenancies which have been committed but yet to commence as at 30 June 2011, the average monthly rental of Pavilion Tower for FPE2011 was RM5.77.

2.5.7 Expansion and Renovation of Pavilion Tower

(i) Completed by the Vendor

Subsequent to the acquisition of Pavilion Tower by CFSB, renovations were done to the lobby, exterior façade and the lift access and common areas. Additional security systems were also installed.

(ii) Future Opportunities

There are currently no planned asset enhancement initiatives for Pavilion Tower.
2. BUSINESS AND SUBJECT PROPERTIES (Cont'd)

2.5.8 Fire Protection and Safety of Pavilion Tower

Pavilion Tower shares the same fire safety manager as Pavilion Kuala Lumpur Mall who ensures that all fire protection system and equipment (including fire sprinkler systems and accessories) are in working order. Security cameras are installed at fire corridors as well as the lift lobbies.

2.5.9 Office Property Competition

According to the Independent Property Market Consultant, key office locations in Kuala Lumpur include the Golden Triangle, Central Business District and suburban areas (which refers to Kuala Lumpur city fringe areas such as Camansara Heights, Bangsar, Kuala Lumpur Sentral, Mid Valley/Brickfields, Pantai/Kerinchi, Mont Kiara and Kuala Lumpur North). Since 2005, there has been a steady increase in the supply of office space in Kuala Lumpur at an annual average of 2.3 million sq ft of net lettable area. According to the Independent Property Market Consultant, as at the first half of 2011, there are a total of 231 purpose-built office developments in Kuala Lumpur, together offering a cumulative supply of approximately 64.5 million sq ft of net lettable area, of which 41.0% is located in 93 developments in the Golden Triangle, 37.3% is located in 85 developments in the suburban areas and 21.7% is located in 53 developments in the Central Business District. As at the first half of 2011, the vacancy rate for high-grade office space in Kuala Lumpur is approximately 12.6%.

Based on current future supply projections by the Independent Property Market Consultant, as much as 4.0 million sq ft of office space in 10 projects may be added to the Kuala Lumpur office market by end-2011, which equates to 6.2% supply growth. Of this total new supply, 46.3% will be located in the Golden Triangle, 12.2% in the Central Business District and 41.5% in suburban areas.

According to the Independent Property Market Consultant, although it is anticipated that the office market may tip into oversupply at the end of 2011, the Government's efforts in the Economic Transformation Programme to attract multinational corporations to set up regional offices in the country is expected to create new demand for office space in Kuala Lumpur.

As a result of the supply and demand environment for office space in Kuala Lumpur as illustrated above, Pavilion Tower, which has an Occupancy Rate of 41.4% as at 30 June 2011 (or 64.5% if including tenancies which have been committed but yet to commence as at 30 June 2011), faces competition in terms of attracting new tenants particularly with respect to other commercial buildings located within the Golden Triangle and the Central Business District.

Nonetheless, the Manager believes that Pavilion Tower is well-positioned to withstand competition given its location, good infrastructure, modern facilities, excellent amenities and a comprehensive security system as part of the integrated development, Pavilion Kuala Lumpur Project, and a strong management team with a proven track record of success with Pavilion Kuala Lumpur Mall. In addition, given that Pavilion Tower is connected to Pavilion Kuala Lumpur Mall, tenants of Pavilion Tower will enjoy easy access to services and facilities such as banking, food and beverage, entertainment, ample car park space and public transport.
To facilitate further take-up of office space in Pavilion Tower, advertisements have been placed in the newspapers as well as in various locations in Pavilion Kuala Lumpur Mall on the availability of lettable space in Pavilion Tower. Marketing of office space through real estate agents have also been implemented. Upon Listing, the Manager will continue to pursue such initiatives and actively seek out new tenants for Pavilion Tower.

2.6 TENANCY MANAGEMENT

The tenancy agreements entered into for the Subject Properties include terms and conditions relating to the term of the tenancy and the provision of a security deposit as well as renewal, assignment and termination of the tenancy. These terms and conditions may vary and be negotiated on a case-by-case basis to accommodate the specific needs of major tenants.

The tenancy agreements entered into are generally for a three-year term, with the option to renew by the tenant for another three-year term, subject to an increase of rent on terms to be agreed. Certain major tenants have the option to renew their tenancies after a term of three years for up to another three terms of three years each, at the prevailing market rate to be agreed upon by the parties subject to a pre-agreed maximum increase of the monthly rental.

Based on a typical retail tenancy of Pavilion Kuala Lumpur Mall, the monthly rent payable by the tenants will either be the aggregate sum of three components: (i) base rent; (ii) service charge; and (iii) promotional charge, or the turnover rent which is calculated by reference to a fixed percentage of the tenant’s gross total monthly sales turnover or above a specific threshold of the tenant’s gross total monthly sales turnover, whichever is higher. As for retail office tenants of Pavilion Kuala Lumpur Mall and office tenants of Pavilion Tower, the monthly rent payable by its tenants will be the aggregate sum of base rent and service charge. The service charge is a contribution paid by tenants towards the operating expenses of the relevant Subject Property while the promotional charge (payable only by the retail tenants) is a fixed amount on a per sq ft basis assessed on each tenant to fund the marketing activities of the mall.

Tenants are required to provide a security deposit of up to three months of the monthly rental. All tenants are also required to provide utilities, renovation, restoration and mailbox deposits. Security deposits are held on an unsecured basis and do not bear interest on the tenant’s behalf. Base rent, service charges and promotional charges as well as turnover rent (if any) are payable monthly.

The tenancy agreements contain termination clauses whereby a tenant who wishes to pre-terminate its tenancy is required to compensate the landlord for loss of Rental Income until the expiry of the tenancy.
2. BUSINESS AND SUBJECT PROPERTIES (Cont’d)

2.7 INSURANCE

The Subject Properties are currently insured under property and liability insurance policies, with coverage features and insured limits that the Manager believes are appropriate and sufficient given the nature of the properties. The coverage of these insurances policies include property damage caused by fire, lightning and consequential losses (including loss of revenue), equipment damage, machinery breakdown, theft, accidental damage and public liability. There are no significant or unusual excess or deductible amounts required under these policies. The insurance coverage is capped at certain limits.

There are, however, certain types of risks that are not covered by such insurance policies, including acts of war and damages caused by breaches of environmental laws and regulations. The Manager may in the future take up insurance against environmental damage as and when the Manager considers there to be a need to do so.

The insurance policies will be endorsed in favour of the Trustee on the Completion Date of the SPAs.

2.8 CAPITAL EXPENDITURE

As the Subject Properties have only been completed in 2007, the Manager expects that the capital expenditure during the Forecast Period 2011 and the Forecast Year 2012 will be minimal. See Section 4.4.11 “Capital Expenditures” of this Prospectus for details of the capital expenditure committed for the Forecast Period 2011 and the Forecast Year 2012.

2.9 LEGAL PROCEEDINGS

Neither of the Subject Properties nor the Manager is currently involved in any material litigation nor, to the best of the Manager’s knowledge, is any material litigation currently contemplated or threatened against Pavilion REIT or the Manager.

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3. PARTICULARS OF THE OFFERING

3.1 INTRODUCTION

The SC granted its approval for the Offering on 11 October 2011. The approval of the SC shall not be taken to indicate that the SC recommends the Offering. Investors should rely on their own evaluation to assess the merits and risks of the Offering and their investment in Pavilion REIT. In considering the investment, if investors are in any doubt as to the action to be taken, they should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Securities’ approval for the admission of all the Units to be issued to the Official List of the Main Market and for the listing of and quotation for all the said Units was obtained on 28 October 2011. All the Units will be admitted to the Official List of the Main Market and official quotation will commence after receipt of confirmation from Bursa Depository that all the Units have been credited into the respective CDS Account of the Vendors and/or their nominees (pursuant to the Acquisitions) and the successful applicants and the notices of allotment of the Units have been despatched to the said parties. Admission to the Official List of the Main Market shall not be taken as an indication of the merits of Pavilion REIT, the Units, or the Offering.

Pursuant to Section 14(1) of the Central Depository Act, Bursa Securities will prescribe the Units as a prescribed security. Consequently, the Units will be deposited directly with Bursa Depository. Any dealings in the Units will be carried out in accordance with the Deed, the Central Depositories Act and the Rules of Bursa Depository. Unit certificates will not be issued to successful applicants.

Pursuant to the Listing Requirements, at least 25.0% of the total number of Units in issue must be held by a minimum number of 1,000 public unit holders holding not less than 100 Units each upon completion of the Offering and at the point of listing or such other minimum public spread as may be approved by Bursa Securities. The Manager expects to achieve the public unit holding spread requirement at the point of Listing. In the event that the above requirement is not met pursuant to the Offering, Pavilion REIT may not be allowed to proceed with the Listing. In this event, monies paid in respect of all applications will be returned in full without interest.

Investors must have a CDS Account when applying for the Units. In the case of an application by way of an Application Form, applicants should state their CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Application or Internet Application, only an individual who has a CDS Account can make an Electronic Application or Internet Application. For an application by way of Electronic Application, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by keying in his CDS Account number if the instruction on the ATM screen at which he enters his Electronic Application requires him to do so. In the case of an application by way of Internet Application, only an applicant who has an existing account with access to the internet financial services facilities with the Internet Participating Financial Institutions can make an Internet Application. The applicant shall furnish his CDS Account number to the Internet Participating Financial Institutions by keying in his CDS Account number into the online application form. A corporation or institution cannot apply for the Units by way of Electronic Application or Internet Application.
3. **PARTICULARS OF THE OFFERING (Cont’d)**

3.2 **TOTAL FUND SIZE AND UNITS TO BE ISSUED**

The table below sets out the details of the Units.

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund size approved by the SC</td>
<td>3,100,000,000(1)</td>
</tr>
<tr>
<td>Units to be issued to the Vendors as part payment for the Acquisitions</td>
<td>2,210,000,000</td>
</tr>
<tr>
<td>Units to be issued pursuant to the Retail Offering</td>
<td>35,000,000</td>
</tr>
<tr>
<td>Units to be issued pursuant to the Institutional Offering</td>
<td>755,000,000</td>
</tr>
<tr>
<td>Total Units issued upon Listing</td>
<td>3,000,000,000</td>
</tr>
<tr>
<td>Units approved by the SC to be issued as part payment of the Management Fee</td>
<td>100,000,000</td>
</tr>
</tbody>
</table>

Note:
(1) In addition to the fund size of 3.1 billion Units, the SC also granted its approval for the issuance of up to 620 million new Units (together with the corresponding increase in Pavilion REIT’s approved fund size) subject to Unit holders’ approval to be obtained under a general mandate by 31 December 2012. For further details, see Section 12.1 “Approvals and Conditions” of this Prospectus.

There is only one class of units in Pavilion REIT. The Units to be issued, provided that full application monies are paid in full, will rank pari passu in all respects with each other and will be entitled to all distributions that may be declared subsequent to the Listing.

3.3 **PURPOSE OF THE OFFERING**

The purpose of the Offering is as follows:

(i) to obtain a listing of and quotation for the Units on the Main Market to enhance liquidity as compared to the illiquid nature of the underlying Subject Properties;

(ii) to gain access to capital markets in order to raise funds for future real estate acquisitions;

(iii) to provide investors an opportunity to invest in a REIT which provides stable distribution of income and potential capital appreciation on investment in the Units; and

(iv) to enhance the Pavilion brand name.

3.4 **DETAILS OF THE OFFERING**

3.4.1 Retail Offering

Retail Offering at the Retail Price of RM0.88 per Offer Unit, payable in full upon application and subject to refund of the difference, in the event that the Final Retail Price is less than the Retail Price.
The Retail Offering of 35,000,000 Offer Units, representing approximately 1.16% of the total Units issued upon Listing, subject to Clawback and Reallocation, consists of the following:

(i) 31,000,000 Offer Units, representing approximately 1.03% of the total Units issued upon Listing, for application by the Malaysian Public; and

(ii) 4,000,000 Offer Units, representing approximately 0.13% of the total Units issued upon Listing, to the eligible tenants of the Subject Properties, the Directors of the Manager and the eligible employees of the Manager, UCSB, CFSB and KLP in the following manner:

(a) 1,000,000 Offer Units representing 0.03% of the total Units issued upon Listing, to 292 eligible tenants of the Subject Properties;

(b) 1,200,000 Offer Units representing 0.04% of the total Units issued upon Listing, to 12 Directors of the Manager; and

(c) 1,800,000 Offer Units representing 0.06% of the total Units issued upon Listing, to 149 eligible employees of the Manager, UCSB, CFSB and KLP.

The criteria for allocation to the eligible tenants of the Subject Properties are based on, among other things, the length of the period that such tenant has been a tenant of the Subject Properties and the percentage contribution of such tenant to the Rental Income. For the 1,200,000 Offer Units allocated to the Directors of the Manager, each Director will be entitled to subscribe for 100,000 Offer Units. The criteria for allocation to the eligible employees of the Manager, UCSB, CFSB and KLP are based on, among others, confirmation and length of employment as well as job seniority as at 30 September 2011.

3.4.2 Institutional Offering

Institutional Offering to investors (other than Cornerstone Investors) at the Institutional Price payable in full upon allocation and determined by way of bookbuilding, and to the Cornerstone Investors at the Cornerstone Price.

The issue of 755,000,000 Offer Units, representing approximately 25.17% of the total issued Units upon Listing, subject to the Clawback and Reallocation, is available for application by Malaysian and foreign institutional investors and selected investors (which includes Cornerstone Investors).

On 4 November 2011, the Manager, the Cornerstone Investors and certain Joint Bookrunners entered into a master cornerstone subscription agreement in relation to subscription by the Cornerstone Investors for an aggregate of 265,000,000 Offer Units, representing approximately 8.83% of the total Units issued upon Listing, at the Cornerstone Price, subject to the terms of the individual cornerstone subscription agreement. The subscriptions of the Cornerstone Units are also conditional upon, among others, the following:

(i) the entry into the Retail Underwriting Agreement and the Placement Agreement by the parties thereto and the Retail Underwriting Agreement and the Placement Agreement having become unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) by no later than the time and date as specified in the Retail Underwriting Agreement and the Placement Agreement;
3. PARTICULARS OF THE OFFERING (Cont’d)

(ii) the Retail Underwriting Agreement and the Placement Agreement not having been terminated, pursuant to its terms on or prior to the date on which the Cornerstone Units are delivered to the Cornerstone Investor; and

(iii) the respective representations, warranties and undertakings of the Cornerstone Investor in his respective individual cornerstone agreement and the master cornerstone agreement remaining true and accurate on the date on which the Cornerstone Units are delivered to the Cornerstone Investor.

In summary, the Offer Units offered under the Offering (subject to Clawback and Reallocation provision) will be allocated in the following manner:

<table>
<thead>
<tr>
<th>Breakdown of the Offering:</th>
<th>No. of Offer Units</th>
<th>% of total Units upon Listing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail Offering:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysian Public via balloting</td>
<td>31,000,000</td>
<td>1.03</td>
</tr>
<tr>
<td>Eligible tenants of the Subject Properties, the Directors of the Manager and the eligible employees of the Manager, UCSB, CFSB and KLP</td>
<td>4,000,000</td>
<td>0.13</td>
</tr>
<tr>
<td></td>
<td>35,000,000</td>
<td>1.16</td>
</tr>
<tr>
<td><strong>Institutional Offering:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cornerstone Investors</td>
<td>265,000,000</td>
<td>8.83</td>
</tr>
<tr>
<td>Malaysian and foreign institutional investors and selected investors</td>
<td>490,000,000</td>
<td>16.34</td>
</tr>
<tr>
<td><strong>Institutional Offering</strong></td>
<td>755,000,000</td>
<td>25.17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>790,000,000</td>
<td>26.33</td>
</tr>
</tbody>
</table>

3.4.3 Clawback and Reallocation

The Offer Units may be re-allocated to the Institutional Offering from the Retail Offering at the discretion of the JBGCs and the Manager, in the event of an over-subscription in the Institutional Offering and an under-subscription in the Retail Offering.

In the event of an over-subscription in the Retail Offering and an under-subscription in the Institutional Offering, up to 31,000,000 Offer Units (representing 1% of Pavilion REIT’s fund size approved by the SC) will be re-allocated from the Institutional Offering to the Retail Offering, while any additional re-allocation thereof would be at the discretion of the JBGCs and the Manager.

The Clawback and Reallocation provision shall not apply in the event of an over-subscription in both the Retail Offering and in the Institutional Offering.
3. PARTICULARS OF THE OFFERING (Cont’d)

3.4.4 Minimum Subscription

The total cash consideration for the acquisition of the Subject Properties (excluding the Related Assets) is RM1,369.0 million which will be partly funded via RTL1 of up to RM900.0 million. As such, Pavilion REIT would be required to raise at least RM469.0 million from the Offering to be able to fully satisfy the cash consideration for the acquisition of the Subject Properties. In view of the above, the minimum subscription in terms of proceeds to be raised from the Offering would amount to RM469.0 million. For the avoidance of doubt, the cash consideration for the acquisition of the Related Assets of RM9.6 million will be fully funded under RTL2.

In addition, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of Units to be acquired will be such number of Units required to be held by public Unitholders for Pavilion REIT to comply with public spread requirements. Furthermore, if the Offering is not completed and/or the Manager decides in its absolute discretion not to proceed with the Listing, monies paid in respect of any application for the Offer Units will be returned to the applicants without interest.

3.5 INDICATIVE TIMETABLE

An indicative timetable for the Offering is set out below:

<table>
<thead>
<tr>
<th>Date and time(1)</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 November 2011</td>
<td>Opening of the Institutional Offering</td>
</tr>
<tr>
<td>14 November 2011, 10.00 a.m.</td>
<td>Opening date and time for the Retail Offering</td>
</tr>
<tr>
<td>21 November 2011, 5.00 p.m.</td>
<td>Closing date and time for the Retail Offering</td>
</tr>
<tr>
<td>23 November 2011</td>
<td>Closing of the Institutional Offering</td>
</tr>
<tr>
<td>23 November 2011</td>
<td>Price Determination Date</td>
</tr>
<tr>
<td>24 November 2011</td>
<td>Balloting of applications for Offer Units pursuant to the Retail Offering for the Malaysian Public portion</td>
</tr>
<tr>
<td>5 December 2011</td>
<td>Allotment of Offer Units to successful applicants</td>
</tr>
<tr>
<td>7 December 2011</td>
<td>Listing of Pavilion REIT on the Main Market</td>
</tr>
</tbody>
</table>

Note:

(1) The above timetable is indicative only and is subject to change. The Institutional Offering will open and close at the dates stated above or such other date or dates as the Manager and the Joint Bookrunners may mutually decide in their absolute discretion. The application for the Units offered under the Retail Offering will open and close at the dates stated above or such other date or dates as the Manager and the Joint Principal Advisers may mutually decide in their absolute discretion.

If either the Institutional Offering or the Retail Offering is extended, the Price Determination Date and dates for the balloting, allotment of Units and Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.
3. PARTICULARS OF THE OFFERING (Cont'd)

3.6 BASIS OF DETERMINING THE PRICE OF THE OFFER UNITS

3.6.1 Retail Price

The Retail Price of RM0.88 per Unit was determined and agreed upon by the Manager, the Joint Principal Advisers, the JBGC and the Joint Underwriters after taking into consideration the following factors:

(i) the financial history and condition of the Subject Properties;
(ii) the pro forma NAV per Unit upon Listing of RM0.94;
(iii) the forecasted distribution yields of Pavilion REIT;
(iv) the future prospects of Pavilion REIT; and
(v) the prevailing capital and property market conditions and sentiments.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date and will be equal to the lower of:

(i) the Retail Price of RM0.88 per Unit; and
(ii) the Institutional Price.

Prospective retail investors should be aware that the Final Retail Price will not, in any event, be higher than the Retail Price.

The Final Retail Price and the Institutional Price are expected to be announced within two Market Days from the Price Determination Date via Bursa LINK. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment.

Applicants should also note that the market price of the Units upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the price of the Units.

3.6.2 Institutional Price

The Institutional Price will be determined by way of bookbuilding wherein prospective investors will be invited to bid for portions of the Institutional Offering by specifying the number of Offer Units that they would be prepared to acquire and the price that they would be prepared to pay for the subscription. This bookbuilding process is expected to start on 11 November 2011 and will end on 23 November 2011 or such other dates as the Manager and the Joint Bookrunners may decide at their absolute discretion. Upon completion of the bookbuilding process, the Institutional Price will be fixed via agreement between the Manager and the Joint Bookrunners on the Price Determination Date, in consultation with the Joint Global Coordinators.

3.6.3 Cornerstone Price

The price payable by the Cornerstone Investors for the Cornerstone Units shall be the lower of RM0.90 per Unit and the Institutional Price, after taking into consideration of a slight potential premium to the Retail Price, the commitment provided by the Cornerstone Investors in subscribing the Offer Units prior to the commencement of the Institutional Offering and the lock-up agreed by the Cornerstone Investors as set out in Section 3.12 "Lock-up Arrangements" of this Prospectus.
3. PARTICULARS OF THE OFFERING (Cont'd)

3.6.4 Refund Mechanism

In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded without any interest thereon. The refund in the form of cheques will be despatched by ordinary mail to the address as stated in Bursa Depository’s records for applications made via the Application Form, Electronic Application and Internet Application, of the successful applicants, within 10 Market Days from the final ballot of the application, at the successful applicants’ own risk.

3.6.5 Expected Market Capitalisation

Based on an illustrative Average Offering Price of RM0.88 per Offer Unit and the listing of 3,000,000,000 Units, the total market capitalisation of Pavilion REIT upon Listing is estimated to be approximately RM2,640,000,000.

3.7 LISTING SCHEME

In conjunction with, and as an integral part of the Listing, the Manager will undertake the listing scheme, as follows:

3.7.1 Acquisitions

On 18 October 2011, the Trustee on behalf of Pavilion REIT entered into the SPAs with the Vendors for the acquisition of the Subject Properties and the Related Assets for a total purchase consideration of RM3,323,401,000:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Purchase consideration RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquired from UCSB</td>
<td></td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall</td>
<td>3,190,300</td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall Related Assets</td>
<td>8,806</td>
</tr>
<tr>
<td>Total</td>
<td>3,199,106</td>
</tr>
<tr>
<td>Acquired from CFSB</td>
<td></td>
</tr>
<tr>
<td>Pavilion Tower</td>
<td>123,500</td>
</tr>
<tr>
<td>Pavilion Tower Related Assets</td>
<td>795</td>
</tr>
<tr>
<td>Total</td>
<td>124,295</td>
</tr>
<tr>
<td>Grand total</td>
<td>3,323,401</td>
</tr>
</tbody>
</table>

In aggregate, the Subject Properties (excluding the Related Assets) will be acquired for a purchase consideration of RM3,313,800,000, which represents a discount of 6.47% to the Appraised Value of RM3,543,000,000.
3. PARTICULARS OF THE OFFERING (Cont'd)

Pavilion REIT will be acquiring the Related Assets in order for it to undertake daily maintenance and operations of the Subject Properties. The purchase consideration payable in respect of the Related Assets of RM9,601,000 is based on the Vendors' estimate of the net book value of the Related Assets as at the Completion Date of the SPAs. The purchase consideration of the Related Assets will be adjusted to the actual net book value of the Related Assets in the Vendors' book immediately prior to the Completion Date of the SPAs (to be certified by an external auditor to be mutually appointed by the parties in writing) subject always that the adjusted purchase consideration of the Related Assets shall not be more than RM9,601,000. The total purchase consideration for the Acquisitions of RM3,323,401,000 will be satisfied through:

(i) the issuance of the Consideration Units; and
(ii) RM1,378,601,000 in cash, which in turn will be funded through the proceeds from the Offering and funds received from the drawdown of a portion of the New Debt Facilities.

Pavilion REIT will acquire the Subject Properties and the Related Assets in accordance with the terms of the SPAs. As at the date of this Prospectus, the Acquisitions are still pending completion. For further details of the SPAs, see Section 14.3 "Salient Terms of the SPAs" of this Prospectus.

Note that if either SPA is not completed in accordance with the terms therein contained, there will be no Acquisitions by Pavilion REIT and the Listing will not proceed, and Pavilion REIT will be unwound in accordance with the terms of the Deed. In the event Units have been allotted, the Unitholders who were allotted Units under the Offering will only receive their monies following the completion of the winding up of Pavilion REIT in accordance with the terms of the Deed.

3.8 REIT FINANCING

Assuming full subscription under the Offering and based on an illustrative Average Offering Price of RM0.88, Pavilion REIT is expected to draw down approximately RM730.6 million from the New Debt Facilities to partially finance the Acquisitions. Based on Pavilion REIT's Consolidated Pro Forma Statement of Financial Position, Pavilion REIT will have an initial gearing of approximately 20.1% of its Total Asset Value. Details of the New Debt Facilities are as follows:

The Lenders will grant to PRVC the following debt facilities:

(i) **RTL1** - a revolving term loan facility of up to RM900.0 million to part finance the acquisition of the Subject Properties and future acquisitions by Pavilion REIT bearing a floating interest rate of the Lenders' cost of funds plus a margin of 0.8% to 1.0% per annum; and

(ii) **RTL2** - a revolving term loan facility of up to RM100.0 million to finance general working capital of Pavilion REIT (including acquisition of the Related Assets) bearing a floating interest rate of the Lenders' cost of funds plus a margin of 1.0% to 1.1% per annum.
In addition, in respect of PRVC BG/RTL3, Alliance Bank Malaysia Berhad will grant to PRVC a bank guarantee facility 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 PRVC BG bearing a floating interest rate of the Lender’s cost of funds plus a margin of 1.0% to 1.1% per annum.

The cost of funds of each Lender shall be determined individually by each Lender. For the Forecast Period 2011 and Forecast Year 2012, the Manager has assumed an all-in interest rate of 4.5% and 4.6% for RTL1 and RTL2 respectively, which is in line with the applicable market rates as at the Latest Practicable Date. A commission of 1% per annum would apply on any amount issued under the PRVC BG.

Following the determination of the actual proceeds to be raised under the Offering, the actual amount to be drawn down under RTL1 will be determined and set out in a supplemental agreement to the facility agreement dated 3 November 2011 ("Facility Agreement").

RTL1 and RTL2 will each have a maturity of five years from first drawdown of RTL1 and PRVC BG/RTL3 will be repayable on demand and subject to annual renewal at Alliance Bank Malaysia Berhad’s consent. During the tenure of RTL1 and RTL2, PRVC shall pay a commitment fee of 0.20% to 0.35% per annum from the date of the first drawdown of RTL1 on the unutilised portion of RTL1 and RTL2 on a quarterly basis and in arrears to the Lenders.

Pursuant to the terms of the Facility Agreement for the New Debt Facilities, the Manager has the option to establish a Commercial Paper/Medium Term Notes programme within four years from first drawdown of RTL1. Upon the establishment of the Commercial Paper/Medium Term Notes programme, the New Debt Facilities (save for the PRVC BG/RTL3 facility) will have a maturity of up to seven years from first drawdown of RTL1.

The New Debt Facilities will be secured against, among others, the following:

(i) legal assignment over all of Pavilion REIT’s rights title interest and benefit in and to the Subject Properties and an irrevocable power of attorney to dispose of the Subject Properties after occurrence of an event of default or early disposal event as the case may be.

Upon issuance of strata titles for the Subject Properties, first legal charge pursuant to the National Land Code 1965 shall be created in favour of the Lenders’ security agent over the Subject Properties;

(ii) legal assignment of all Pavilion REIT’s rights title interest and benefit under the sale and purchase agreements (including the SPAs) and/or tenancy agreements and/or lease agreements and/or like agreements in relation to sale of the Subject Properties and/or as the case may be the letting and/or leasing of the Subject Properties (including without limitation any and all consideration and/or proceeds of sale and/or rental payable thereunder);

(iii) a guarantee and indemnity from the Trustee in respect of all indebtedness under the New Debt Facilities and the senior secured notes under the Commercial Paper/Medium Term Notes programme;
(iv) first fixed charge over all shares of PRVC;

(v) a debenture creating first fixed and floating charge over assets properties and undertakings of PRVC;

(vi) first fixed charge and assignment over relevant designated accounts; and

(vi) a letter of undertaking from the Manager whereby the Manager undertakes, inter alia, to deposit into the relevant designated accounts all consideration and rental proceeds generated from the Subject Properties, all claims from insurance proceeds paid and all claims from bank guarantees in respect of tenants' and lessees' obligations in relation to each of the Subject Properties.

The above securities shall be shared on a pari passu basis between the Lenders and the holders of the senior secured notes under the Commercial Paper/Medium Term Notes programme upon the establishment of the Commercial Paper/Medium Term Notes programme.

In relation to the designated accounts referred to in item (vi) above, the Lenders will be authorised to take over the operations of such accounts after the occurrence of an event of default under the Facility Agreement.

The New Debt Facility agreements will have a number of covenants customary to financings of this nature including covenants which may limit the ability of Pavilion REIT to declare distributions to Unitholders or to incur further borrowings as follows:

(i) Pavilion REIT's security margin shall not be less than 2.0 times throughout the term of the New Debt Facilities, with the security margin calculated as the aggregate open market value of the Subject Properties which are charged and/or assigned by way of security to the security agent divided by the total principal amount outstanding under the New Debt Facilities and/or the senior secured notes under the Commercial Paper/Medium Term Notes programme, as appropriate;

(ii) Pavilion REIT's interest coverage ratio shall not be less than 2.0 times throughout the term of the New Debt Facilities, with the interest coverage ratio calculated as the aggregate of designated account balances at the beginning of the relevant period and NPI for that period divided by the aggregate amount or coupon and other finance payment in respect of the New Debt Facilities and/or the senior secured notes under the Commercial Paper/Medium Term Notes programme, as appropriate, for that period (whether the same has been paid or otherwise); and

(iii) Pavilion REIT's gearing ratio shall not exceed 0.5 times throughout the term of the New Debt Facilities, with the gearing ratio calculated as the consolidated outstanding borrowings/indebtedness of Pavilion REIT divided by the Total Asset Value of Pavilion REIT.
3. PARTICULARS OF THE OFFERING (Cont’d)

3.9 USE OF PROCEEDS

Based on an illustrative Average Offering Price of RM0.88 per Offer Unit, the Offering is expected to raise gross proceeds of RM695,200,000 arising from the issuance of 790,000,000 Offer Units.

The total cash proceeds raised from the Offering are intended to be used towards the following:

(i) payment of listing expenses;
(ii) working capital; and
(iii) part payment of the purchase consideration for the Acquisitions.

Assuming full subscription under the Offering and based on an illustrative Average Offering Price of RM0.88, the following table represents a best estimate of the Manager’s allocation of the gross proceeds from the Offering.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>(RM’000)</th>
<th>Timeframe for utilisation from date of receipt of proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listing expenses(1)</td>
<td>42,000</td>
<td>Immediate</td>
</tr>
<tr>
<td>Working capital</td>
<td>5,200</td>
<td>Within 12 months</td>
</tr>
<tr>
<td>Part payment of the purchase consideration for the Acquisitions(2)</td>
<td>648,000</td>
<td>Immediate</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>695,200</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(1) Listing expenses include estimated expenses incurred in relation to the Offering. If the actual listing expenses are less than the estimated amount, the excess cash shall be used for working capital purposes. Any shortfall will be met from proceeds set aside for working capital purposes. Breakdown of the estimated listing expenses are as follows:

<table>
<thead>
<tr>
<th>Expenses</th>
<th>(RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting fees and commissions, placement commission and brokerage</td>
<td>21,500</td>
</tr>
<tr>
<td>Professional and advisory fees</td>
<td>11,300</td>
</tr>
<tr>
<td>Regulatory fees</td>
<td>450</td>
</tr>
<tr>
<td>Other Offering-related expenses and contingencies</td>
<td>8,750</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42,000</strong></td>
</tr>
</tbody>
</table>

(2) The balance of the purchase consideration for the Acquisitions will be settled via the issuance of Consideration Units and proceeds raised from the New Debt Facilities.
3. PARTICULARS OF THE OFFERING (Cont’d)

Any variation to the actual proceeds to be raised or actual listing expenses from the estimated amounts stated above will be adjusted to the amounts to be applied toward part payment of the purchase consideration for the acquisition of the Subject Properties, subject to an adequate amount being allocated for working capital purposes, which the Manager estimates to be in the range of RM5.0 million to RM15.0 million. In turn, this will have an effect on the amount of proceeds to be raised from the New Debt Facilities. For example, if the actual proceeds to be raised is higher than the estimated amount of RM695.2 million, the amount used for part payment of the purchase consideration for the acquisition of the Subject Properties will be correspondingly higher. As a result, the amount of proceeds to be raised from the New Debt Facilities will be correspondingly lower in view that the cash consideration component of the Acquisitions has been fixed at RM1,378.6 million. The converse effect would apply if the actual proceeds to be raised is lower than the said estimated amount.

3.10 BROKERAGE, COMMISSIONS AND OTHER FEES AND CHARGES PAYABLE DIRECTLY BY UNITHOLDERS

3.10.1 Brokerage

Pavilion REIT will bear brokerage relating to the Offer Units made available for application under the Retail Offering at the rate of 1.0% of the Retail Price in respect of successful applications which bear the stamp of CIMB, Maybank IB, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

The Joint Bookrunners are entitled to charge brokerage to successful applicants under the Institutional Offering (including Cornerstone Investors). For avoidance of doubt, brokerage commission under the Institutional Offering will not be payable by Pavilion REIT.

3.10.2 Commissions

Pursuant to the Retail Underwriting Agreement, the Joint Underwriters have agreed to underwrite the Offer Units under the Retail Offering at an underwriting commission of 2.0% of the amount equal to the Retail Price multiplied by the number of Offer Units under the Retail Offering.

Pavilion REIT will bear the underwriting commission of RM616,000 in respect of the Offer Units offered under the Retail Offering.

Pursuant to the Placement Agreement to be entered into by the relevant parties, Pavilion REIT will agree to pay the Joint Bookrunners, in aggregate, a placement commission of up to 3.0% of the amount equal to the gross proceed raised under the Institutional Offering being the number of Offer Units under the Institutional Offering at the Institutional Price and the Cornerstone Price, as the case may be.
3. PARTICULARS OF THE OFFERING (Cont’d)

3.10.3 Fees and Charges Payable Directly by Unitholders

The following is a summary of the amount of certain fees and charges payable by the Unitholders in connection with the purchase, sale and holding of their investments in Pavilion REIT or trading of the Units (so long as the Units are listed):

<table>
<thead>
<tr>
<th>Payable by the Unitholders directly</th>
<th>Amount payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Bursa Securities clearing fee</td>
<td>0.03% of the transaction value, subject to a maximum of RM1,000 per transaction</td>
</tr>
<tr>
<td>(b) Brokerage</td>
<td>A percentage of the transaction value prescribed or negotiated by the ADAs</td>
</tr>
<tr>
<td>(c) Stamp duty</td>
<td>RM1.00 for every RM1,000 or fractional part of the transaction value, subject to a maximum of RM200 per transaction</td>
</tr>
</tbody>
</table>

The above rates may be subject to changes by the relevant parties. Further information on the charges you may incur from the trading of Units on Bursa Securities may be found on Bursa Malaysia Berhad’s website at www.bursamalaysia.com.

3.11 SALIENT TERMS OF THE RETAIL UNDERWRITING AGREEMENT

Subject to the terms and conditions contained in the Retail Underwriting Agreement, the Joint Underwriters agreed to underwrite the 35,000,000 Offer Units under the Retail Offering at the Retail Price of RM0.88 per Unit, subject to the Clawback and Reallocation provision. For their services, the Joint Underwriters will receive an underwriting commission of RM616,000 which will be borne by Pavilion REIT.

Conditions Precedent

The obligation of the Joint Underwriters to underwrite the Units under the Retail Offering under the Retail Underwriting Agreement is conditional on various conditions, including, among others, the following:

(i) the approval of Bursa Securities for the Listing being obtained on terms acceptable to the Joint Underwriters and the approvals of the SC and Bursa Securities remaining in full force and effect and that all conditions (except for any which can only be complied with after the Offering has been completed) have been complied with or otherwise waived by Bursa Securities or the SC as the case may be;

(ii) the execution of the Placement Agreement and the Placement Agreement not having been terminated or rescinded pursuant to the provisions thereof;
(iii) the Offering has not been prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any jurisdiction within which such Offer Units are offered and all consents, approvals, authorisations or other orders required by the Sponsor, the Trustee and/or the Manager under such laws for or in connection with the Offering and/or the Listing have been obtained and are in force up to the date of closing of the Retail Offering ("Closing Date");

(iv) the SPAs becoming unconditional in accordance with their respective terms;

(v) the Joint Underwriters having been satisfied that the Manager, the Trustee and the Sponsor having complied with and that the Offering is in compliance with the policies, guidelines and requirements of Bursa Securities; and

(vi) the execution of the deeds in connection with the lock-up arrangements (as described in Section 3.12 "Lock-Up Arrangements" of this Prospectus) ("Lock-Up Deeds") and the undertakings contained in the Lock-Up Deeds remaining in full force and effect and have not been breached.

If any of the conditions precedent described above, to the extent not waived, are not satisfied within three Market Days from the Closing Date, the Joint Underwriters shall be entitled to jointly terminate the Retail Underwriting Agreement.

Termination

Notwithstanding anything contained in the Retail Underwriting Agreement, CIMB and Maybank IB acting under the instructions in writing of any two or more Joint Underwriters who have agreed to underwrite, in aggregate 50% or more of the total underwritten Units provided that two of whom shall be CIMB and Maybank IB ("Majority Joint Underwriters"), may terminate, cancel and withdraw the Joint Underwriters respective underwriting commitment upon the occurrence of any of the following:

(i) there is any breach by the Sponsor or the Manager of any of the representations, warranties or undertakings contained in the Retail Underwriting Agreement or which is contained in any certificate under or in connection with the Retail Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within seven days from receipt of the notice of such breach being given to the Sponsor or the Manager by CIMB or Maybank IB or by the Closing Date, whichever is the earlier;

(ii) matters have arisen or been discovered which would, if the Offering were made at that time, render any statement in this Prospectus materially untrue, incorrect, inaccurate or misleading or constitute a material omission therefrom;

(iii) there is failure on the part of the Sponsor or the Manager to perform any of its obligations contained in the Retail Underwriting Agreement;

(iv) there is withholding of information of a material nature from the Joint Underwriters which is required to be disclosed pursuant to the Retail Underwriting Agreement which, in the opinion of the Joint Underwriters, would have a material adverse effect, or affect the success of the Offering, or the distribution or the sale of the Offer Units issued or to be issued under the Offering;
in the event that the Listing does not take place by 7 December 2011 or such extended date as may be agreed upon by CIMB and Maybank IB or procured but subject to conditions not acceptable to CIMB and Maybank IB;

(vi) the Closing Date does not occur within 30 calendar days from the date of issue of this Prospectus or such extended date as may be agreed upon by CIMB and Maybank IB;

(viii) the occurrence of any of the following events:

(a) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and financing rates), political or economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Majority Joint Underwriters is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market) on the value or price of the Offer Units or a material adverse effect on the Listing or the Offering. For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI Index ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day:

(1) on or after the date of the Retail Underwriting Agreement; and

(2) prior to the Listing Date,

lower than 15% of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least three consecutive Market Days or any other adverse change in the market conditions which the Majority Joint Underwriters agree to be sufficiently material and adverse to render it to be a terminating event, it shall be deemed a material adverse change in the stock market condition;

(b) any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities (including those relating to taxation) which in the view of the Majority Joint Underwriters has/likely to have a material adverse effect or the effect of making any obligations under the Retail Underwriting Agreement incapable of performance in accordance with its terms or the effect of prejudicing the success of the Offering;

(c) acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which in the view of the Majority Joint Underwriters and Joint Underwriters has or is likely to have the effect of making any material part of the Retail Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Offering or pursuant to the underwriting of the underwritten Units;
3. PARTICULARS OF THE OFFERING (Cont'd)

(d) any government requisition or occurrence of any other nature whatsoever which is in the reasonable view of the Majority Joint Underwriters is likely to have a material adverse effect on the business, operations, financial conditions or prospects of the Manager, Pavilion REIT, the Subject Properties or the success of the Offering;

(e) any of the approvals, inter alia, from the SC or Bursa Securities for the Listing being revoked or otherwise not remaining in full force and effect;

(f) any event that has a material adverse effect;

(g) any occurrence of any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict which in the reasonable view of the Joint Underwriters has/is likely to have a material adverse effect or the effect of making any obligations under the Retail Underwriting Agreement incapable of performance in accordance with its terms; or

(h) there shall have occurred a suspension, moratorium or material restriction of all trading in all securities generally on the Bursa Securities;

(ix) if the SC or any other relevant regulatory authority issues an order or ruling (or revoke any ruling previously made) pursuant to Malaysian laws which has the effect of preventing the Listing; or

(x) the Placement Agreement has been terminated or rescinded in accordance with the terms thereof.

Upon the issuance of the termination notice being received by the Manager and the Sponsor, the Manager, Sponsor and the Joint Underwriters shall be released and discharged of their obligations without prejudice to their respective rights under the Retail Underwriting Agreement, and the Retail Underwriting Agreement shall be of no further force and effect and no party hereto shall be liable under any liability to any other parties hereto in respect of the Retail Underwriting Agreement, except for the following:

(i) the Manager shall, pay the underwriting commission or the broken funding costs (as the case may be) and the costs and expenses as described in the Retail Underwriting Agreement; and

(ii) the Sponsor and the Manager shall continue to be liable to indemnify the Joint Underwriters pursuant to the terms of the Retail Underwriting Agreement.
3.12 LOCK-UP ARRANGEMENTS

Manager

Subject to the exceptions described below, the Manager has agreed with the Joint Bookrunners that it will not without the prior written consent of each of the Joint Bookrunners, for the Lock-up Period:

(i) directly or indirectly, offer, issue, sell, contract to issue or sell, grant any option to purchase, grant security over, encumber, pledge, mortgage, charge or otherwise dispose or agree to dispose of, any Units or any securities convertible into or exercisable or exchangeable for Units or which carry rights to subscribe for or purchase Units;

(ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Units (or any securities convertible into or exchangeable or exercisable for repayable with any Units or which carry rights to subscribe for or purchase any Units) whether such swap, hedge or transaction is to be settled by delivery of Units or other securities, in cash or otherwise;

(iii) deposit any Units or securities convertible into or exchangeable for or which carry rights to subscribe or purchase Units in any depository receipt facility whether any such transaction described above is to be settled by delivery of the Units of such other securities, in cash or otherwise; or

(iv) enter into a transaction which is designed or which may reasonably be expected to result in any of the above or publicly announce any intention to do any of the above.

The restrictions described in the preceding paragraph do not apply to the issuance of (i) Units to be offered under the Offering; (ii) the Consideration Units and (iii) Units to the Manager in payment of any Management Fee.

Major Unitholders

Subject to the exceptions described below, the Major Unitholders have agreed with certain Joint Bookrunners that they will not, without the prior written consent of the relevant Joint Bookrunners, for the Lock-up Period:

(i) directly or indirectly, offer, sell, contract to sell, grant any option to purchase, grant security over, encumber, pledge, mortgage, charge or otherwise dispose or agree to dispose of, any Units or any securities convertible into or exercisable or exchangeable for Units or which carry rights to subscribe for or purchase Units;

(ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Units (or any securities convertible into or exchangeable or exercisable for repayable with any Units or which carry rights to subscribe for or purchase any Units) whether such swap, hedge or transaction is to be settled by delivery of Units or other securities, in cash or otherwise;
(iii) deposit any Units or securities convertible into or exchangeable for or which carry rights to subscribe or purchase Units in any depository receipt facility whether any such transaction described above is to be settled by delivery of the Units or such other securities, in cash or otherwise; or

(iv) enter into a transaction which is designed or which may reasonably be expected to result in any of the above or publicly announce any intention to do any of the above.

The restrictions described in the preceding paragraph do not apply to:

(i) the transfer, sale or disposal of any Lock-Up Units to a custodian, trustee or nominee for the Major Unitholders (the "Permitted Transferee"), provided that the Major Unitholders procures that the Permitted Transferee executes and delivers to the relevant Joint Bookrunners a written undertaking to the effect that the Permitted Transferee recognises and will comply with the foregoing restrictions set forth in the lock-up deed to remain in effect for the remainder of the Lock-up Period. In circumstances where such Permitted Transferee acts solely for and at the instructions of the Major Unitholders, the Permitted Transferee shall not be obliged to make any written undertaking to the relevant Joint Bookrunners, as, for the purposes of the lock-up deed, the Major Unitholders shall remain bound to ensure compliance with the lock-up deed; and

(ii) the creation of a charge over any Lock-up Units or otherwise grant of security over or creation of any encumbrance over any Lock-up Units by the Major Unitholders, provided that such charge, security or encumbrance can only be enforced after the end of the Lock-up Period. In the case of Datuk Lim Siew Choon and Datin Tan Kewi Yong only, the exception under this item (ii) may entail a transfer by the relevant Major Unitholders of the encumbered Lock-up Units to the relevant Major Unitholders’ financiers or custodian, trustee or nominee for the relevant Major Unitholders’ financiers.

Cornerstone Investors

The Cornerstone Investors have agreed with the Manager and certain of the Joint Bookrunners that without the prior written consent of the Manager and the relevant Joint Bookrunners, they will not whether directly or indirectly, at any time during the period of one month following the Listing Date, dispose or permit the disposal of any of the Cornerstone Units or any interest in any company or entity holding any of the Cornerstone Units.

3.13 TRADING ON THE MAIN MARKET AND SETTLEMENT IN THE SECONDARY MARKET

Upon listing and quotation on the Main Market, the Units will be traded on the Main Market and transferred by book-entry settlement through CDS, which will be effected in accordance with the Rules of Depository, as amended from time to time, and the provisions of the Central Depositories Act. Bursa Depository operates the CDS.
3. PARTICULARS OF THE OFFERING (Cont'd)

Unitholders are required under the Rules of Depository to maintain CDS Accounts, either directly in their name or through authorised nominees. Persons whose names appear in the record of depositors maintained by Bursa Depository will be treated as Unitholders in respect of the number of Units credited to their respective securities accounts.

Transfer of Units under the book-entry settlement will be reflected by the seller’s CDS Account being debited with the number of Units sold and the buyer’s CDS Account being credited with the number of Units acquired. No transfer stamp duty is currently payable for the Units that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

Dealings in units of REIT’s listed on the Main Market are normally transacted in “board lots” of 100 units. Investors who desire to deal in less than 100 units of a listed REIT occasionally experience delays in effecting such transaction.

It is expected that the Units offered under the Offering will commence trading on the Main Market approximately 9 Market Days after the close of the Institutional Offering. Subscribers of the Units will not be able to sell or otherwise deal in the Units prior to the commencement of trading on the Main Market. See Section 5.3.15 "Risk Factors – Risks Relating to an Investment in the Units – Failure in the Listing may result in refund in monies without interest" of this Prospectus for further details.

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4.1 CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION

As at the date of its establishment, Pavilion REIT did not have any assets and liabilities. The following table presents Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position as at the Listing Date, prepared for illustrative purposes only, to show the effects of the Acquisitions and the Offering based on the assumption that such events had been effected on the date of establishment of Pavilion REIT and are not represented as being necessarily indicative of Pavilion REIT’s view of its future financial position. Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position should be read in conjunction with the “Reporting Accountants’ Letter on the Consolidated Pro Forma Statement of Financial Position” in Appendix D and the related notes in this Prospectus.

Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position have been prepared on the basis of the preparation and accounting policies as set out in the “Reporting Accountants’ Letter on the Consolidated Pro Forma Statement of Financial Position” in Appendix D of this Prospectus, and in a manner consistent with the format and the accounting policies to be adopted by Pavilion REIT.

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4. **FINANCIAL INFORMATION (Cont'd)**

Pavilion REIT's Consolidated Pro Forma Statement of Financial Position as at the Listing Date

(UNAUDITED) (RM'000)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, Plant &amp; Equipment</td>
<td>8,600</td>
</tr>
<tr>
<td>Investment Properties</td>
<td>3,543,000</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>3,551,600</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,001</td>
</tr>
<tr>
<td>Other Receivables</td>
<td>754</td>
</tr>
<tr>
<td>Cash and Bank Balances</td>
<td>79,061</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>80,816</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>3,632,416</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unitholders' Fund</td>
<td>2,827,200</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>2,827,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>730,601</td>
</tr>
<tr>
<td>Other Payables</td>
<td>72,013</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td>802,614</td>
</tr>
<tr>
<td>Other Payables</td>
<td>2,602</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>2,602</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>805,216</td>
</tr>
</tbody>
</table>

| Total Equity and Liabilities                | 3,632,416 |
| NAV (RM'000)                                | 2,827,200 |
| Units in issue ('000)                       | 3,000,000 |
| NAV per Unit (RM)                           | 0.94   |
Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position as at the Listing Date illustrates the effects of the Acquisitions and the Offering, based on the assumption that such events had been effected on the date of establishment of Pavilion REIT. As at the date of its establishment, Pavilion REIT did not have any assets and liabilities.

Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position as at the Listing Date was prepared based on the following listing scheme:

(i) In accordance with the SPAs, Pavilion REIT (via the Trustee) will acquire the Subject Properties and the Related Assets for a total purchase consideration of RM3,323,401,000:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Purchase consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acquired from UCSB</strong></td>
<td></td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall</td>
<td>3,190,300</td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall Related Assets</td>
<td>8,806</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,199,106</strong></td>
</tr>
<tr>
<td><strong>Acquired from CFSB</strong></td>
<td></td>
</tr>
<tr>
<td>Pavilion Tower</td>
<td>123,500</td>
</tr>
<tr>
<td>Pavilion Tower Related Assets</td>
<td>795</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>124,295</strong></td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>3,323,401</strong></td>
</tr>
</tbody>
</table>

The acquisition of the Subject Properties and the Related Assets will be financed through:

(a) the issuance of the Consideration Units; and

(b) cash consideration of RM1,378,601,000, which will be funded through the proceeds from the Offering and funds received from the drawdown of a portion of the New Debt Facilities.

Pavilion REIT will be acquiring the Related Assets in order for it to undertake daily maintenance and operations of the Subject Properties. The purchase consideration payable in respect of the Related Assets is based on the Vendors’ estimate of the net book value of the Related Assets as at the Completion Date of the SPAs. This may be adjusted downwards as at the Completion Date of the SPAs.

In the preparation of Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position, it is assumed that no adjustments will be made to the purchase consideration of the Related Assets and the carrying values of the Related Assets.
4. **FINANCIAL INFORMATION (Cont’d)**

In addition, the following assets and liabilities will also be transferred to Pavilion REIT at their respective carrying value in the accounts of UCSB and CFSB as at the Completion Date of the SPAs. In preparation of this consolidated pro forma financial position, the following assets and liabilities have been set out based on their respective carrying value in the accounts of UCSB and CFSB as at 30 June 2011, which were prepared in accordance with approved accounting standards in Malaysia.

<table>
<thead>
<tr>
<th>Assets</th>
<th>RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments and deposits</td>
<td>754</td>
</tr>
<tr>
<td>Cash and cash equivalent from tenants' deposits</td>
<td>73,861(1)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>74,615</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other payables – tenants' deposits</td>
<td>(74,615)</td>
</tr>
</tbody>
</table>

Note:
(1) Cash and cash equivalents from tenants’ deposits will be transferred to Pavilion REIT by UCSB and CFSB after netting off the deposits and prepayments to be reimbursed to UCSB and CFSB, by Pavilion REIT.

(ii) Offering of 790,000,000 Offer Units which comprise the following:

(a) Retail Offering

35,000,000 Offer Units to the Malaysian Public, the eligible tenants of the Subject Properties, the Directors of the Manager and the eligible employees of the Manager, UCSB, CFSB and KLP.

(b) Institutional Offering

755,000,000 Offer Units to Malaysian and foreign institutional investors and selected investors at the Institutional Price (other than cornerstone investors) to be determined by way of bookbuilding.

In the preparation of Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position, it is assumed that the each of the Retail Price and the Institutional Price is RM0.88 per Unit.

(iii) Credit facilities

Pavilion REIT will obtain the New Debt Facilities amounting to RM1,010.0 million (being the aggregate size of the New Debt Facilities) of which RM736.5 million will be drawn down to part finance the Acquisitions and to finance the initial transaction costs for the New Debt Facilities. The borrowings in Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position are recorded net of transaction costs amounting to RM5.9 million which will be expensed to profit and loss over the period that the borrowings are outstanding.

(iv) Listing and quotation of the entire 3,000,000,000 Units on the Main Market.
4.2 CAPITALISATION AND INDEBTEDNESS

Assuming full subscription under the Offering and based on the illustrative Average Offering Price, the following table sets forth the pro forma capitalisation of Pavilion REIT as at the Listing Date and after application of the total proceeds from the Offering. The information in the table below should be read in conjunction with Section 3.9 “Use of Proceeds”, Section 4.1 “Consolidated Pro Forma Statement of Financial Position” and Appendix D and the related notes in this Prospectus.

<table>
<thead>
<tr>
<th>As at the Listing Date</th>
<th>RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Borrowings</td>
<td>730,601</td>
</tr>
<tr>
<td>Unitholders’ Funds(1)</td>
<td>2,827,200</td>
</tr>
<tr>
<td><strong>Total Capitalisation</strong></td>
<td><strong>3,557,801</strong></td>
</tr>
</tbody>
</table>

Note:
(1) The Unitholders’ Funds stated above has taken into consideration (i) the estimated expenses for the Listing of RM42.0 million; and (ii) the effect of fair value adjustment on the Subject Properties.

As discussed in Section 3.9 “Use of Proceeds” of this Prospectus, any variation to the actual proceeds to be raised or actual listing expenses from the estimated amounts will be adjusted to the amounts to be applied toward part payment of the purchase consideration, subject to an adequate amount being allocated for working capital purposes. In turn, this will have an effect on the amount of proceeds to be raised from the New Debt Facilities.

As such, any increase or decrease (as the case may be) in the actual proceeds to be raised is expected to have the following effects:

(i) increase or decrease (as the case may be) in Pavilion REIT’s Unitholders’ Funds; and

(ii) decrease or increase (as the case may be) in Pavilion REIT’s total borrowings.

The Lenders will grant to PRVC the New Debt Facilities. See Section 3.8 “REIT Financing” of this Prospectus for further details on the New Debt Facilities.

Based on Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position, Pavilion REIT is expected to have an initial indebtedness of approximately RM730.6 million representing approximately 20.1% of its estimated Total Asset Value.

4.3 PRO FORMA NET PROPERTY INCOME

Pavilion REIT, as a newly established REIT, is required to prepare an illustrative Pro Forma Net Property Income for FY2008, 2009, 2010 and FPE2010 and FPE2011 pursuant to Section 20.16 Part II – Listed Funds of the Prospectus Guidelines for Collective Investment Schemes issued by the SC.
The objective of the Pro Forma Net Property Income of Pavilion REIT is to show what the results of operations might have been had Pavilion REIT existed at an earlier date. However, the Pro Forma Net Property Income of Pavilion REIT is not necessarily indicative of the results of operations that would have been attained had Pavilion REIT actually existed earlier.

The Pro Forma Net Property Income of Pavilion REIT for FY2008, 2009, 2010 and FPE2010 and FPE2011 have been prepared based on the information extracted from the Vendors’ audited financial statements for the last three financial years up to FY2010 and the unaudited management financial statements for FPE2010 and FPE2011 which were prepared in accordance with the approved accounting standards in Malaysia, as if the Acquisitions had been completed by Pavilion REIT on such earlier date. The Pro Forma Net Property Income of Pavilion REIT has been prepared in a manner consistent with the format and accounting policies to be adopted by Pavilion REIT.

Pavilion Tower was acquired by CFSB on 10 March 2010 (pursuant to a sale and purchase agreement dated 11 January 2010); therefore the Pro Forma Net Property Income of Pavilion REIT for FY2008 and 2009 do not include any financial information for Pavilion Tower.


The revenue and expenses stated below are directly related to the operations of the Subject Properties and should be read together with Section 4.4 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Prospectus.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Income</td>
<td>230,586</td>
<td>242,224</td>
<td>256,699</td>
<td>127,613</td>
<td>133,005</td>
</tr>
<tr>
<td>Other income</td>
<td>15,672</td>
<td>22,674</td>
<td>34,481</td>
<td>16,133</td>
<td>21,050</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>246,258</strong></td>
<td><strong>264,998</strong></td>
<td><strong>291,180</strong></td>
<td><strong>143,746</strong></td>
<td><strong>154,055</strong></td>
</tr>
<tr>
<td>Utilities</td>
<td>(33,539)</td>
<td>(36,237)</td>
<td>(36,610)</td>
<td>(18,404)</td>
<td>(17,899)</td>
</tr>
<tr>
<td>Maintenance</td>
<td>(12,842)</td>
<td>(15,561)</td>
<td>(19,935)</td>
<td>(8,149)</td>
<td>(11,404)</td>
</tr>
<tr>
<td>Quit rent and assessment</td>
<td>(8,143)</td>
<td>(8,105)</td>
<td>(8,576)</td>
<td>(4,001)</td>
<td>(4,508)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(26,543)</td>
<td>(18,634)</td>
<td>(23,185)</td>
<td>(11,051)</td>
<td>(8,661)</td>
</tr>
<tr>
<td>NPI</td>
<td>165,191</td>
<td>186,361</td>
<td>202,874</td>
<td>102,141</td>
<td>111,583</td>
</tr>
</tbody>
</table>
4.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

4.4.1 Presentation of Financial Information

Pavilion REIT was established as a REIT on 18 October 2011, and as at the date of this Prospectus does not have any portfolio of Real Estate Assets. No historical financial information has been prepared since Pavilion REIT's establishment. The Pro Forma Net Property Income of Pavilion REIT for FY2008, 2009 and 2010 and FPE2010 and FPE2011 has been prepared based on the information extracted from the Vendors' audited financial statements for the last three financial years up to FY2010 and the unaudited management financial statements for FPE2010 and FPE2011, which was prepared in accordance with approved accounting standards in Malaysia. The “Pro Forma Net Property Income” as set out in Section 4.3 of this Prospectus is for illustrative purposes only, and assumes that Pavilion REIT had been in existence throughout the period under review.

Pavilion Tower was acquired by CFSB on 10 March 2010 (pursuant to a sale and purchase agreement dated 11 January 2010); therefore the Pro Forma Net Property Income of Pavilion REIT for FY2008 and 2009 do not include any financial information for Pavilion Tower.

4.4.2 General Background of Pavilion REIT

Pavilion REIT is a REIT established in Malaysia and constituted by the Deed. As Pavilion REIT is a newly established REIT, it has no historical operating results and financial information based on which recipients of this Prospectus and prospective investors in the Units may evaluate Pavilion REIT.

Pavilion REIT is a REIT established with the principal investment policy of investing, directly and indirectly, in a diversified portfolio of income producing real estate used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region as well as Real Estate-Related Assets. The Manager’s key objective is to provide Unit holders with regular and stable distributions and achieve long-term\(^1\) growth in NAV per Unit, while maintaining an appropriate capital structure.

The Manager intends to increase the income and, consequently, the value of the Subject Properties and continue Pavilion REIT’s growth through the following strategies:

(i) proactively managing the Subject Properties and implementing asset enhancement strategies;

(ii) actively pursuing acquisition opportunities in accordance with the Authorised Investments of Pavilion REIT; and

(iii) pursuing an efficient capital management strategy.

See Section 1.3 “Strategies” of this Prospectus for further details.

\(^1\) Long-term in this context refers to a period of five years or more.
4. FINANCIAL INFORMATION (Cont'd)

Pavilion Kuala Lumpur Mall contributes 96.4% of the total Appraised Value of the Subject Properties and 99.4% of Pavilion REIT's Pro Forma Net Property Income for FPE2011. Accordingly, the focus of the following discussion will be on retail factors and Pavilion Kuala Lumpur Mall.

4.4.3 Factors Affecting Pavilion REIT's Financial Conditions and Results of Operations

General Economic and Retail Market Conditions

Pavilion REIT's business and financial condition will be materially affected by general economic conditions of Malaysia and conditions in the retail real estate sector in Malaysia. See Appendix B "Independent Property Market Report" of this Prospectus.

Rental Rates

Significant factors affecting Rental Income include rental rates that Pavilion Kuala Lumpur Mall may command. Rental rates for tenancies at Pavilion Kuala Lumpur Mall are affected by, among others, the following:

(i) rental rates of comparable malls;
(ii) tenant mix;
(iii) renewal options;
(iv) size, location and configuration of NLA within Pavilion Kuala Lumpur Mall;
(v) shopper traffic to Pavilion Kuala Lumpur Mall;
(vi) the level of tourism to Kuala Lumpur;
(vii) the design of Pavilion Kuala Lumpur Mall; and
(viii) general macroeconomic and supply and demand trends affecting the retail real estate market in Malaysia, such as tenant demand levels.

Occupancy Rates and Tenancy Expiries and Renewals

Another factor affecting Rental Income is occupancy rates. Occupancy rates of Pavilion Kuala Lumpur Mall depend on factors such as supply and demand trends affecting the retail real estate markets, the minimisation of the potential vacancy periods arising from tenancy expiries and early terminations, and rental rates of other competing properties within the locality. See Section 2.4.10 "Retail Property Competition" of this Prospectus.

Operating Cost Management and Inflation

Significant factors affecting Property Operating Expenses are changes in maintenance and utility expenses (due to higher rates and/or usage), the age and the condition of Pavilion Kuala Lumpur Mall, fee and reimbursement arrangements with the Property Manager, inflation and changes in property assessments, employment conditions (which may affect labour costs of the Property Manager, which are re-charged to Pavilion REIT), the cost of insurance premiums and costs relating to the holding of marketing events and activities to attract shoppers to Pavilion Kuala Lumpur Mall.
4.4.4 Critical and Significant Accounting Policies

Critical and significant accounting policies are those accounting policies that reflect significant judgments and uncertainties and may result in materially different results under different assumptions and conditions. The Manager will review these estimates and the underlying assumptions on an ongoing basis and will recognise any revisions to these accounting estimates in the financial period in which the estimates are revised and in any future affected period. The following sets out the most significant of these critical accounting policies.

Basis of measurement

The financial statements of Pavilion REIT will be prepared on the historical cost basis unless otherwise described below, and in compliance with the provisions of the Deed, Malaysian FRS issued by the Malaysian Accounting Standards Board and generally accepted accounting principles in Malaysia.

Functional and presentation currency

The financial statements of Pavilion REIT will be presented in RM, which is the functional currency of Pavilion REIT. All financial information will be presented in RM and will be rounded to the nearest thousand, unless otherwise stated.

Use of estimates and judgements

The preparation of financial statements 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 year in which the estimate is revised and in any future years affected.

Investment Properties

Investment properties are properties which are owned or held under a leasehold interest 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 are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. For investment properties acquired under equity-settled share-based payment transactions, the investment properties are initially measured at fair value, with corresponding increase in equity.

An investment property is derecognised on its disposal or when the investment property 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 period in which the item is derecognised.

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Pavilion REIT's investment properties portfolio at least once every three years.
4. FINANCIAL INFORMATION (Cont'd)

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting tenancy commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between Pavilion REIT and the tenant; and the remaining economic life of the property. When rent reviews or tenancy renewals are pending with anticipated reversionary increases, it is assumed that all notices and, where appropriate, counter-notices have been served validly and within the appropriate time.

Financial Instruments

Financial instruments are categorised and measured using accounting policies as mentioned below.

(i) Initial recognition and 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 instrument is recognised initially, at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.
(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity 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 or cancelled or expires. 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.

Property, plant and equipment

(i) Recognition and measurement

Items of property, 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.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

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

- Furniture and fittings 10 years
- IT equipment & software 3 years
- Office equipment 5 years
- Tools and equipment 5 years
- Signage 10 years

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

**Impairment**

(i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(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 reporting period 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 groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.
Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**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 the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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.

**Equity instruments**

Instruments classified as equity are stated at cost on initial recognition and are not re-measured subsequently.

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

**Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is 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 on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous 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 apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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 reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Revenue Recognition

Rental Income from tenancy out retail space is recognised on an accrual basis over the term of the tenancy and such Rental Income includes service charge and promotional charges. Other revenues are recognised on accrual basis unless the recoverability of income is uncertain, whereby income recognition is on actual receipt.

Changes to Accounting Policies

Pavilion REIT's Pro Forma Net Property Income included herein has been compiled based upon the audited financial statements of the Vendors for the last three financial years up to FY2010 and the unaudited management financial statements for FPE2010 and FPE2011 drawn in accordance with Malaysian Private Entity Reporting Standards after incorporating adjustments necessary to reflect Malaysian FRS and the operating results of Pavilion REIT as if it had been the owner of the Subject Properties throughout the periods reported. The Pro Forma Net Property Income have been prepared and in manner consistent with the format and the accounting policies to be adopted by Pavilion REIT. The Manager, having made due enquiry, is not aware of any proposed changes in the Malaysian FRS that may materially affect the financial information contained herein.

4.4.5 Components of Total Revenue

Pavilion REIT's Total Revenue is the aggregate of Rental Income and other income earned from the Subject Properties. A significant portion of Pavilion REIT's Total Revenue is derived from its Rental Income from the Subject Properties. Rental Income includes base rent, service charges and promotional charges. Other income earned from the Subject Properties includes car park income, electricity income, events and advertising income, turnover rent and other miscellaneous incomes but net of discretionary rebates (if any).

Pavilion REIT's Total Revenue is generally affected by a number of factors including:

(i) general macro-economic conditions and supply and demand trends affecting the real estate market, particularly the retail market, in Malaysia;

(ii) rental rates for tenancies at its properties; and

(iii) occupancy rates and tenancy expiries and renewals.
Rental Income

Rental Income is the total amount payable by tenants pursuant to a tenancy agreement (save for tenancy agreements with regards to storage spaces, the income for which is recorded under Other Income). Pavilion REIT’s tenancy agreements are generally fixed for a period of three years, which is the usual market practice in Malaysia. A number of Pavilion REIT’s tenancies also include step-up provisions, whereby the Rental Income is increased by a fixed quantum/percentage annually during the tenancy term. Rental Income includes (i) a base rent component, (ii) a service charge component, which is a contribution paid by tenants towards the operating and maintenance expenses of the property and (iii) a promotional charge, which is contribution paid by retail tenants for marketing and promotional purposes.

Factors taken into account in determining the rental rates for a tenancy include the effect of prevailing market conditions including tenant demand, the impact of competing properties and inflation.

Other Income

Other income consists of the following key items:

(i) Turnover rent – additional rental on top of Rental Income based on the sales level of tenants. There are generally two methods of computing turnover rent contained in the tenancy:

(a) turnover rent calculated by reference to a fixed percentage of the tenant’s total monthly sales turnover; or

(b) turnover rent calculated by reference to a fixed percentage of the tenant’s total monthly sales turnover above a specified threshold, net of the fixed monthly rental component.

The Manager believes that this proportion of the income will increase over time as tenants’ sales increase. Revenue from turnover rent is recognised by Pavilion REIT upon receipt of monthly turnover statements from tenants.

(ii) Car park income – income earned based on the agreement entered into with the car park operator;

(iii) Electricity income – income earned from the sale of electricity to tenants at the tariff rates approved by the Energy Commission and which depends on the volume of utilisation by tenants;

(iv) Casual tenanting events – revenue from the rental of push carts located at various parts of Pavilion Kuala Lumpur Mall;

(v) Events – revenue earned from renting out space around Pavilion Kuala Lumpur Mall, including the Centre Court for events and promotions;

(vi) Advertising – revenue generated from standees and advertising spaces/flights-boxes located at prominent locations around the Subject Properties; and
4. FINANCIAL INFORMATION (Cont’d)

(vii) Other miscellaneous income – Rental Income from storage spaces, revenue from 
the early termination of tenancies, commissions due to an exclusive arrangement 
with a telecommunication company, credit card usage, after-hour charges/tenancy 
charges to tenants for recovery of utilities, operational and maintenance work 
carried out for tenants as well as late payment interest charged to tenants.

Other income is computed net of discretionary rebates.

4.4.6 Components of Property Operating Expenses

The most significant Property Operating Expenses of Pavilion REIT are utilities, 
maintenance and quit rent and assessment. Other operating expenses include property 
management fee, advertising and marketing expenses and general and administrative 
expenses.

Property Operating Expenses are not affected to the same degree as Pavilion REIT’s Total 
Revenue by general economic trends affecting the real estate market in Malaysia, as a 
substantial part of its Property Operating Expenses are fixed. As a result, to the extent that 
Pavilion REIT’s Total Revenue is negatively affected by the abovementioned factors, its 
results of operations will be similarly negatively affected as it may be difficult for the 
Manager to reduce certain of Pavilion REIT’s costs. Property Operating Expenses may be 
affected by a number of factors including, primarily:

(i) the age and condition of the Subject Properties;
(ii) any maintenance and service charges levied, and insurance premiums;
(iii) inflation;
(iv) employment conditions;
(v) costs relating to the organising of marketing events and activities;
(vi) utility usage and rates; and
(vii) changes in quit rent levied by the State Authorities and assessment rate levied by 
the local government where the Subject Properties are located.

Utilities expenses

The single largest operating expense of Pavilion REIT consists of utility expenses incurred 
in the operation of the Subject Properties, which include electricity costs, sewerage charges 
and water charges.

Maintenance expenses

Maintenance expenses include costs for contractual maintenance as well as the general 
repair and upkeep of the Subject Properties, for example, the maintenance of air 
conditioners and the car park system, cleaning expenses, electrical maintenance, 
consumables, insurances, the maintenance of lifts and escalators, security expenses and 
waste disposal. Insurance policies premiums are payable for coverage which includes (i) fire, 
(ii) property damage, (iii) business interruption, (iv) public liability (including personal injury) 
and (v) all risks.

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4. FINANCIAL INFORMATION (Cont’d)

Quit rent and assessment

Quit rent is an amount prescribed by and payable to the State Authority. Assessment is calculated based on a rate as prescribed by the local authorities on the annual value of the Subject Properties as assessed by the relevant local authorities.

Other Operating Expenses

These include advertising, promotion and marketing expenses, general and administrative expenses as well as property management fee and the Property Manager’s reimbursables.

(i) Advertising and marketing expenses – Advertising and marketing expenses comprise advertising setup costs, sponsorship of car park validation, public relations costs, marketing collaterals and decorations costs and any other expenses related to promotional activities.

(ii) General and administrative expenses – General and administrative expenses include depreciation, telecommunications expenses, legal charges, upkeep, provision for doubtful debt and other miscellaneous expenses.

4.4.7 Rental Income Trends


<table>
<thead>
<tr>
<th>Pavillion Kuala Lumpur Mall</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FPE2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total NLA (sq ft)</td>
<td>1,311,994</td>
<td>1,324,642</td>
<td>1,351,779</td>
<td>1,335,119</td>
</tr>
<tr>
<td>Total Revenue (RM‘000)</td>
<td>246,258</td>
<td>264,898</td>
<td>289,300</td>
<td>151,765</td>
</tr>
<tr>
<td>NPI (RM‘000)</td>
<td>165,191</td>
<td>186,361</td>
<td>203,326</td>
<td>110,963</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pavillion Tower</th>
<th>FY2008(1)</th>
<th>FY2009(1)</th>
<th>FY2010</th>
<th>FPE2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total NLA (sq ft)</td>
<td>-</td>
<td>-</td>
<td>167,407</td>
<td>167,407</td>
</tr>
<tr>
<td>Total Revenue (RM‘000)</td>
<td>-</td>
<td>-</td>
<td>1,880</td>
<td>2,290</td>
</tr>
<tr>
<td>NPI (RM‘000)</td>
<td>-</td>
<td>-</td>
<td>(452)</td>
<td>620</td>
</tr>
</tbody>
</table>

Note:

(1) Pavillion Tower was acquired by CF SB from Macorp Sdn Bhd on 10 March 2010 (pursuant to a sale and purchase agreement dated 11 January 2010), following which it underwent renovations. Pavillion Tower only began tenancy out its premises from the third quarter of 2010 and is currently in the process of tenancy out its remaining premises.

For FY2010 and FPE2011, approximately 99.4% and 98.5% respectively of Total Revenue was derived from Pavillion Kuala Lumpur Mall.
4.4.8 Occupancy Trends

The following table sets out the Occupancy Rate of the Subject Properties as at 31 December 2008, 2009 and 2010 and 30 June 2011 and the average monthly rental for FY2008, 2009 and 2010 and for FPE2011.

<table>
<thead>
<tr>
<th>Subject Properties</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FPE2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Occupancy rate (as at 31 December 2008) (%)</td>
<td>Average monthly rental (RM per sq ft)</td>
<td>Occupancy rate (as at 31 December 2009) (%)</td>
<td>Average monthly rental (RM per sq ft)</td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall(1)</td>
<td>98.5</td>
<td>15.08</td>
<td>98.7</td>
<td>15.58</td>
</tr>
<tr>
<td>Pavilion Tower(2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:
(1) The average monthly rental per sq ft is calculated based on the average monthly NLA income (excluding Management Space) for the relevant FPE/FY divided by Occupied NLA (excluding Management Space) as at the end of the relevant FPE/FY.

(2) Pavilion Tower was acquired by CFSB from Macorp Sdn Bhd on 10 March 2010 (pursuant to a sale and purchase agreement dated 11 January 2010), following which it underwent renovations. Pavilion Tower only began tenancy out its premises from the third quarter of 2010 and is currently in the process of tenantry out its remaining premises. In view of the varying Occupancy Rate of Pavilion Tower throughout the FPE/FY under review, the average monthly rental per sq ft is calculated based on the aggregate monthly NLA income as at the end of the relevant FPE/FY divided by the Occupied NLA as at the end of the relevant FPE/FY.

(3) Including tenancies which have been committed but yet to commence as at 30 June 2011, the Occupancy Rate for Pavilion Kuala Lumpur Mall and Pavilion Tower as at 30 June 2011 would have been 98.5% and 64.5%, respectively.

The Occupancy Rate of Pavilion Kuala Lumpur Mall was near 100% throughout the period under review. The reduction in Occupancy Rate of Pavilion Kuala Lumpur Mall as at 31 December 2010 was due to the closure of the Home Precinct, a precinct at Pavilion Kuala Lumpur Mall which specialised in home decoration and furnishings, for reconfiguration into Tokyo Street. See Section 2.4.8 “Expansion and Renovation of Pavilion Kuala Lumpur Mall” of this Prospectus for further details of the Tokyo Street reconfiguration.

For a further description of the Occupancy Rates and occupancy profile of the Subject Properties, see 2.4 “Pavilion Kuala Lumpur Mall” and Section 2.5 “Pavilion Tower” of this Prospectus.
4.9 Results of Operations
(i) Results of Operations for FPE2011 Compared to Results of Operations for FPE2010

Total Revenue

Pavilion REIT’s Total Revenue for FPE2011 increased by RM10.4 million or 7.2% to RM154.1 million from RM143.7 million for FPE2010.

Total Revenue for FPE2011 was principally from Rental income, which contributed to 86.3% of Total Revenue. The increase in Total Revenue was primarily due to the effect of the higher rentals from the renewal of majority of Pavilion Kuala Lumpur Mall’s tenancies towards the end of the third quarter of 2010 as well as increase in advertisement income.

Rental income – Rental income increased by RM5.4 million or 4.2% to RM133.0 million in FPE2011 from RM127.6 million in FPE2010. The increase was mainly due to the higher rentals from the renewal of tenancies as described above.

Other Income – Other income increased by RM5.0 million or 31.1% to RM21.1 million in FPE2011 from RM16.1 million in FPE2010 mainly due to the increase in advertisement income. This was as a result of the increase in the availability of, and demand for, advertising spaces.

Property Operating Expenses

Property Operating Expenses for FPE2011 increased by RM0.9 million or 2.2% to RM42.5 million from RM41.6 million for FPE2010. The increase was mainly due to increase in repair and maintenance cost such as maintenance of the air conditioning system, replacement of lightings, painting works, upgrading of doors at common corridors and back of house as well as increase in quit rent and assessment and operational costs, arising from among other things, the increased occupation of Pavilion Tower.

Utilities expenses – Utilities expenses decreased by RM0.5 million or 2.7% to RM17.9 million for FPE2011 from RM18.4 million for FPE2010. This decrease was mainly due to energy saving exercise undertaken as well as the closing off of the Home Precinct for reconfiguration into Tokyo Street.

Maintenance expenses – Maintenance expenses increased by RM3.3 million or 40.7% to RM11.4 million for FPE2011 from RM8.1 million for FPE2010. The increase was due to the increase in repair and maintenance costs arising from the expiry of warranty periods, such as maintenance of the air conditioning system, replacement of lightings, painting works as well as upgrading of doors at common corridors.

Quit rent and assessment – Quit rent and assessment increased by RM0.5 million or 12.5% to RM4.5 million for FPE2011 from RM4.0 million for FPE2010. Such increase was mainly due to the fact that the quit rent and assessment charges for FPE2010 did not fully reflect the acquisition of Pavilion Tower, which was completed towards the end of the first quarter of 2010.
Other Operating Expenses – Other operating expenses decreased by RM2.4 million or 21.6% to RM8.7 million for FPE2011 from RM11.1 million for FPE2010. The decrease was mainly due to the completion of amortisation of tenancy related costs and write back of provision of doubtful debts.

NPI

As a result of the abovementioned factors, Pavilion REIT recorded a NPI of RM111.6 million for FPE2011 which represented a 9.3% increase from NPI of RM102.1 million for FPE2010.

(ii) Results of Operations for FY2010 Compared to FY2009

Total Revenue

Total Revenue increased by RM26.3 million or 9.9% to RM291.2 million in 2010 from RM264.9 million in 2009, primarily due to a RM14.5 million or 6.0% increase in Rental Income.

Rental Income – Rental Income increased by RM14.5 million or 6.0% to RM256.7 million in 2010 from RM242.2 million in 2009 primarily as a result of an increase in service charge rates.

Other income – Other income increased by RM11.8 million or 52.0% to RM34.5 million in 2010 from RM22.7 million in 2009 mainly due to an increase in advertisement income arising from higher demand, an increase in turnover rent as well as a decrease in rebates given to tenants.

Property Operating Expenses

Property Operating Expenses increased by RM9.8 million or 12.5% to RM88.3 million in 2010 from RM78.5 million in 2009. In both 2009 and 2010, utilities expenses were the largest component of Property Operating Expenses and accounted for approximately 46.1% and 41.4% of Property Operating Expenses, respectively. The increase in Property Operating Expenses in 2010 was primarily due to the increase in maintenance costs and other operating costs such as advertising set-up costs, as well as the contribution of expenses from Pavilion Tower which commenced operations in the third quarter of 2010.

Utilities expenses – There was minimal change in utilities expenses between 2009 and 2010, which increased by RM0.4 million or 1.1% to RM36.6 million in 2010 from RM36.2 million in 2009. The change was due to an increase in power consumption due to consumption by Pavilion Tower following the commencement of the tenancies.

Maintenance expenses – Maintenance expenses increased by RM4.3 million or 27.6% to RM19.9 million in 2010 from RM15.6 million in 2009. The increase was due to the increase in repair and maintenance costs arising from the continuous replacement of electrical cabling and the upgrading of doors, flooring and lighting in Pavilion Kuala Lumpur Mall following the expiry of warranties as well as the replacement of certain fixtures at Pavilion Tower.
Quit rent and assessment – Quit rent and assessment increased by RM0.5 million or 6.2% to RM8.6 million in 2010 from RM8.1 million in 2009, due to contribution attributed to the acquisition of Pavilion Tower.

Other operating expenses – Other operating expenses increased by RM4.6 million or 24.7% to RM23.2 million in 2010 from RM18.6 million in 2009 mainly due to set-up cost to cater for the increase in demand for advertising spaces, as well as due to provisions for doubtful debts.

NPI

As a result of the abovementioned factors, Pavilion REIT recorded a NPI of RM202.9 million in 2010 which represented an 8.3% increase from NPI of RM186.4 million in 2009.

(iii) Results of Operations for FY2009 Compared to FY2008

Total Revenue

Total Revenue increased by RM18.6 million or 7.6% to RM264.9 million in 2009 from RM246.3 million in 2008, primarily due to a RM11.6 million or 5.0% increase in Rental Income. Total Revenue from Pavilion Kuala Lumpur Mall made up 100% of Total Revenue for 2008 and 2009 as Pavilion Tower only commenced operations in 2010.

Rental Income – Rental Income increased by RM11.6 million or 5.0% to RM242.2 million in 2009 from RM230.6 million in 2008 mainly as a result of an increase in NLA due to the introduction of additional kiosks.

Other income – Other income increased by RM7.0 million or 44.6% to RM22.7 million for 2009 from RM15.7 million in 2008, primarily due to an increase in turnover rent, car park income as well as electricity income and after hours charges (which are charges arising from the continued operations of the tenants during the hours after Pavilion Kuala Lumpur Mall is closed).

Property Operating Expenses

Property Operating Expenses decreased by RM2.6 million or 3.2% to RM78.5 million in 2009 from RM81.1 million in 2008. The reduction in 2008 was mainly from other operating expenses, due to the reversal of provisions for doubtful debts made in 2007. Property Operating Expenses for both 2008 and 2009 were attributable to Pavilion Kuala Lumpur Mall only, and despite an increase in utilities expenses in both years, there was a greater decrease in other operating expenses which resulted in an overall drop in Property Operating Expenses.

Utilities – Utilities expenses increased by RM2.7 million or 8.1% to RM36.2 million in 2009 from RM33.5 million in 2008. The increase was mainly attributable to an increase in tariffs in the middle of 2008.
Maintainence expenses – Maintenance expenses increased by RM2.8 million or 21.9% to RM15.6 million in 2009 from RM12.8 million in 2008. The increase was due to an increase in repair and maintenance costs arising from the expiry of defects liability periods, for example in relation to the maintenance for air conditioners, lifts, escalators and other operational equipment in Pavilion Kuala Lumpur Mall.

Quit rent and Assessment – Quit rent and Assessment was maintained at RM8.1 million for both 2009 and 2008 with a minor decrease by RM0.04 million or 0.5% between both years.

Other operating expenses – Other operating expenses decreased by RM7.9 million or 29.8% to RM18.6 million in 2009 from RM26.5 million in 2008 mainly due to a reversal in provisions for doubtful accounts in 2009 due to recovery of bad debts, reduction in marketing and promotional expenses as well as a decline in tenancy costs.

NPI

As a result of the abovementioned factors, Pavilion REIT recorded a NPI of RM186.4 million in 2009 which represented a 12.8% increase from NPI of RM165.2 million in 2008.

4.4.10 Liquidity and Capital Resources

The Manager is of the opinion that Pavilion REIT’s working capital would be sufficient for its present requirements as Rental Income is received in advance monthly and generally, tenants are required to provide a security deposit of three months of their monthly rental payable. At Listing, assuming full subscription under the Offering and based on an illustrative Average Offering Price of RM0.88 as well as listing expenses of RM42.0 million, Pavilion REIT will have RM5.2 million to fund working capital, capital expenditures and unanticipated cash needs. The Manager anticipates that Pavilion REIT’s primary uses of cash will be to fund distributions, for payment of its day to day operations expenses, trust expenses, servicing of debt, maintenance and other property-related costs as well as for its capital expenditure, asset enhancement and future property acquisitions.

Funding of the foregoing will come from a combination of net cash from operations and borrowings. Pavilion REIT will also have future funding capacity through debt financing – based on Pavilion REIT’s Consolidated Pro Forma Financial Position, its expected gearing level at the time of the Listing will be approximately 20.1% of its Total Asset Value while the regulated maximum under the REITs Guidelines is 50.0% of its Total Asset Value at the time of borrowing. If required and deemed necessary or appropriate, Pavilion REIT will also consider other opportunities to raise additional equity capital through the issuance of new Units.
4. FINANCIAL INFORMATION (Cont'd)

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. For the period from Listing to 31 December 2012, Pavilion REIT will distribute 100.0% of its Distributable Income. As such, Pavilion REIT will not be able to meet all its obligations to repay the principal of its debt obligations from its cash flow generated from operations. As such, Pavilion REIT will be required to refinance the principal of its debt obligations on maturity or repay the debt from equity financing, or both. There can be no assurance that debt refinancing will be available on terms similar to the New Debt Facilities.

4.4.11 Capital Expenditures

The following table sets forth details of historical and proposed capital expenditures in relation to the Subject Properties for the periods indicated.

<table>
<thead>
<tr>
<th>Total Capital Expenditure (RM'000)</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FPE2011</th>
<th>Forecast Period 2011</th>
<th>Forecast Year 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pavilion Kuala Lumpur Mall</td>
<td>2,896</td>
<td>15,432</td>
<td>16,525</td>
<td>6,501</td>
<td>-</td>
<td>3,100</td>
</tr>
<tr>
<td>Pavilion Tower</td>
<td>-</td>
<td>-</td>
<td>2,773</td>
<td>7</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The Manager prepares an annual regular capital expenditure budget for each of the Subject Properties which is intended to provide for all necessary capital improvements. As at the Latest Practicable Date, each of the Subject Properties has been maintained on a regular basis. While there are no material deferred capital maintenance obligations outstanding, the regular capital expenditure with respect to maintenance and capital improvements is forecasted at RM3.1 million (due to anticipated enhancement to the Subject Properties and provision for acquisition of property, plant and equipment) for the Forecast Year 2012. See Section 2.4.8 “Expansion and Renovation of Pavilion Kuala Lumpur Mall” and Section 2.5.7 “Expansion and Renovation of Pavilion Tower” of this Prospectus for further details.

Actual capital expenditure may differ from the planned capital expenditure due to various factors, including results of operations, future cashflows, financial condition, receipt of governmental approval, changes in legislative and regulatory environment and other factors that are beyond the Manager’s or Pavilion REIT’s control.
4.5 PROFIT FORECASTS

Statements contained in this “Profit Forecasts” section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of the Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecasts. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by any of Pavilion REIT, the Manager, the Trustee, the Joint Principal Advisers, the Joint Global Coordinators or any other person that the underlying assumptions will materialise, or that these results will be achieved or are likely to be achieved. See Section on “Forward-looking Statements” and Section 5 “Risk Factors” of this Prospectus for further details. Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are made only as of the date of this Prospectus.

None of Pavilion REIT, the Manager, the Trustee, the Joint Principal Advisers or the Joint Global Coordinators guarantees the performance of Pavilion REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast yields stated in the following table are calculated based on the illustrative Average Offering Price of RM0.88.

Such yields will vary accordingly for investors who purchase Units at a price that differs from the illustrative Average Offering Price.

Investors are cautioned that rental yield on the Subject Properties to be held by Pavilion REIT is not equivalent to the yield of the Units. Current rental receipts and yields may not sustain. The values of the Subject Properties may rise as well as fall.

The following table shows Pavilion REIT’s Profit Forecasts for the Forecast Period 2011 and the Forecast Year 2012. The financial year end of Pavilion REIT is 31 December. The forecast period of 2011 has been prepared assuming that the first financial year is the one-month period ending 31 December 2011, giving an implied Listing Date of 1 December 2011. The Profit Forecasts may be different to the extent that the Listing Date is other than 1 December 2011. The Profit Forecasts are based on the assumptions set out below and have been examined by the Reporting Accountants, being KPMG, and should be read together with the “Reporting Accountants’ Letter on the Profit Forecasts” set out in Appendix E, as well as the assumptions and the sensitivity analysis set out in this section of the Prospectus.
## 4. FINANCIAL INFORMATION (Cont'd)

### Profit Forecasts

<table>
<thead>
<tr>
<th></th>
<th>Forecast Period</th>
<th>Forecast Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 (RM'000)</td>
<td>2012 (RM'000)</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental Income</td>
<td>23,060</td>
<td>280,389</td>
</tr>
<tr>
<td>Other Income</td>
<td>2,710</td>
<td>33,957</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25,770</td>
<td>314,346</td>
</tr>
<tr>
<td><strong>Property Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>(3,262)</td>
<td>(39,469)</td>
</tr>
<tr>
<td>Maintenance</td>
<td>(1,956)</td>
<td>(24,023)</td>
</tr>
<tr>
<td>Quit Rent and Assessment</td>
<td>(750)</td>
<td>(9,093)</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>(1,829)</td>
<td>(21,805)</td>
</tr>
<tr>
<td><strong>Property Operating Expenses</strong></td>
<td>(7,797)</td>
<td>(94,390)</td>
</tr>
<tr>
<td><strong>Net Property Income (NPI)</strong></td>
<td>17,973</td>
<td>219,956</td>
</tr>
<tr>
<td>Interest Income</td>
<td>128</td>
<td>1,534</td>
</tr>
<tr>
<td><strong>Net Investment Income</strong></td>
<td>18,101</td>
<td>221,490</td>
</tr>
<tr>
<td><strong>Trust Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Fee</td>
<td>(1,443)</td>
<td>(17,452)</td>
</tr>
<tr>
<td>Trustee's Fee</td>
<td>(33)</td>
<td>(400)</td>
</tr>
<tr>
<td>Other Trust Expenses</td>
<td>(167)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Borrowing Costs</td>
<td>(2,891)</td>
<td>(34,821)</td>
</tr>
<tr>
<td><strong>Profit before Taxation</strong></td>
<td>13,567</td>
<td>166,817</td>
</tr>
<tr>
<td>Taxation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit after Taxation</strong></td>
<td>13,567</td>
<td>166,817</td>
</tr>
<tr>
<td>Add: Non cash items(1)</td>
<td>437</td>
<td>5,289</td>
</tr>
<tr>
<td><strong>Distributable Income</strong></td>
<td>14,004</td>
<td>172,106</td>
</tr>
</tbody>
</table>

| **Number of Units in issue (million)(2)** | 3,000.00 | 3,002.48 |
| **Distribution rate (%)**                | 100.00   | 100.00   |
| **Distribution cover (time)**             | 1.00     | 1.00     |
| **Distribution per Unit (sen)(3)**        | 0.47     | 5.73     |
| **Illustrative Average Offering Price (RM/Unit)** | 0.88 | 0.88 |
| **Distribution Yield (%) on Illustrative Average Offering Price(4)** | 6.41 | 6.51 |

**Notes:**
1. Non cash items comprise the Management Fee payable in Units, depreciation of plant and equipment and amortisation of transaction costs for the New Debt Facilities.
2. The increase in number of Units in issue is a result of the assumed part payment of the Management Fee for the relevant period in the form of Units issued at an assumed issue price of RM0.88 per Unit.
3. Assuming a listing date of 1 December 2011.
4. Distribution yield for the Forecast Period 2011 has been annualised.
4.5.1 PROJECTED INCOME

The following sets out the forecasted Total Revenue and Net Property Income of each of the Subject Properties for the Forecast Period 2011 and Forecast Year 2012.

<table>
<thead>
<tr>
<th></th>
<th>Forecast Period 2011 (RM'000)</th>
<th>Forecast Year 2012 (RM'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>25,770</td>
<td>314,346</td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall</td>
<td>24,964</td>
<td>302,692</td>
</tr>
<tr>
<td>Pavilion Tower</td>
<td>806</td>
<td>11,654</td>
</tr>
<tr>
<td>Net Property Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall</td>
<td>17,562</td>
<td>212,386</td>
</tr>
<tr>
<td>Pavilion Tower</td>
<td>411</td>
<td>7,570</td>
</tr>
<tr>
<td>Total</td>
<td>17,973</td>
<td>219,956</td>
</tr>
</tbody>
</table>

4.5.2 DIRECTORS' ANALYSIS AND COMMENTARY

The Directors confirm that the Profit Forecasts of Pavilion REIT and the underlying bases and assumptions stated herein have been reviewed by the Directors. After due and careful inquiries, with the Directors taking into account the future prospects of the industry, the future direction of Pavilion REIT and its level of gearing, liquidity and working capital requirements, the Directors are of the opinion that the Profit Forecasts of Pavilion REIT are achievable and the assumptions made are reasonable at the time of issue of this Prospectus, barring unforeseen circumstances.

Nevertheless, the bases and assumptions, including the interest rate assumptions, are inherently subject to significant business, economic and competitive uncertainties and contingencies, which are beyond the Manager’s control. Therefore, future events, regionally and globally, may have a material impact on the actual results of Pavilion REIT during the Forecast Period 2011 and Forecast Year 2012.

4.5.3 BASES AND ASSUMPTIONS

The Manager has prepared the Profit Forecasts on the following bases and assumptions. The Manager considers these bases and assumptions to be appropriate and reasonable as at the date of this Prospectus. However, investors should consider these bases and assumptions as well as the Profit Forecasts and make their own assessment of the future performance of Pavilion REIT.
4. FINANCIAL INFORMATION (Cont'd)

4.5.3.1 Total Revenue Bases and Assumptions

For Forecast Period 2011 and Forecast Year 2012, the Manager forecasted Total Revenue to be RM25.8 million and RM314.3 million, respectively. Total Revenue consists of Rental Income and Other Income (as defined herein).

Rental Income

Rental Income comprises base rent, service charges and promotional charges. Promotional charges are only applicable to retail tenancies of Pavilion Kuala Lumpur Mall.

Pavilion Kuala Lumpur Mall contributes RM22.3 million and RM269.0 million to the Rental Income for Forecast Period 2011 and Forecast Year 2012, respectively.

Base rent

The Manager has assumed the following in arriving at the forecasted base rent for the tenancies of the Subject Properties for Forecast Period 2011 and Forecast Year 2012:

(i) base rent is forecasted based on committed tenancies for Forecast Period 2011 and Forecast Year 2012. The Manager has also assumed that vacant lots are tenanted at an assumed rent after taking into consideration historical rates and/or prevailing market rates. The Manager has assumed 100.0% Occupancy Rate in Pavilion Kuala Lumpur Mall for Forecast Period 2011 and Forecast Year 2012, before taking into consideration the vacancy allowance applied to Pavilion Kuala Lumpur Mall. As for Pavilion Tower, the Manager has assumed Occupancy Rate of 82.3% and 100.0% for the Forecast Period 2011 and the Forecast Year 2012 respectively;

(ii) expiring tenancies in Forecast Period 2011 are assumed to be renewed at their prevailing contractual rates;

(iii) the Manager has assumed that tenancies for Pavilion Kuala Lumpur Mall expiring in Forecast Year 2012 will be renewed at a 5.0% increase in base rent. This translates to an approximately RM0.7 million increase in the total base rent for Forecast Year 2012. Such increase in base rent was assumed after taking into consideration likely market conditions, inflation levels, tenancy demand as well as rental payable pursuant to comparable tenancies that have recently been negotiated. No increase is assumed for renewal of tenancies of Pavilion Tower expiring in Forecast Year 2012; and

(iv) the Manager has assumed a provision for vacancy allowance of 3.0% of base rent based on its forecasted base rent for Pavilion Kuala Lumpur Mall while no vacancy allowance was provided for in respect of Pavilion Tower. The provision for vacancy allowance is for the vacancy period before the rent becomes payable under the new tenancy and to cover changeover of tenancies and loss of income.

Service charges

Service charges are contributions paid by tenants for operating expenses of each of the Subject Properties. It is computed based on the amount of space occupied by the tenants. Should there be an increase in NLA, service charges will increase accordingly.
4. FINANCIAL INFORMATION (Cont'd)

The Manager assumes that service charges will remain unchanged at existing rates throughout Forecast Period 2011 and Forecast Year 2012.

The Manager has applied a vacancy allowance of 3.0% to its forecasted service charge for Pavilion Kuala Lumpur Mall, while no vacancy allowance was provided for in respect of Pavilion Tower.

Promotional charges

Promotional charges are computed based on the amount of space occupied by the tenants. Should there be an increase in NLA, these charges would increase accordingly. The Manager has assumed that promotional charges imposed on tenants of Pavilion Kuala Lumpur Mall will remain at existing rates for Forecast Period 2011 and Forecast Year 2012.

The Manager has applied a vacancy allowance of 3.0% to its forecasted promotional charge for Pavilion Kuala Lumpur Mall. Promotional charges are not applicable for office tenants.

Other Income

Other income consists of car park income, electricity charges billed to tenants, casual tenanting, events, advertising, turnover rent and other miscellaneous income, net of rebates given to tenants ("Other Income").

Other Income contributes 10.5% and 10.8% of Total Revenue for Forecast Period 2011 and Forecast Year 2012, respectively. The Manager has forecasted Other Income amounting to RM2.7 million and RM34.0 million for Forecast Period 2011 and Forecast Year 2012, respectively. Other Income is based on specific assumptions as set out below and/or historical financial information.

Car park income

Car park income is forecasted based on the formula stipulated in the car park agreement entered into between UCSB and the car park operator (which will be assigned and/or novated to the Trustee after the Listing) and on the existing number of car park bays/rates. The tenure of the car park agreement is three years with an option to renew for a further term of three years. Car park income contributes 29.6% (RM0.8 million) and 27.9% (RM9.5 million) of Other Income for Forecast Period 2011 and Forecast Year 2012, respectively.

Electricity income

Tenants are billed for their electricity consumption based on tariff rates approved by the Energy Commission.

For Forecast Period 2011 and Forecast Year 2012, the Manager expects that the electricity income of the Subject Properties will amount to RM1.3 million and RM15.7 million, respectively. Electricity income contributed 48.1% and 46.2% to Other Income for Forecast Period 2011 and Forecast Year 2012, respectively.

The Manager expects the annualised electricity income for Forecast Period 2011 to increase by 1.0% per annum for Forecast Year 2012. The increase in electricity tariff as announced by the Government in May 2011 has been accounted for in the tariff to tenants for Forecast Period 2011 and Forecast Year 2012.
Advertising income
For Forecast Period 2011 and Forecast Year 2012, the Manager has assumed an advertising income of RM0.6 million and RM7.5 million, respectively. The advertising income for Forecast Year 2012 is 4.2% higher than the annualised advertising income for Forecast Period 2011. The increase in advertising income for Forecast Year 2012 is due to the creation of additional advertising locations and increase in advertising rates as well as more active marketing activities.

4.53.2 Property Operating Expenses Assumptions
Utilities
Utilities refer to electricity, water and sewerage charges. For Forecast Period 2011 and Forecast Year 2012, the Manager expects the Subject Properties to incur utilities charges of RM3.3 million and RM39.5 million respectively, on the assumption that existing arrangements with utility service providers (including any preferential tariff granted) would continue to apply.

The Manager has assumed an increase in utilities charges of 1.0% for Forecast Year 2012 as compared against the annualised utilities charges for Forecast Period 2011. In addition, the Manager has taken into consideration the increase in tariffs which was announced by the Government in May 2011 for Forecast Period 2011.

Maintenance
Maintenance refers to the cost of upkeep of the Subject Properties such as the maintenance of air conditioners and car park systems, cleaning expenses, electrical maintenance, consumables, insurances, the maintenance of lifts and escalators, security charges and waste disposal. In addition, these charges also include insurance premiums payable for coverage which includes (i) fire accident, (ii) property damage, (iii) business interruption, and (iv) public liability (including personal injury). The Manager assumes no additional insurance is required or taken.

For Forecast Period 2011 and Forecast Year 2012, the Subject Properties are expected to incur maintenance charges of RM2.0 million and RM24.0 million respectively, taking into account historical experience.

The Manager expects the annualised maintenance expenses for Forecast Period 2011 to be in line with Forecast Year 2012.

Quit rent and assessment
Quit rent and assessment is an amount prescribed and payable to the state government and local council on the Subject Properties. Assessment is computed based on the rate prescribed by the local council on the annual value of the Subject Properties.

These expenses are estimated to be RM0.8 million and RM9.1 million for Forecast Period 2011 and Forecast Year 2012, respectively.
Other operating expenses

Advertising and marketing expenses

Advertising and marketing expenses comprise advertising set-up cost, public relations costs and costs of marketing collaterals and decoration together with any other expenses related to promotional activities as well as discounted car park charges for shoppers who spend above a certain amount in Pavilion Kuala Lumpur Mall.

The forecasted advertising and marketing expenses are based on the Manager's plans for advertising and promotions for Pavilion Kuala Lumpur Mall. The Manager assumes that the annualised expenses in the Forecast Period 2011 of RM7.4 million will be reduced by 10.8% to RM6.6 million in the Forecast Year 2012 as advertising and marketing expenses are expected to decrease mainly due to an expected increase in sponsorships for promotional activities.

General and administrative expenses

General and administrative expenses consist of depreciation, telecommunications expenses, legal charges, upkeep and other miscellaneous expenses of the Subject Properties. These expenses are expected to increase by 1.4% from the annualised expenses in the Forecast Period 2011 to RM2.4 million in the Forecast Year 2012, save for provision for doubtful debts which has been assumed at 0.5% of Rental Income taking into consideration historical experience.

Property management fee and reimbursable

As stipulated in the Property Management Agreement, the property management fee amounts to RM30,000 per month (excluding service 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 Subject Properties (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 services provider(s), provided that such reimbursable amounts are (i) approved under the annual business plan and budget for the Subject Properties or incurred with prior approval by the Trustee and the Manager and (ii) supported by receipts, vouchers or other evidence of payment acceptable to the Manager and the Trustee. For the Forecast Year 2012, the reimbursable amount payable to the Property Manager is estimated to be RM11.1 million based on historical experience as well as the terms of the Property Management Agreement.

4.5.3.3 Interest Income Assumptions

Interest income is assumed to be earned at an interest rate of 2.5% per annum applied to cash held in interest-bearing/fixed deposit accounts, which is assumed to be RM61.4 million throughout the Forecast Period 2011 and the Forecast Year 2012. It is assumed that remaining cash balances and cashflow from operations will be used for working capital and for distribution to Unitholders every half-yearly and hence, would not earn any interest.
4. FINANCIAL INFORMATION (Cont’d)

4.5.3.4 Management Fee Assumptions

For the Forecast Period 2011 and Forecast Year 2012, the Management Fee will be computed based on the following:

(i) base fee of 0.3% per annum of the Total Asset Value of the Pavilion REIT (excluding cash and bank balance which are held in non-interest bearing accounts); and

(ii) performance fee of 3.0% per annum of Net Property Income of the Subject Properties.

The Manager will be paid the Management Fee as described above in the form of cash and Units. For FY2011 and FY2012, the Manager intends to receive between 15% to 50% of its Management Fee in the form of Units. For the purposes of the Profit Forecast, it is assumed that 15.0% of the Management Fee will be paid in Units for both the Forecast Period 2011 and Forecast Year 2012.

4.5.3.5 Trustee’s Fee Assumptions

For Forecast Period 2011 and Forecast Year 2012, the Trustee’s fee will amount to RM33,333 and RM400,000, respectively.

4.5.3.6 Other Trust Expenses

Other trust expenses of Pavilion REIT consist of annual audit fees, taxation fees, valuation fees, market research fees, public relations expenses and other expenses relating to preparation and distribution of reports to Unitholders, together with other miscellaneous expenses such as postage, printing and stationery. Factors such as Pavilion REIT’s total assets, number of investors, property values and inflation rates are likely to impact trust expenses.

4.5.3.7 Borrowings and Finance Cost Assumptions

To part finance the Subject Properties, Pavilion REIT will obtain the New Debt Facilities as described in Section 3.8 “REIT Financing” of this Prospectus and the Manager has assumed a drawdown of RM721.0 million via RTL1 upon Listing. The Manager assumes that RTL1 carries an interest rate of 4.5% per annum taking into consideration the estimated cost of funds of 3.5% plus an interest spread of 1.0%.

As part of the Acquisitions, the Manager has assumed Pavilion REIT will drawdown additional borrowings of RM15.5 million via RTL2 to fund the acquisition of the Related Assets as well as to finance the initial transaction cost for the New Debt Facilities such as legal fees, stamp duty and facility/agency fees in Forecast Period 2011. Such funding costs relating to the New Debt Facilities of approximately RM5.9 million are assumed to be amortised over the tenure of these facilities of five years. The Manager assumes that RTL2 carries an interest rate of 4.6% per annum taking into consideration the estimated cost of funds of 3.5% plus an interest spread of 1.1%.
The Manager has assumed that for Forecast Year 2012, Pavilion REIT will drawdown RM3.1 million from RTL2 to fund the additional acquisition of property, plant and equipment as well as enhancement costs of the Subject Properties which has been budgeted as capital expenditure for Forecast Year 2012. As RTL2’s total availability is RM100.0 million, any undrawn portion is subjected to commitment fees of 0.35% per annum.

In addition to the above, the Manager has assumed that for Forecast Period 2011 and Forecast Year 2012, fees of 1.0% are applicable for bank guarantee facilities of RM6.5 million.

4.5.3.8 Tax Assumptions

(i) Pavilion REIT will be exempted from income tax provided that Pavilion REIT distributes 90.0% or more of its total income as defined in the Income Tax Act to its Unitholders within two months from the close of its financial year which forms the basis period for the year of assessment of Pavilion REIT.

No current tax liabilities have been forecasted during the Forecast Period 2011 and Forecast Year 2012 as it is assumed that at least 90.0% of Pavilion REIT’s total income (as defined in the Malaysian Income Tax Act 1967) will be distributed to Unitholders within two months after the close of the financial year.

(ii) The forecasts do not take into consideration the possible implementation of a goods and services tax as its implementation has been deferred by the Government. The Manager has assumed that a goods and services tax will not be implemented during the Forecast Period 2011 and Forecast Year 2012.

4.5.3.9 Investment Properties and Valuation Assumptions

For the Forecast Period 2011, it is assumed that the fair value of the investment properties as at the end of the Forecast Period 2011 to be equivalent to the fair value at date of Acquisition resulting in no fair value gain or loss.

For the Forecast Year 2012, it is assumed that the fair value of the investment properties as at the end of the Forecast Year 2012 will increase by RM3.0 million which is equivalent to the planned capital expenditure. No potential rental loss is anticipated during the period when regular capital expenditure works are being carried out.

4.5.3.10 Property, Plant and Equipment Assumptions

The Manager has assumed that the acquisition of property, plant and equipment (i.e. Related Assets excluding inventory) during the Forecast Period 2011 and Forecast Year 2012 will be funded by borrowings.

As part of the Acquisitions, Pavilion REIT will acquire the property, plant and equipment at RM8.6 million in Forecast Period 2011. The Manager forecasts RM0.1 million for the acquisition of property, plant and equipment in Forecast Year 2012.

4.5.3.11 Distribution of Income Assumptions

The Manager has assumed that Pavilion REIT will distribute 100.0% of its Distributable Income for the Forecast Period 2011 and Forecast Year 2012.
4.5.3.12 General Assumptions

(i) Save for Units assumed to be issued to the Manager under Section 4.5.3.4 "Management Fee Assumptions" of this Prospectus, the property portfolio and structure of Pavilion REIT remains unchanged, with no further incurrence of debt (save as disclosed above) or issuance of Units for cash;

(ii) it is assumed that all Units to be issued will be fully subscribed at RM0.88 per Unit;

(iii) there will be no significant change in the principal activities of Pavilion REIT;

(iv) all tenancies are enforceable and will be performed in accordance with their terms with no premature termination of tenancies;

(v) there will be no major changes in the prevailing inflation rate, property expenses, REIT Financing costs and trust expenses of Pavilion REIT other than forecasted;

(vi) significantly all revenue receivable by Pavilion REIT, such as rental proceeds, will be received within the credit term for such receivables;

(vii) there will be no major changes in Pavilion REIT’s operations that will adversely affect the performance of Pavilion REIT;

(viii) there will be no material contingent liabilities arising during the Forecast Period 2011 and Forecast Year 2012, which may adversely affect the Profit Forecasts. Pavilion REIT will not be engaged in any material litigation and there will be no legal proceedings which will affect Pavilion REIT’s activities or performance or give rise to additional contingent liabilities which may materially affect the results of Pavilion REIT;

(ix) the listing expenses in relation to the Offering will be approximately RM42 million. Such expenses are recognised as a deduction from Pavilion REIT’s equity and are not expensed to Pavilion REIT’s consolidated statement of comprehensive income;

(x) it has been assumed that there will be no major changes in the Malaysian FRS issued by the Malaysian Accounting Standards Board or other financial reporting requirements that may have a material effect on the forecast profit after taxation;

(xi) there will be no adverse economic, political or property market conditions which will materially affect the activities and performances of the Subject Properties;

(xii) there will be no major changes to present legislation or Government regulations, tax rates and basis of taxation in Malaysia which will adversely affect the operations of Pavilion REIT or the markets in which it operates;

(xiii) there will be no major disruption in the operations and there will be no other events and abnormal factors including war, terrorism attacks, epidemic outbreak or natural disaster, which will adversely affect the operations of Pavilion REIT; and

(xiv) there will be no major industrial disputes or any other abnormal factors or changes that will significantly affect Pavilion REIT’s operations or rental rate or disrupt its planned operations.
4.5.4 SENSITIVITY ANALYSIS

The Profit Forecasts are based on a number of assumptions that have been outlined in Section 4.5.3 "Bases and Assumptions" of this Prospectus. The Profit Forecasts are also subject to a number of risks as outlined in Section 5 "Risks Factors" of this Prospectus. The actual performance of Pavilion REIT and the Subject Properties could differ materially from the forward-looking statements in this Prospectus.

Investors should be aware that future events cannot be predicted with any certainty and that deviations from the figures forecast in this Prospectus are to be expected. Depicted below is the sensitivity analysis on Pavilion REIT’s DPU for the Forecast Period 2011 and the Forecast Year 2012 as a result of changes in vacancy allowance for Pavilion Kuala Lumpur Mall, rate of increase in base rent for Pavilion Kuala Lumpur Mall, interest rate for the New Debt Facilities, Property Operating Expense and Occupancy Rate of Pavilion Tower. The assumptions for these items have been set out in Section 4.5.3 "Bases and Assumptions" of this Prospectus.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any of the aforementioned variables beyond the extent shown.

(i) Impact of variations in the vacancy allowance for the Rental Income of Pavilion Kuala Lumpur Mall on DPU

<table>
<thead>
<tr>
<th>Vacancy Allowance for the Rental Income of Pavilion Kuala Lumpur Mall</th>
<th>DPU (sen)</th>
<th>Forecast Period 2011</th>
<th>Forecast Year 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0% vacancy allowance</td>
<td></td>
<td>0.45</td>
<td>5.55</td>
</tr>
<tr>
<td><strong>Base case: 3.0% vacancy allowance</strong></td>
<td></td>
<td>0.47</td>
<td>5.73</td>
</tr>
<tr>
<td>1.0% vacancy allowance</td>
<td></td>
<td>0.48</td>
<td>5.91</td>
</tr>
</tbody>
</table>

(ii) Impact of variations in the rate of increase in base rent on renewal of tenancies for Pavilion Kuala Lumpur Mall expiring in Forecast Year 2012 on DPU

<table>
<thead>
<tr>
<th>Rate of increase in base rent on renewal of tenancies for Pavilion Kuala Lumpur Mall expiring in Forecast Year 2012</th>
<th>DPU (sen)</th>
<th>Forecast Period 2011</th>
<th>Forecast Year 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Increase</td>
<td></td>
<td>0.47</td>
<td>5.71</td>
</tr>
<tr>
<td><strong>Base case: Increase of 5.0%</strong></td>
<td></td>
<td>0.47</td>
<td>5.73</td>
</tr>
<tr>
<td>Increase of 10.0%</td>
<td></td>
<td>0.47</td>
<td>5.76</td>
</tr>
</tbody>
</table>
(iii) Impact of variations in interest rate for the New Debt Facility on DPU

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>DPU (sen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Forecast Period</td>
</tr>
<tr>
<td>0.25% above assumed interest rate</td>
<td>0.46</td>
</tr>
<tr>
<td><strong>Base case: Assumed interest rate</strong></td>
<td>0.47</td>
</tr>
<tr>
<td>0.25% below assumed interest rate</td>
<td>0.47</td>
</tr>
</tbody>
</table>

Note:
(1) The interest rate for the New Debt Facilities is assumed to be 4.5% and 4.6% for RTL1 and RTL2 respectively for both the Forecast Period 2011 and the Forecast Year 2012.

(iv) Impact of variations in the Property Operating Expenses on DPU

<table>
<thead>
<tr>
<th>Property Operating Expenses</th>
<th>DPU (sen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Forecast Period</td>
</tr>
<tr>
<td>5.0% above assumed Property Operating Expenses</td>
<td>0.45</td>
</tr>
<tr>
<td><strong>Base case: Assumed Property Operating Expenses</strong></td>
<td>0.47</td>
</tr>
<tr>
<td>5.0% below assumed Property Operating Expenses</td>
<td>0.48</td>
</tr>
</tbody>
</table>

Note:
(1) The assumed Property Operating Expenses for the Forecast Period 2011 and the Forecast Year 2012 are RM7.8 million and RM94.4 million, respectively.
(v) Impact of variations in the Occupancy Rate of Pavilion Tower

<table>
<thead>
<tr>
<th>Occupancy Rate of Pavilion Tower</th>
<th>DPU (sen)</th>
<th>Forecast Period</th>
<th>Forecast Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base case: 82.3% for Forecast Period 2011; 100.0% for Forecast Year 2012</td>
<td>0.47</td>
<td>5.73</td>
<td></td>
</tr>
<tr>
<td>82.3% for Forecast Period 2011; 82.3% for Forecast Year 2012(^{(2)})</td>
<td>0.47</td>
<td>5.67</td>
<td></td>
</tr>
<tr>
<td>64.5% for Forecast Period 2011; 64.5% for Forecast Year 2012(^{(3)})</td>
<td>0.46</td>
<td>5.60</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(1) The impact of variations in the Occupancy Rate is in respect of reduction in Rental Income only without any corresponding changes in net Property Operating Expenses.

(2) Assuming that the Occupancy Rate for Forecast Year 2012 remains at the same level as Forecast Period 2011 of 82.3%. Based on the illustrative Average Offering Price of RM0.88 per Offer Unit, the distribution yield for Forecast Period 2011 (annualised) and Forecast Year 2012 is 6.41% and 6.44% respectively.

(3) Assuming that the Occupancy Rate for Forecast Period 2011 and Forecast Year 2012 is 64.5% (i.e. based on the committed tenancies of Pavilion Tower as at 30 June 2011). Based on the illustrative Average Offering Price of RM0.88 per Offer Unit, the distribution yield for Forecast Period 2011 (annualised) and Forecast Year 2012 is 6.27% and 6.36% respectively.
5. RISK FACTORS

An investment in the Units involves risk. Prospective investors should rely on their own evaluation and carefully consider the following risk factors in addition to other information contained elsewhere in this Prospectus, before investing in the Units.

This Prospectus contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results of Pavilion REIT could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus. If any of the risks described herein actually occur, Pavilion REIT's business, prospects, financial condition, results of operations and ability to make distributions could be negatively affected, the trading price of the Units could decline and investors may lose all or part of their investment.

Unless specified or quantified in the relevant risk factors set out herein, the Manager is not in a position to quantify the financial or other implication of any of the risks described in this section. In addition, the following risk factors may not be exhaustive and additional risks and uncertainties not presently known to Pavilion REIT or the Manager, or which are currently deemed to be immaterial may become material in the future, which would have a material adverse effect on Pavilion REIT or the trading price of the Units.

Given the nature of REITs which aims to make stable income distributions, investors should not expect to realise significant proportion of their returns in Pavilion REIT to be in the form of capital gains.

Investors should be aware that the trading price of the Units may fluctuate. Investors should also note that they may not get back their original investment.

5.1 RISKS RELATING TO THE SUBJECT PROPERTIES

5.1.1 The Subject Properties have tenancy cycles in which a substantial number of the tenancies expire in certain years.

A substantial number of the Subject Properties' tenancies are for terms of three years, which exposes the Subject Properties to significant rates of tenancies expiriess each tenancy cycle.

Pavilion Kuala Lumpur Mall has tenancy cycles in which a substantial number of the tenancies expire in certain years, with 67.2% of the tenancies by Occupied NLA expiring in 2013.

The concentration of tenancy expiriess heightens Pavilion REIT's exposure to the typical risks associated with tenancy expiriess, including the risk of vacancies following non-renewal of tenancies, reduced occupancy rates and lower Rental Income.

If key tenants or a large number of tenants decide not to renew their tenancies and in the event that new tenants are unable to be secured or secured after a long vacancy period or at lower rates, the income of Pavilion REIT and distributions to Unitholders will be adversely affected.
5. RISK FACTORS (Cont'd)

5.1.2 The Subject Properties may face increased competition from other properties.

The Subject Properties are located in areas where other competing properties are present and new properties may be developed which may compete with the Subject Properties. The appeal and attractiveness of the Subject Properties may decrease in the future, especially if new shopping centres and/or office buildings are built and/or existing properties undergo upgrading and the Subject Properties fail to keep pace.

The income from, and the market value of, the Subject Properties will be dependent on the ability of the Subject Properties to compete against other properties for tenants. If, in the future, competing properties are more successful in attracting and retaining tenants, the income from the Subject Properties could be reduced, thereby adversely affecting Pavilion REIT's cash flow and the amount of funds available for distribution to Unitholders.

Furthermore, Pavilion Tower is currently not fully occupied and the Manager will have to actively seek new tenants upon Listing. The office property market in Malaysia is highly competitive. Pavilion Tower competes for tenants with numerous developers, owners and operators of office properties. In addition, it is expected that a significant new supply of office properties in the Golden Triangle will come on to the market between mid-2011 and end-2012, which will result in additional competition for tenants. Based on the Independent Property Market Report, the supply during such period is expected to include approximately 3.8 million sq ft of additional office space in the Golden Triangle. There can be no assurance that Pavilion Tower will be able to compete effectively with other properties to secure additional tenants.

5.1.3 The loss of key tenants of Pavilion Kuala Lumpur Mall, a downturn in the businesses of Pavilion Kuala Lumpur Mall's key tenants or any breach by the key tenants of their obligations under their tenancy agreements could have an adverse effect on the financial conditions and results of operations of Pavilion REIT.

The ten largest tenants of Pavilion Kuala Lumpur Mall accounted for approximately 22.7% of the total NLA Income of Pavilion Kuala Lumpur Mall as at 1 June 2011. Accordingly, Pavilion REIT's financial condition and results of operations and ability to make distributions may be adversely affected by the bankruptcy, insolvency or downturn in the businesses of one or more of these tenants, as well as the decision by one or more of these tenants not to renew its tenancy. New tenants on the same terms (or no less favourable terms) may not be found in time or at all.

Further, in the event that any key tenants of Pavilion Kuala Lumpur Mall are unable to pay their rent or breach their obligations under the tenancy agreements, Pavilion REIT's financial condition and results of operations and ability to make distributions may be adversely affected. The performance of the key tenants' other businesses (if any) could also have an impact on their ability to make rental payments to Pavilion REIT. The departure of key tenants could also impact the interests of potential and existing tenants in Pavilion Kuala Lumpur Mall.

Factors that affect the ability of such key tenants to meet their obligations include, but are not limited to:

(i) general economic conditions;
(ii) their financial position;
5. RISK FACTORS (Cont'd)

(iii) the local economies in which they have other business operations (if any); and
(iv) the ability of such key tenants to compete with their competitors.

5.1.4 The Subject Properties may require significant capital expenditure beyond the Manager’s current estimate and Pavilion REIT may not be able to secure funding.

The Subject Properties may require significant capital expenditure beyond the Manager’s current estimate for refurbishment, renovation and improvements. Pavilion REIT may not be able to fund capital improvements solely from cash derived from its operating activities and/or obtain additional equity and/or debt financing on favourable terms or at all. If Pavilion REIT is not able to procure such financing, the Manager may be unable to refurbish, renovate and/or improve the Subject Properties which may adversely affect rental negotiations and rental rates in the future. Pavilion REIT may also require additional debt and equity financing to fund future expansion, operational needs and debt service payments. Without the required funding, Pavilion REIT may not be able to carry out its operations effectively, incur sufficient capital expenditures or respond to competitive pressures.

5.1.5 Transportation infrastructure near the Subject Properties may be redirected, relocated, terminated, delayed or not completed.

There is no assurance that the existing and/or planned transportation infrastructure and public transport services around the Subject Properties will not be redirected, relocated, terminated or delayed. Currently, the infrastructure around the Subject Properties includes the KL Monorail stations of Bukit Bintang and Raja Chulan which are the two closest stations to the Subject Properties. The planned infrastructure includes the upcoming Klang Valley MRT, under which one station has been designated for Bukit Bintang along the finalised Sungai Buloh-Kajang Line. If the current infrastructure or planned infrastructure is redirected, relocated, terminated, delayed or not completed, it may have an adverse effect on the accessibility of the Subject Properties, including worsening traffic congestion around the Subject Properties, and reduce the flow of shopper traffic to Pavilion Kuala Lumpur Mall. This may then have an adverse effect on the demand, appeal and the rental rates for the Subject Properties and have an adverse effect on the financial condition and results of operations of Pavilion REIT.

5.1.6 Pavilion REIT may be adversely affected by construction or development works around the vicinity of the Subject Properties.

Construction or development works around the vicinity of the Subject Properties, including the planned construction of the new MRT station and tracks near the Subject Properties, the covered skybridge which will connect Pavilion Kuala Lumpur Mall to Kuala Lumpur Convention Centre and a link bridge between a proposed development across Jalan Raja Chulan and Pavilion Kuala Lumpur Mall as well as in relation to Pavilion Extension may cause physical damage to the Subject Properties or disruption to operations of Pavilion REIT. Any damage to the Subject Properties will result in disruption to the business and operations of tenants and may result in Pavilion REIT being unable to collect Rental Income on space affected by such damage. Shopper traffic will also be affected by potential inconveniences resulting from such damage.
5.1.7 Renovations, redevelopment works or physical damage to the Subject Properties or continued development of the Pavilion Kuala Lumpur Project may disrupt the operations of the Subject Properties and collection of Rental Income or otherwise resulting in an adverse impact to the financial condition of Pavilion REIT.

The quality and design of the Subject Properties have a direct influence over the demand for space, in, and the rental rates of, the Subject Properties. The Subject Properties may need to undergo renovation, upgrading, development, redevelopment or asset enhancement programmes from time to time to retain their competitiveness and may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may develop or because of new planning laws or regulations. The costs of maintaining retail and office properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. In addition, the Subject Properties may be required to undergo rectification works to comply with local regulatory requirements. The business and operations of the Subject Properties may suffer some disruption and it may not be possible to collect any Rental Income in full, or at all, on space affected by such renovation or redevelopment works. Any inconvenience caused may also potentially lower shopper traffic.

Some examples of such renovation and redevelopment works include standard maintenance, the creation of Tokyo Street as well as the construction of the proposed serviced suites which is proposed to be erected above a certain section of Pavilion Kuala Lumpur Mall.

In addition, physical damage to the Subject Properties resulting from fire or other causes may lead to a significant disruption to the business and operation of the Subject Properties and, may impose unbudgeted costs on Pavilion REIT and result in an adverse impact on the financial condition and results of operations of Pavilion REIT and its ability to make distributions to Unitholders.

5.1.8 The Subject Properties might be adversely affected if the Manager and the Property Manager do not provide adequate management and maintenance.

Should the Manager and the Property Manager fail to provide adequate management and maintenance, the value of the Subject Properties might be adversely affected and this may result in the loss of tenants or lower rental rates, which will adversely affect the financial condition of Pavilion REIT and its ability to make distributions to Unitholders.

Failure to provide adequate management and maintenance to Pavilion Kuala Lumpur Mall may also lead to a decrease in shopper traffic, with shoppers being attracted to the competitors of Pavilion Kuala Lumpur Mall. This will affect the financial performance of Pavilion REIT.
5. RISK FACTORS (Cont'd)

5.1.9 Pavilion REIT may suffer material losses in excess of insurance proceeds or Pavilion REIT may not put in place or maintain adequate insurance in relation to the Subject Properties and its potential liabilities to third parties.

The Subject Properties face the risk of suffering physical damage caused by fire, acts of God such as natural disasters or other causes, as well as potential public liability claims from shoppers, contractors and tenants.

In addition, certain types of risks (such as war risk and losses caused by the outbreak of contagious diseases, contamination or other damages caused by breaches of environmental law) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Currently, Pavilion REIT's insurance policies for the Subject Properties include property damage caused by fire, lightning or explosion, consequential losses (including loss of revenue), machinery breakdown, equipment damage, theft, accidental damage and public liability but do not in general cover acts of war, outbreak of contagious diseases, contamination or other damages caused by breaches of environmental law.

Should an uninsured loss or a loss in excess of insured amounts occur, Pavilion REIT could be required to incur additional unbudgeted capital expenditure, pay compensation and/or lose capital invested in the affected Subject Property as well as anticipated future revenue from that Subject Property as it may not be able to rent out or sell the affected property. No assurance can be given that material losses in excess of insurance proceeds (if any) will not occur.

In addition, Pavilion REIT's insurance policies and terms of coverage will be subject to renewal and negotiations on a periodic basis in the future and there is no assurance as to the nature and extent of coverage that will be available on commercially reasonable terms in the future. Any material increase in insurance rates or decrease in available coverage in the future will adversely affect Pavilion REIT's business, results of operations and financial condition.

5.1.10 The due diligence on the Subject Properties may not have identified all material defects, breaches of laws and regulations and other deficiencies.

Save for due diligence on the title and legal matters affecting the Subject Properties, no other due diligence was carried out in respect of the Subject Properties. Such due diligence may not have revealed all breaches of laws or regulations or defects or deficiencies affecting the Subject Properties, including to the title thereof.

No technical due diligence was undertaken by the Manager on the Subject Properties. There can be no assurance that the Subject Properties do not or will not have defects or deficiencies, which will require additional expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties. Such costs or liabilities may involve significant and potentially unpredictable levels of expenditure which could have a material adverse effect on Pavilion REIT's business, financial condition, results of operations and prospects.

Moreover, the representations, warranties and indemnities made in favour of Pavilion REIT by the Vendors may not offer sufficient protection for the costs and liabilities arising from any defect or deficiency.
5. RISK FACTORS (Cont'd)

5.1.11 The Appraised Values of the Subject Properties are based on various assumptions which may or may not materialise; the price at which Pavilion REIT is able to sell the Subject Properties in future may be lower than the acquisition value of the Subject Properties.

There can be no assurance that the assumptions relied on to derive the Appraised Values of the Subject Properties are accurate measures of the market, and the said values of the Subject Properties may be evaluated inaccurately. Property valuation in general involves using assumptions, estimates, subjective parameters and/or close proxies. The Independent Property Valuer may have included a subjective determination of certain factors relating to the Subject Properties such as their relative market positions, financial and competitive strengths, and physical condition. The Independent Property Valuer may also have taken into account external factors such as demand and supply, general economic conditions and interest rates.

The valuation of any of the Subject Properties does not guarantee a sale price at that value at present or in the future as values might change and are subject to market conditions as well. The price at which Pavilion REIT may sell any of the Subject Properties may be lower than the Appraised Value or its purchase consideration.

5.1.12 Pavilion REIT is dependent on third parties for certain services.

Certain services to the Subject Properties, for example, water, electricity and sewerage treatment may be provided by third party service providers or may not be located within the Subject Properties. There is no assurance that the third parties or other parties contracted by the third parties will fulfill their obligations under any contracts of service. Pavilion REIT is also dependent on the Property Manager for providing property management services, tenancy management services, marketing and marketing coordination services and project management services. Any interruption to such services to the Subject Properties may disrupt business operations and have a material adverse effect on Pavilion REIT's business, financial condition, results of operations and prospects.

5.1.13 Pavilion REIT has no control over the Master Title of the Subject Properties.

The Subject Properties form part of a mixed development including two blocks of luxury serviced apartments and the proposed serviced suites to be erected above a certain section of Pavilion Kuala Lumpur Mall. Until the Master Title is subdivided and separate strata titles are issued in respect of the various components of the said mixed development, legal title to the Subject Properties will remain registered in the name of UCSB and accordingly, Pavilion REIT will only hold beneficial ownership of the Subject Properties. Notwithstanding that a private caveat has been lodged on the Master Land by the Trustee on 19 October 2011, the Manager can provide no assurance that UCSB will at all time deal with the Master Title in the best interest of Pavilion REIT.
5.1.14 **Completion of the SPAs and transfer of certain contracts may not occur.**

There can be no assurance that both of the SPAs, which are interdependent on each other, will complete in accordance with their respective terms. The SPAs are subject to conditions precedent, which may not all be satisfied or waived. Further, the Vendors may fail to comply with the terms of the SPAs, including the obligation to complete the sale to Pavilion REIT. See Section 14.3 “Salient Terms of the SPAs” of this Prospectus for details of the SPAs. If either SPA is not completed in accordance with the terms therein contained, the Acquisitions by Pavilion REIT will not complete, and Pavilion REIT will be unwound in accordance with the terms of the Deed. In the event the Units have been allotted, the Unit holders who were allotted Units under the Offering will only receive their monies following the completion of the winding up of Pavilion REIT in accordance with the terms of the Deed.

Further, the transfer of certain servicing, maintenance and insurance contracts as well as electricity distribution rights/privileges require the consents of various third parties before they can be validly transferred. As a result, there can be no assurance that all such contracts will be transferred to Pavilion REIT and Pavilion REIT may be adversely affected if the benefits of such contracts are unavailable or have to be re-contracted for on less favourable terms.

5.1.15 **The Subject Properties or any part of them may be acquired compulsorily.**

Under Section 3 of the Land Acquisition Act 1960, the State Authority has the power to acquire any land, whether in whole or in part, which is needed:

(i) for any public purpose;

(ii) by any person or corporation for any purpose which, in the opinion of the State Authority, is beneficial to the economic development of Malaysia or any part thereof or to the public generally or any class of the public; or

(iii) for the purpose of mining or for residential, agricultural, commercial, industrial or recreational purposes or any combination of such purposes.

In the event of any compulsory acquisition of property in Malaysia, the amount of compensation to be awarded is based on the fair market value of a property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. The market value of the Subject Properties as determined by the State Authority may be lower than the market value as determined by any independent property valuer appointed by Pavilion REIT. Or, if any of the Subject Properties were acquired compulsorily by the State Authority at a point in time when the market value of the Subject Properties has decreased, the level of compensation paid to Pavilion REIT may be less than the price which Pavilion REIT paid for the Subject Properties, which may have an adverse effect on the trading price of the Units and Pavilion REIT’s business, financial condition, results of operations and prospects. If the compulsory acquisition concerned a material section of the Subject Properties such as retail/office space, car park areas and/or access areas to the Subject Properties, the business and operation of the Subject Properties may be adversely affected thereby resulting in a reduction of Total Revenue and the market value of the Subject Properties.
5.2 RISKS RELATING TO PAVILION REIT'S OPERATIONS

5.2.1 Pavilion REIT is exposed to economic and real estate market conditions (including uncertainties and instability in global market conditions and increased competition in the retail and office property market).

The Subject Properties are located in Kuala Lumpur, Malaysia. As a result, Pavilion REIT's results of operations depend, to a large extent, on the performance of Malaysia's economy and the Malaysian real estate market conditions. A decline in Malaysia's economy could adversely affect Pavilion REIT's results of operations and future growth. Historically, the Malaysian property market has been cyclical and Malaysian property values, rents and occupancy rates have been affected by, among other factors, the rate of economic growth in Malaysia, interest rates and inflation. The performance of Pavilion REIT may also be adversely affected by a number of local real estate market conditions, such as the competitiveness of competing retail and office properties or the supply and demand of retail and office properties. There can be no assurance that the Malaysian economy will continue to improve, that property values, rents and occupancy rates will not decline, or that interest rates or inflation will not rise in the future. An economic decline in Malaysia, a decline in real estate market conditions in Malaysia or other developments outside the control of Pavilion REIT and the Manager, would have a material adverse effect on Pavilion REIT's business, financial condition and results of operations.

In addition, the Malaysian economy is affected by global economic conditions. The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries. There is also growing concern that the debt crisis in Europe and the United States will impinge upon the health of the global financial system. These and other related events have had significant impact not only on the global capital markets associated with asset-backed securities but also on the global credit and financial markets as a whole. The deterioration in the financial markets has caused a recession in many countries, which has led to significant declines in employment, household wealth, consumer demand and lending and as a result, has adversely affected economic growth in Malaysia and elsewhere. These events could adversely affect Pavilion REIT insofar as they result in:

(i) reduced shopper traffic in Pavilion Kuala Lumpur Mall;

(ii) a negative impact on the ability of the tenants to pay their rents (including turnover rent) in a timely manner or continue their tenancies, thus reducing Pavilion REIT's revenue and/or cashflows;

(iii) an increased likelihood that one or more of (i) the Lenders, (ii) banks providing bankers' guarantees for Pavilion REIT's rental deposits or (iii) Pavilion REIT's insurers may be unable to honour their commitments to Pavilion REIT; and/or

(iv) an increase in overall counterparty risk involving parties such as, but not limited to, tenants, advertising customers, carpark operator, insurers, lenders as well as contractors and suppliers (in terms of any warranties provided).
Pavilion REIT may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. There can be no assurance that Pavilion REIT will be able to raise funds at a reasonable cost which could have a material adverse effect on Pavilion REIT's business, financial condition and results of operations.

5.2.2 The Total Revenue earned from, and the value of, the Subject Properties may be adversely affected by a number of factors.

The Total Revenue earned from, and the value of, the Subject Properties may be adversely affected by a number of factors, including, but not limited to:

(i) the ability to collect rent from the tenants on a timely basis or at all;

(ii) the amount and extent to which Pavilion REIT may grant rental rebates to the tenants;

(iii) defects affecting the Subject Properties which could affect the operations of tenants resulting in the inability of such tenants to make timely payments of rent or at all;

(iv) a drop in rental rates due to changes in rental rates of comparable malls, tenant mix, renewal options, size, location and configuration of NLA within the Subject Properties, shopper traffic to Pavilion Kuala Lumpur Mall, the level of tourism to Kuala Lumpur and the design of Pavilion Kuala Lumpur Mall;

(v) the tenants seeking the protection of bankruptcy laws which could result in delays in the receipt of rent payments, inability to collect Rental Income, or delays in the termination of the tenancy, or which could hinder or delay the re-letting of the space in question or the sale of the relevant property;

(vi) the general macroeconomic and supply and demand trends affecting the economic conditions of Malaysia and conditions in the real estate market sector in Malaysia;

(vii) reduced occupancy rates due to supply and demand trends affecting the retail real estate markets, the length of potential vacancy periods arising from tenancy expiries and early terminations, and rental rates of other competing properties;

(viii) the Manager's ability to provide adequate management and maintenance or to purchase or put in place adequate insurance;

(ix) changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Rights related to the properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws related to condemnation and redevelopment; and

(x) acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases, natural disasters and other events beyond the control of the Manager.
5. RISK FACTORS (Cont'd)

5.2.3 Operating risks inherent to the retail property industry and increases in operating and other expenses of the Subject Properties could have an adverse effect on Pavilion REIT's financial condition and results of operations.

Pavilion REIT's ability to maintain a certain level of distributions to the Unitholders could be affected if its operating and other expenses increase without a corresponding increase in revenue or tenant reimbursement of operating and other costs. In addition to other factors mentioned herein, factors which could increase operating and other costs of the Subject Properties, include, but are not limited to, the following:

(i) increase in utility costs (including any increase in preferential tariff granted by utility service providers);
(ii) increase in construction, repair and maintenance costs (including mechanical and engineering costs);
(iii) increase in third party sub-contracted service costs;
(iv) increase in insurance premiums;
(v) increase in payroll expenses;
(vi) increase in quit rent and assessments (property and related taxes) and other statutory charges;
(vii) increase in property management cost and Management Fee;
(viii) changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
(ix) increase in costs of financing for operating or capital requirements; and
(x) increase in the service charge and sinking fund contributions applicable to strata properties.

Additionally, capital expenditures and other expenses may be irregular since on-going repairs and maintenance involves significant and potentially unpredictable expenditures. Both the amount and timing of such expenditures will have an impact on the cash flow of Pavilion REIT. If the Subject Properties do not generate revenue sufficient to meet operating expenses, debt service and capital expenditures, Pavilion REIT's income and ability to make distributions may be materially and adversely affected.

Many of these factors may have an adverse effect on the NPI derived from the Subject Properties. The valuation of the Subject Properties, (to be obtained at least once every three years from the date of the last valuation pursuant to the REITs Guidelines), will reflect such factors and as a result, such valuation may fluctuate significantly upwards or downwards.
5. RISK FACTORS (Cont'd)

5.2.4 Pavilion REIT will be heavily reliant on Pavilion Kuala Lumpur Mall for a substantial portion of NPI.

Pavilion REIT will be dependent on Pavilion Kuala Lumpur Mall for a substantial portion of its NPI. For the Forecast Period 2011 and the Forecast Year 2012, Pavilion Kuala Lumpur Mall is forecasted to account for 97.7% and 96.6% of the Subject Properties' NPI, respectively. Pavilion REIT may continue to be dependent on Pavilion Kuala Lumpur Mall for a significant portion of its NPI going forward and a decline in Pavilion Kuala Lumpur Mall's NPI will have a material adverse effect on Pavilion REIT.

5.2.5 Pavilion REIT is subject to risks inherent in concentrating investments primarily in retail properties in a single country.

Pavilion REIT's principal investment policy is to invest in income-producing Real Estate Assets used solely or predominantly for retail purposes in Malaysia. Further, the Subject Properties are both located at the Bukit Bintang area. As such, Pavilion REIT will be subject to additional risks compared to a portfolio that is diversified in terms of location and type. These risks include, and are not limited to, a downturn in the Malaysian economy, movements in interest rates and changes in policies or laws affecting real property, which could in turn affect the valuation of the Subject Properties, reduce visitors to the Bukit Bintang area, reduce retail spending, decrease rental and occupancy rates, and increase the risk of tenant insolvency. Such downturns would affect distributions to Unitholders, and have a material adverse effect on Pavilion REIT's business, results of operations and financial conditions.

In addition, Pavilion REIT is exposed to political risks in Malaysia. Pavilion REIT may be affected by changes in government policies as a result of change of government and the political sentiment in Malaysia may change and affect Pavilion REIT adversely.

5.2.6 The amount Pavilion REIT may borrow is limited, which may affect the operations and expansion of Pavilion REIT.

Under the REIT's Guidelines, Pavilion REIT is only permitted to borrow up to 50.0% of its Total Asset Value at the time the borrowing is incurred. Unitholders' approval is required if Pavilion REIT wants to increase its borrowing beyond 50.0%. Pavilion REIT may, from time to time, require further debt financing to achieve its investment strategies. If further debt funding is incurred, it would result in increased debt service obligations and could result in additional operating and financing covenants, or liens on the Subject Properties, that would restrict its operations. In the event Pavilion REIT does not obtain the necessary approval to incur additional borrowings in the future, Pavilion REIT may be unable to proceed with its strategies and may face adverse business consequences as a result of this limitation on future borrowings. These may include:

(i) an inability to fund capital expenditure requirements in relation to Pavilion REIT's existing asset portfolio or in relation to Pavilion REIT's acquisitions to expand its portfolio;

(ii) a decline in the value of the Deposited Property may cause the borrowing limit under the REIT's Guidelines to be exceeded, thus affecting Pavilion REIT's ability to make further borrowings; and
(iii) cash flow shortages (including with respect to distributions) which Pavilion REIT might otherwise be able to resolve by borrowing funds.

5.2.7 Changes in consumer behaviour patterns in Malaysia may adversely affect Pavilion REIT.

Changes in consumer behaviour patterns in Malaysia may adversely affect Pavilion REIT’s business, prospects, financial condition and results of operations. The increasing trend of consumers shifting their preference from retail shopping to internet shopping may lead to a decrease in shopper traffic to Pavilion Kuala Lumpur Mall and to retail malls in Malaysia as a whole. According to the Independent Property Market Consultant, youths aged 20 to 24 spend an average of 22.3 hours online per week and this could possibly result in greater online spending when they join the work force. This would lead to a downturn in the businesses of tenants of Pavilion Kuala Lumpur Mall and affect their ability to make rental payments to Pavilion REIT (including turnover rent), which would in turn adversely affect Pavilion REIT’s Total Revenue.

The gradual increase in the number of suburban malls in Kuala Lumpur which have been completed or are expected to be completed between 2011 and 2013, such as 1 Mont’ Kiara, KL Festival City and Nu Sentral Mall (Lot G), as well as the improved quality of offerings and services provided by suburban malls may lead to more shoppers choosing to visit such suburban malls compared to malls in the city, such as Pavilion Kuala Lumpur Mall, due to the greater convenience and shorter travelling times. This may deter shoppers from travelling to Pavilion Kuala Lumpur Mall and thus adversely affect the businesses of tenants of Pavilion Kuala Lumpur Mall and of Pavilion REIT in turn.

Malaysia’s middle income groups have been and may continue to be affected by rising inflation with shrinking purchasing power as petrol and utility price increases have grown faster than salary growth. The incomes of the middle income groups may not be growing fast enough to meet rising living costs in Malaysia and so they may limit their spending to necessities. This may adversely affect the businesses of the tenants of Pavilion Kuala Lumpur Mall and consequently, the operations and results of Pavilion REIT.

The planned introduction of a goods and services tax (“GST”) in Malaysia may also affect the spending habits of Malaysian shoppers. GST is a broad based multi-stage taxation system whereby tax is levied on the amount of value created at each stage of the production cycle which is ultimately transferred to the end-purchaser of the good or service. The effect is an overall increase in the price of goods and services which may reduce retail spending and adversely affect the business of tenants of Pavilion Kuala Lumpur Mall.
5.2.8 Pavilion REIT may face risks associated with debt financing and existing and future debt facilities and debt covenants may limit or affect Pavilion REIT’s operations.

Upon Listing, based on Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position, Pavilion REIT will have total indebtedness of approximately RM730.6 million representing approximately 20.1% of its estimated Total Asset Value. Pavilion REIT’s actual indebtedness upon Listing is subject to the actual proceeds to be raised under the Offering. Pavilion REIT is subject to risks associated with existing and future debt financing, including the risk that its cash flow will be insufficient to meet the required payments of principal and interest under such financing, and therefore be unable to make distributions to Unitholders. See Section 3.8 “REIT Financing” of this Prospectus for further details on the debt financing of Pavilion REIT.

It is the intention of the Manager to distribute at least 90.0% of Pavilion REIT’s Distributable Income to Unitholders. As a result, Pavilion REIT may not be able to meet all of its obligations to repay any future borrowings through its cash flow from operations. Pavilion REIT may be required to repay maturing debt with funds from additional debt or equity financing or both. There is no assurance that such financing will be available on acceptable terms or at all.

If principal amounts due for repayment at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, Pavilion REIT will not be able to repay all maturing debt. In such cases, if Pavilion REIT defaults under such debt facilities, the lenders may be able to declare a default and initiate enforcement proceedings in respect of any security provided, and/or call upon any guarantees provided. Further, if Pavilion REIT’s properties are mortgaged, such properties could be foreclosed by the lender or the lender could require a forced sale of the properties with a consequent loss of income and asset value to Pavilion REIT. This would in turn affect the distributions to be paid to Unitholders.

Even if Pavilion REIT is able to secure new debt financing, Pavilion REIT may be subject to the risk that the terms of any refinancing undertaken will be less favourable than the terms of the borrowings sought to be refinanced (including bank borrowings or issuances of debenture and bonds). Pavilion REIT may also be subject to certain covenants that may limit or otherwise adversely affect its operations and its ability to make distributions to Unitholders. Such covenants may also restrict Pavilion REIT’s ability to acquire properties or undertake other capital expenditure and may require it to set aside funds for maintenance or repayment of security deposits or require Pavilion REIT to maintain certain financial ratios (such as loan to value ratios). The triggering of any of such covenants may have an adverse impact on Pavilion REIT’s financial condition.

Increases in interest rates could significantly affect Pavilion REIT’s financial condition and results of operations. The interest rates of borrowings could be subject to changes based on the cost of funds of the respective lenders, which could be subject to renegotiation on a periodic basis. If the interest rates for Pavilion REIT’s existing or future borrowings increase significantly, its cost of funds will increase which may adversely impact its results of operations, planned capital expenditure and cash flows.
5.2.9 The Manager may not be able to successfully implement its investment strategies, including asset enhancements, for Pavilion REIT.

There is no assurance that the Manager will be able to implement its investment strategies successfully or that it will be able to expand Pavilion REIT's portfolio at any specified rate or to any specified size. The success of implementation of its investment strategies depends on the identification of suitable assets and the ability to obtain financing. The Manager may not be able to make acquisitions or investments on favourable terms or within a desired time frame, which will impede the growth of Pavilion REIT.

Pavilion REIT’s ability to make new property acquisitions under its acquisition growth strategy may be adversely affected by the emergence of competitors in the retail and office property markets. There may be significant competition for investment opportunities from other property investors, including other REITs, commercial property development companies and private investment funds. There is no assurance that Pavilion REIT will be able to compete effectively against such entities.

Pavilion REIT has been granted the General ROFR by the Sponsor over the Sponsor’s future retail properties in Malaysia for acquisitions in the future. Pursuant to the terms of the General ROFR, acquisition of properties under the General ROFR may be subject to consent from third parties. There can be no assurance that such parties will give such consent. If the Sponsor is unable to provide the support required by Pavilion REIT in relation to the exercise of the General ROFR when applicable in future, the future growth of Pavilion REIT may be adversely affected. See Section 14.4.1(a) "General ROFR granted to Pavilion REIT by the Sponsor” of this Prospectus for further details.

Even if Pavilion REIT were able to successfully acquire property or investments, there is no assurance that Pavilion REIT will achieve its intended return on such acquisitions or investments.

Further, Pavilion REIT's external growth strategy and its asset selection process may not be successful and may not provide positive returns to Unit holders. Acquisitions may divert management's attention away from day-to-day operations and cause disruptions to Pavilion REIT’s operations.

Even if the Manager can identify suitable assets and investment opportunities for Pavilion REIT, obtaining funding for such acquisitions and investments may be difficult. Potential vendors may view negatively the prolonged time frame and lack of certainty associated with the raising of equity capital to fund any such purchase. They may instead prefer other potential purchasers.

The Manager may from time to time initiate asset enhancement on some of the Subject Properties. There is no assurance that such plans for asset enhancement will materialise, or in the event that they do materialise, they may not achieve their desired results or may incur significant costs. For further details on the asset enhancement plans of the Manager, please see Section 2 "Business and Subject Properties" of this Prospectus.
5. RISK FACTORS (Cont’d)

5.2.10 Pavilion REIT is not licensed to sell electricity to tenants of the Subject Properties and is reliant on the Sponsor’s licence.

The Sponsor is licensed to supply and sell electricity to tenants/consumers of the Pavilion Kuala Lumpur Project (including the two blocks of serviced apartments known as Pavilion Residences and the proposed block of serviced suites, which will not be acquired by Pavilion REIT) at the tariff rates approved by the Energy Commission. As part of the terms of the SPAs, all income derived from the Subject Properties will accrue to Pavilion REIT upon listing, including any income from the sale of electricity to the tenants of the Subject Properties. Accordingly, the Manager and Pavilion REIT will have to rely on the Sponsor in order to earn electricity income. There is no guarantee that the Sponsor will perform its obligations in accordance with the terms of the SPAs or its licence or that the Sponsor’s licence to supply and sell electricity to the Pavilion Kuala Lumpur Project will not be revoked by the relevant authorities prior to its expiry in March 2028. As a result of the above, Pavilion REIT may lose the margin earned on the electricity income derived from the Subject Properties, which in turn may adversely affect Pavilion REIT’s financial conditions and results of operations.

5.2.11 Pavilion REIT and the Manager are reliant on the Sponsor for the use of, among others, the “Pavilion Kuala Lumpur” brand name.

The Manager intends to leverage on and use the “Pavilion Kuala Lumpur” brand name to attract reputable tenants, maintain tenant relationships and attract shoppers. Accordingly, Pavilion REIT will have to rely on the Sponsor for the use of, among others, the “Pavilion Kuala Lumpur” brand name. The Manager does not have exclusive use of the “Pavilion Kuala Lumpur” brand name. If the Sponsor licenses the “Pavilion Kuala Lumpur” brand name to a less reputable company, then this may dilute the prestige of the “Pavilion Kuala Lumpur” brand name, and adversely affect the reputation of Pavilion Kuala Lumpur Mall. If Pavilion REIT is unable to use the “Pavilion Kuala Lumpur” brand name, the business and operation of Pavilion REIT may be adversely affected. See Section 1.9 “Intellectual Property” of this Prospectus for further details on the use of the registered trademark “Pavilion Kuala Lumpur” and other pending trademarks.

5.2.12 Pavilion REIT may not meet the requirements to enjoy tax exemptions under Section 61A of the Income Tax Act, 1967 (the “Income Tax Act”) by virtue of, among others, tax adjustments or changes in tax laws.

Pursuant to Section 61A of the Income Tax Act, a REIT is exempted from income tax for the relevant year of assessment provided that it distributes at least 90.0% of its total income (as defined under the Income Tax Act) to its Unitholders in the basis period of the REIT for the relevant year of assessment. The Malaysian Inland Revenue Board (the “MIRB”) has given a concession for such distribution to be made within two months after the close of the financial year which forms the basis period for the tax assessment of the REIT.

Where the abovementioned conditions pursuant to Section 61A of the Income Tax Act are met, Pavilion REIT will be exempted from Malaysian income tax. However, Pavilion REIT is required to withhold tax on taxable income distributed to certain Unitholders. See Appendix C “Tax Consultant’s Letter on Taxation of Pavilion REIT and Unitholders” of this Prospectus for the Malaysian withholding tax implications on distributions to investors from a Malaysian REIT which meets the requirements of Section 61A of the Income Tax Act.
There is no assurance that Pavilion REIT will be able to comply with the requirements to enjoy tax exemptions under Section 61A of the Income Tax Act. In the event of a tax audit, the MIRB may make an upward adjustment to the total income of Pavilion REIT, which may result in Pavilion REIT no longer satisfying the 90.0% threshold requirements of Section 61A of the Income Tax Act. Moreover, if Pavilion REIT was not originally exempt under Section 61A of the Income Tax Act, an upward adjustment to total income would result in Pavilion REIT being subject to more tax.

The Malaysian tax laws may be subject to change. For example, the pre-requisites for tax exemption may become more difficult to meet, such that Pavilion REIT would be more likely to be subject to tax or the tax exemption for Malaysian REITs may be removed altogether. Any other tax exemptions, such as stamp duty, which Malaysian REITs currently enjoy, may also be removed in the future.

5.2.13 Pavilion REIT depends on certain key personnel and the loss of any key personnel may adversely affect its operations.

Pavilion REIT's performance depends, in part, upon the continued service and performance of the executive officers of the Manager. See Section 6.5 "Management Team of the Manager" of this Prospectus for details of the executive officers of the Manager. These key personnel may leave the employment of the Manager. If the above were to occur, the Manager will need to spend time searching for a replacement and the duties which such executive officers are responsible for may be affected. The loss of any of these individuals could have a material adverse effect on Pavilion REIT's financial condition and the results of operations.

5.2.14 The removal of the Manager could have an adverse effect on Pavilion REIT's financial condition and results of operations.

No guarantee can be given that the Manager will remain the manager of Pavilion REIT. In the event that the Manager ceases to be eligible to act as a REIT manager under the CMSA or is removed pursuant to the Deed or the Relevant Laws and Requirements, Pavilion REIT may need to appoint another manager, which may materially and adversely affect Pavilion REIT's financial condition and results of operations. The removal of the Manager will also lead to Pavilion REIT losing the right to use the "Pavilion Kuala Lumpur" brand name as well as the rights granted under the General ROFR and fahrenheit88 ROFR. See Section 1.9 "Intellectual Property" and Section 14.4 "Salient Terms of the Existing ROFRs" of this Prospectus for further details on the use of the "Pavilion Kuala Lumpur" brand name and the terms of the ROFRs, respectively.
5. RISK FACTORS (Cont’d)

5.2.15 Pavilion REIT may be adversely affected by the illiquidity of real estate investments and the lack of alternative uses and may be exposed to a higher level of risk compared to other types of unit trusts that have a more diverse range of investments.

Pavilion REIT’s focus on retail properties involves a higher level of risk as compared to a portfolio which has a more diverse range of investments which are more liquid. Real estate investments are relatively illiquid and such illiquidity may affect Pavilion REIT’s ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market or other conditions. Pavilion REIT may be unable to sell its assets on short notice or may be forced to give a substantial reduction in the price that may otherwise be sought for such assets if a quick sale is required. Pavilion REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate due to the illiquid nature of real estate assets. These factors could have an adverse effect on Pavilion REIT’s financial condition and results of operations, with a consequential adverse effect on Pavilion REIT’s ability to deliver expected distributions to Unitholders.

Further, Pavilion REIT’s principal policy of investing, directly or indirectly, in Real Estate will subject Pavilion REIT to risks inherent in concentrating in Real Estate. The level of risk could be higher as compared to other types of unit trusts that have a more diverse range of investments in other sectors.

A concentration of investments in Real Estate Assets exposes Pavilion REIT to the risk of a downturn in the real estate market. Such downturns may lead to a decline in occupancy for properties or Real Estate-Related Assets in Pavilion REIT’s portfolio. This will affect Pavilion REIT’s Rental Income from the Subject Properties, and/or a decline in the capital value of Pavilion REIT’s portfolio, which will have an adverse impact on distributions to the Unitholders and/or on the results of operations and the financial condition of Pavilion REIT.

5.2.16 Possible change of investment strategies may adversely affect Unitholders’ investments in Pavilion REIT.

Pavilion REIT’s policies with respect to certain activities, including investments and acquisitions, will be determined by the Manager. Unitholders and potential investors should note that, subject to the requirements of the Deed and the Relevant Laws and Requirements, the Manager has wide discretion to determine the investment strategies of Pavilion REIT and may decide to invest in other types of assets, including any Real Estate Assets, Real Estate-Related Assets, as well as Non-Real Estate-Related Assets. Furthermore, as with other investment decisions, there are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves. See Section 10.9 “Investment Policies of Pavilion REIT” of this Prospectus for further details on the restrictions relating to the investment policies of Pavilion REIT.
5. RISK FACTORS (Cont'd)

5.2.17 Pavilion REIT is subject to third-party litigation risk by shoppers, contractors and tenants of the Subject Properties which could result in significant liabilities and damage to Pavilion REIT’s reputation.

Pavilion REIT is exposed to the risk of litigation or claims by shoppers, contractors or tenants of the Subject Properties, which may arise for a variety of reasons, including accidents or injuries that may be suffered by them while at the Subject Properties, tenants’ inability to enjoy the use of the Subject Properties in accordance with the terms of their tenancy and Pavilion REIT’s failure to perform any of its obligations under any tenancy, construction or other contract or agreement entered into with contractors, tenants or other third parties. If Pavilion REIT is required to bear all or a portion of the costs arising out of such litigation, this may have a material adverse effect on Pavilion REIT’s business, financial condition, results of operations and prospects.

5.2.18 Pavilion REIT may engage in interest rate hedging transactions, which can limit gains and increase costs.

Subject to the approval from the relevant authorities, if any, Pavilion REIT may enter into interest rate hedging transactions to protect itself from the effects of interest rate on floating rate debt. Interest rate hedging activities may not have the desired beneficial impact on the results of operations or financial condition of Pavilion REIT.

Interest rate hedging could adversely affect Pavilion REIT because among others:

(i) the party owing money in the hedging transaction may default on its obligation to pay;

(ii) the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs Pavilion REIT’s ability to sell or assign its side of the hedging transaction; and

(iii) the value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting standards to reflect changes in fair value. Such changes although unrealised, would reduce the NAV of Pavilion REIT if it is due to downward adjustments.

Interest rate hedging involves risks and transaction costs, which may reduce overall returns.

5.2.19 While the Subject Properties are located in Malaysia, Pavilion REIT’s future acquisitions may be located outside Malaysia, which would expose Pavilion REIT to risks in other countries.

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 (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region as well as Real Estate-Related Assets. Pavilion REIT may therefore acquire properties outside Malaysia in countries within the Asia-Pacific region in the future, which would expose Pavilion REIT to risks relating to foreign conditions in such countries, including:

(i) a decline in general economic conditions or foreign real estate market conditions affecting the attractiveness of the properties or reducing demand for such properties;
5. **RISK FACTORS (Cont’d)**

(ii) Exchange rate fluctuations between the Malaysian Ringgit and the foreign currency, and government regulations in relation to foreign exchange;

(iii) Foreign laws and policies, such as government controls over property investments or laws concerning foreign ownership of property, and limitations on the ability of Pavilion REIT to seek legal recourse;

(iv) Differing levels of income tax, withholding tax, capital gains tax, or any other taxes that may be imposed in other countries or in Malaysia, and potential increases thereto; and

(v) Uncertainty as to whether Pavilion REIT will be able to repatriate to Malaysia the income and gains derived from investment in the properties on a timely and regular basis.

Any inability to navigate the above risks, to the extent they materialise, will affect Pavilion REIT’s ability to make distributions to Unitholders from the income and gains derived from properties outside of Malaysia.

### 5.2.20 Potential conflicts of interest among Pavilion REIT, the Manager, the Sponsor and the Major Unitholders could result in corporate actions and business decisions that are not in the Unitholders’ best interests.

The Manager and the Sponsor are 51.0% owned by UCDSB and 49.0% owned by UCPC. UCDSB and KLP are companies controlled by Datuk Lim Siew Choon and Datin Tan Kewi Yong while UCPC is a company controlled by QH. In addition, Datuk Lim Siew Choon, Datin Tan Kewi Yong and QH will be Major Unitholders of Pavilion REIT upon Listing. There can be no assurance that conflicts of interest may not arise among Pavilion REIT, the Manager, the Sponsor and the Major Unitholders in the future. See Section 11 “Corporate Governance, Related Party Transactions and Conflicts of Interest” of this Prospectus.

The Major Unitholders, the Sponsor and their respective subsidiaries and/or associates are engaged in, and/or may engage in among others, investment in, and the development, management and operation of retail and office properties which may compete with the Subject Properties and cause downward pressure on rental rates. Additionally, the Major Unitholders, the Sponsor and the Manager may in the future sponsor, manage or invest in other REITs or other vehicles which may also compete directly with Pavilion REIT.

In addition, pursuant to the Existing ROFRs, the Manager may in the future recommend that Pavilion REIT acquire additional properties from the Sponsor and/or its subsidiaries and fahrenheit88 from Makna Majur Sdn Bhd, an indirect subsidiary of QH. In such cases, the Manager is required to obtain valuations from independent property valuers and to comply with all other requirements applicable to such transactions pursuant to the REITs Guidelines. However, there can be no assurance that the negotiations with respect to such properties relating to the sale and purchase of such properties (in particular, the representations, warranties and indemnities and payment terms), will not be adverse to Pavilion REIT or will reflect an arm’s length acquisition by Pavilion REIT.
As at 1 June 2011, an aggregate of 29,742 sq ft of office space in Pavilion Tower has been let out to Malton Berhad and its subsidiaries. Datuk Lim Siew Choon and Datin Tan Kewi Yong who are Major Unitholders are also major shareholders and directors of Malton Berhad (via Malton Corporation Sdn Bhd). There can be no assurance that Malton Berhad and its subsidiaries will continue to renew their tenancies with Pavilion REIT at rental rates which are reflective of an arm’s length transaction.

Pursuant to the Service Provider Agreement entered into between KLP and the Property Manager, KLP will provide the Property Manager with, inter alia, a team of personnel with the necessary qualifications, expertise, experience and internal working and operation knowledge of the Subject Properties in order for the Property Manager to properly operate, maintain, manage and market Pavilion Kuala Lumpur Mall and Pavilion Tower. The appointment of KLP as service provider (including the terms of its remuneration) is subject to the approval of the Manager. There can be no assurance that the appointment of KLP will not be on terms adverse to Pavilion REIT or terms which are not reflective of an arm’s length transaction.

5.2.21 Pavilion REIT and the Manager are newly established entities without an established operating history.

Pavilion REIT was established on 18 October 2011 and the Manager was incorporated on 7 April 2011. Notwithstanding that the employees of the Manager have had previous experience in the operation and management of the Subject Properties, neither Pavilion REIT nor the Manager has sufficient operating history by which its performance may be judged. The lack of an established operating history will make it more difficult for investors to assess Pavilion REIT’s future performance. There is no assurance that Pavilion REIT will be able to generate sufficient income from operations to make distributions or that such distributions (if any) will be in line with those set out in Section 4.5 “Profit Forecasts” of this Prospectus. Pro forma financials and past financial results are not indicative of future results.

5.2.22 Pavilion REIT may incur unanticipated costs and liabilities, in connection with environmental laws and regulations.

Under various laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws may impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances on any Subject Property owned by Pavilion REIT may have an adverse effect on Pavilion REIT’s ability to sell any of its Subject Properties or borrow using its Subject Properties as collateral. To the extent that Pavilion REIT becomes liable for costs of removing any hazardous substances, Pavilion REIT’s ability to make distributions to Unitholders may be duly affected.
5.2.23 Occurrence of any acts of God, war and terrorist attacks may adversely and materially affect the business and operations of the Subject Properties.

Acts of God, such as natural disasters, are beyond the control of Pavilion REIT or the Manager. These may materially and adversely affect the economy, infrastructure and livelihood of the local population including Pavilion REIT. Pavilion REIT’s business and income available for distribution may be adversely affected should such acts of God occur. There is no assurance that any war, terrorist attack or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have an adverse effect on the operations of the Subject Properties and hence Pavilion REIT’s income available for distribution.

5.2.24 The outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere could adversely impact the business, financial condition and results of operations of Pavilion REIT.

In 2009, outbreaks of Influenza A (H1N1-2009) occurred in a number of countries across the world.

In late 2003 and June 2004, outbreaks of avian influenza occurred in a number of countries in Asia. In 2005 and 2006, outbreaks were reported in other parts of the world including Europe, the Middle East and Africa. Some of these outbreaks severely affected the poultry and related industries and, in addition, several cases of bird-to-human transmission of avian influenza were reported in various countries. In June 2007, World Health Organisation reported new cases of human infection of avian influenza (H5N1) in China and Indonesia.

In 2003, Hong Kong, Taiwan, China, Malaysia, Singapore and other places experienced an outbreak of Severe Acute Respiratory Syndrome ("SARS"), which adversely affected the Asian economies, including Malaysia’s economy. The retail property sector was one of the sectors that experienced poor performance during the SARS outbreak.

The outbreak of an infectious disease such as Influenza A (H1N1-2009), avian influenza or SARS in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy and business activities in Asia and could thereby adversely impact the revenues and results of Pavilion REIT. These factors could materially and adversely affect the business and financial conditions and the results of operations of Pavilion REIT.
5.3 RISKS RELATING TO AN INVESTMENT IN THE UNITS

5.3.1 The actual performance of Pavilion REIT and the Subject Properties could differ materially from the forward-looking statements in this Prospectus.

This Prospectus contains forward-looking statements regarding, among others, forecast and projected distribution/yield levels for the Forecast Period 2011 and the Forecast Year 2012. These forward-looking statements are based on a number of assumptions which are subject to uncertainties and contingencies which are outside of the Manager's control. See Section 4.5.3 "Bases and Assumptions" of this Prospectus for further details. In particular, the Profit Forecasts were prepared based on an assumed Occupancy Rate for Pavilion Tower of 82.3% and 100.0% for the Forecast Period 2011 and the Forecast Year 2012 respectively, without provision of any vacancy allowance. See Section 2.5.6 "Occupancy Rate and Average Monthly Rental" of this Prospectus for the details of the occupancy rate of Pavilion Tower. Pavilion REIT's ability to achieve the forecast and projected distributions/yields is subject to events and circumstances assumed which may not occur as expected, or events and circumstances not anticipated which may arise.

In addition, certain effects relating to the Offering and the Listing as set out in this Prospectus have been presented based on the illustrative Average Offering Price of RM0.88. Any decrease in the actual proceeds to be raised would result in the increase in Pavilion REIT's total borrowings and interest expense, which in turn would reduce Pavilion REIT's forecast and projected distributions.

No assurance is given that the assumptions will be realised and the actual distributions/yields will be as forecasted.

5.3.2 The sale of a substantial number of Units by the Major Unitholders and/or any of their transferees of the Units (following the lapse of the lock-up arrangements) could adversely affect the price of the Units and Pavilion REIT's rights granted under the Existing ROFRs.

Upon Listing, Pavilion REIT will have 3,000,000,000 issued Units, of which 1,127,300,000 Units will be held by Datuk Lim Siew Choon and Datin Tan Kewi Yong and 1,082,900,000 Units will be held by QH. If the Major Unitholders and/or any of their transferees of the Units (following the lapse of the relevant respective lock-up arrangements, or pursuant to any applicable waivers) sells or is perceived as intending to sell a substantial amount of its Units, or if a secondary offering of the Units is undertaken in connection with an additional listing on another securities exchange, the market price for the Units could be adversely affected. Further, the Major Unitholders may charge, grant security over or create any encumbrances over the Units held in connection with credit facilities obtained/to be obtained, which may subsequently be enforced (following the lapse of the relevant respective lock-up arrangements, or pursuant to any applicable waivers). Any significant reduction in the Major Unitholders' holdings in Pavilion REIT may also result in the loss of rights granted under the General ROFR and fahrenheit88 ROFR. See Section 3.4 "Details of the Offering", Section 3.12 "Lock-Up Arrangements" and Section 14.4 "Salient Terms of the Existing ROFRs" of this Prospectus for further details.
5.3.3 Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position and Pro Forma Net Property Income included herein may not reflect actual financial position and results.

Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position have been prepared to show the effects of the Acquisitions and the Offering, based on the assumption that the events have been effected on the date of establishment of Pavilion REIT. As Pavilion REIT’s Consolidated Pro Forma Statement of Financial Position are prepared for illustrative purposes only, such information, because of its nature, do not give a true picture of the effects of the formation of Pavilion REIT on the financial position of Pavilion REIT had the events occurred at the balance sheet date. Further, such information does not purport to predict Pavilion REIT’s future financial position.

Pavilion REIT’s Pro Forma Net Property Income included in this Prospectus have been prepared on an aggregate basis as if the Subject Properties have been operated under Pavilion REIT throughout and as at the periods and dates presented. The Pro Forma Net Property Income is also not necessarily indicative of the results of operations that would have been attained had Pavilion REIT actually existed earlier.

5.3.4 Pavilion REIT may not be able to make distributions to Unitholders or the level of distributions may fall.

The Distributable Income is dependent on:

(i) the Net Property Income earned from real estate investments which depends on, among other factors (i) the amount of Rental Income and other property income received and (ii) the level of property expenses incurred; and

(ii) the trust level expenses of Pavilion REIT, such as Management Fee and financing costs.

If the Subject Properties do not generate sufficient Distributable Income, Pavilion REIT’s ability to make distributions to Unitholders could be adversely affected.

No assurance is given as to Pavilion REIT’s ability to pay or maintain distributions. Neither is there any assurance that the level of distributions will increase over time, that there will be contractual increases in rent under the tenancies of the Subject Properties or that the receipt of Rental Income in connection with expansion of the properties or acquisitions of properties will increase Pavilion REIT’s cash flow available for distribution to Unitholders.

5.3.5 The NAV per Unit may be diluted if further issues are priced below the then current NAV per Unit.

The Deed contemplates new issues of Units, the offering price for which may be above, at or below the then current NAV per Unit. The NAV per Unit may be diluted if new Units are issued and the use of proceeds from such issue of Units generates insufficient cashflow to cover the dilution. Where new Units, including Units which may be issued to the Manager in payment of the Management Fee, are issued at less than the NAV per Unit, the then current NAV of each existing Unit may be diluted.
5.3.6 Unitholders who do not or are not able to participate in future equity financing by Pavilion REIT will experience a dilution in their interest in Pavilion REIT.

If Unitholders do not or are not able to participate in any future equity fund raising, such as rights issues or private placements, their proportionate interest in Pavilion REIT will be reduced. Any consideration received by such Unitholders in exchange for any rights under future equity fund raisings may not be sufficient to compensate for the dilution of their unitholdings as a result of the equity fund raising.

5.3.7 The price of the Units may decline after the Listing.

The Final Retail Price and the Institutional Price may not be indicative of the market price for the Units upon completion of the Listing. The trading price of the Units will depend on many factors, including, but not limited to:

(i) the perceived prospects of Pavilion REIT's business and investments and the market for retail and office properties or Real Estate-Related Assets;

(ii) differences between Pavilion REIT's actual financial and operating results and those expected by investors and analysts;

(iii) changes in analysts' recommendations or projections, if any;

(iv) changes in general economic or market conditions;

(v) the market value of Pavilion REIT's assets;

(vi) the perceived attractiveness of the Units against those of other equity or debt securities, including those not in the real estate sector;

(vii) the balance of buyers and sellers of the Units;

(viii) the size and liquidity of the Malaysian REIT market;

(ix) any changes to the regulatory system, including the tax system, both generally and specifically in relation to Malaysian REITs;

(x) the ability on the Manager's part to implement successfully its investment and growth strategies; and

(xi) broad market fluctuations, including increases in interest rates and weakness of the equity and debt markets.

Units may trade at prices that are higher or lower than the NAV per Unit. To the extent that Pavilion REIT retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of Pavilion REIT's Total Asset Value and NAV, may not correspondingly increase the market price of the Units. Any failure to meet market expectations with regards to future earnings and cash distributions may adversely affect the market price for the Units.

Where new Units are issued at less than the market price of Units, the value of an investment in Units may be affected. The Units are not capital-protected/guaranteed products. There is no guarantee that Unitholders can regain the amount invested. If Pavilion REIT is terminated or liquidated, investors may lose a part or all of their investment in the Units.
5.3.8 Cyclical market and economic conditions may affect the price and demand for the Units.

Cyclical movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price of, and demand for, the Units. In particular, an increase in market interest rates may have an adverse impact on the market price of the Units if the annual yield on the price paid for the Units gives investors a lower return compared to other investments.

The FTSE Bursa Malaysia KLCI Index traded to its record high of 1,597 points on 11 July 2011 but decreased to 1,387 as at the close of the Latest Practicable Date. There can be no assurance that the performance of the Malaysian securities markets will continue to improve. The Malaysian securities markets are smaller than certain other international securities markets and have in the past experienced substantial fluctuations in the prices of listed securities.

5.3.9 The laws, regulations and accounting standards in Malaysia may change, including the introduction of new or revised legislation, regulations, guidelines or directives affecting REITs.

Pavilion REIT may be affected by the introduction of new or revised legislation, regulations or accounting standards. Accounting standards in Malaysia are subject to change as they are further aligned with international accounting standards. The financial statements of Pavilion REIT may be affected by the introduction of such revised accounting standards. The extent and timing of these changes in accounting standards are unknown and subject to confirmation by the relevant authorities.

There is no assurance that these changes will not:

(i) have a significant impact on the presentation of Pavilion REIT’s financial statements;

(ii) have a significant impact on Pavilion REIT’s results of operations;

(iii) have an adverse effect on the ability of Pavilion REIT to make distributions to Unitholders;

(iv) have an adverse effect on the ability of the Manager to carry out Pavilion REIT’s investment strategy; or

(v) have an adverse effect on the operations and financial condition of Pavilion REIT.

Pavilion REIT may also be affected by the introduction of new or revised legislation, regulations, guidelines or directives affecting REITs. There is no assurance that new or revised legislation, regulations, guidelines or directives will not adversely affect REITs in general or Pavilion REIT specifically and hence have a corresponding adverse effect on Unitholders.

Based on the Government’s recent announcement for Malaysia’s Budget 2012, the current withholding tax rate on taxable income distributed to certain Unitholders by a Malaysian REIT is proposed to be extended for another 5 years until 31 December 2016. See Appendix C “Tax Consultant’s Letter on Taxation of Pavilion REIT and Unitholders” of this Prospectus for further details.
5.3.10 The Malaysian Ringgit may be subject to exchange controls.

From 1998 to 2005, Bank Negara Malaysia maintained a fixed exchange rate of RM3.80 to US$1.00. In 2005, Bank Negara Malaysia removed the peg and allowed the Malaysian Ringgit to operate in a managed float, with the value of the currency being determined by various economic factors. There can be no assurance that Bank Negara Malaysia will, or would be able to, intervene or maintain this managed float system in the future or that any such intervention or managed float system would be effective.

Furthermore, there can be no assurance that the Government will not impose more restrictive or other exchange controls. Any further imposition, variation or removal of exchange controls may adversely affect the value of the Units or the ability of investors to repatriate the proceeds of any distributions or from the sale of any Units out of Malaysia.

5.3.11 Foreign investment in Malaysian assets may be subject to further controls.

Foreign investment in Malaysian assets is regulated and monitored by the Economic Planning Unit of the Prime Minister’s Department. Currently there is no restriction imposed on foreign investment in REITs which have invested in Malaysian assets. However, there can be no assurance that the Economic Planning Unit of the Prime Minister’s Department and/or the Government will not impose any restrictive or other controls relating to foreign investment in Malaysian assets. Any imposition or variation of such controls may affect Unitholders’ ability to sell the Units to foreign parties and may affect the liquidity of the Units. Such conditions may also limit Pavilion REIT’s access to future sources of equity capital.

5.3.12 Unitholders may be unable to recover in claims brought against the Manager as the Manager is not an entity with significant assets.

Unitholders may in future have claims against the Manager in connection with the carrying on of its duties as manager of Pavilion REIT (including in relation to the Offering and this Prospectus).

Under the terms of the Deed, the Manager is indemnified from the Deposited Property against any actions, costs, claims, damages, expenses or demands to which it may be put as manager of Pavilion REIT unless occasioned by the fraud, gross negligence, wilful default or breach of the Deed by the Manager. In the event of any such fraud, gross negligence, wilful default or breach, only the assets of the Manager itself and not the Deposited Property would be available to satisfy a claim.

5.3.13 The Manager is not obliged to redeem Units.

Unitholders have no right to request the Manager to redeem their Units while the Units are listed on the Main Market. Unitholders may only deal in their listed Units through trading on the Main Market. Accordingly, apart from selling their Units through trading on the Main Market, Unitholders may not be able to realise their investments in Units.
5.3.14 The REIT market in Malaysia is relatively undeveloped and the Units have never been publicly traded; the listing of the Units on the Main Market may not result in an active or liquid market for the Units.

There is no public market for the Units prior to the Offering and an active public market for the Units may not develop or be sustained after the Listing. Bursa Securities' approval for the admission of all the issued Units of Pavilion REIT to the Official List of the Main Market and for the listing of and quotation for all the issued Units was obtained on 28 October 2011. However, listing and quotation does not guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market for the Units. Prospective Unitholders must be prepared to hold their Units for an indefinite length of time.

Furthermore, it may be difficult to assess Pavilion REIT's performance against either domestic or international benchmarks. The REIT market in Malaysia is relatively undeveloped which could lead to a lack of liquidity for the Units and a general lack of investor demand for Malaysian REITs such as Pavilion REIT. There can be no assurance that an active market for REITs will develop in Malaysia.

5.3.15 Failure in the Listing may result in refund in monies without interest.

The Listing is exposed to the risk that it may fail should any one or more of the following events occur:

(i) the Joint Underwriters and the Joint Bookrunners exercise their rights pursuant to the Retail Underwriting Agreement and the Placement Agreement, respectively, to discharge themselves from their obligations thereunder;

(ii) Pavilion REIT is unable to meet the public spread requirement of at least 25.0% of the issued Units of Pavilion REIT being held by a minimum of 1,000 public Unitholders holding not less than 100 Units each or such other minimum public unitholding spread as may be approved by Bursa Securities;

(iii) the Final Retail Price and the Institutional Price are not at a level to allow for completion of the acquisition of the Subject Properties when RTL1 of up to RM900 million is fully drawn down; or

(iv) the Lenders exercise their rights pursuant to the New Debt Facilities to discharge themselves from their obligations thereunder.

If the Offering is not completed and/or the Manager decides in its absolute discretion not to proceed with the Listing, any monies paid in respect of all applications under the Retail Offering will be refunded without interest.
5. RISK FACTORS (Cont'd)

5.3.16 There is no assurance that the Units will remain listed on Bursa Securities and/or not be suspended from trading.

Although it is intended that the Units will remain listed on Bursa Securities, there is no guarantee of the continued listing of the Units. Among other factors, Pavilion REIT may not continue to satisfy the public spread requirements under the Listing Requirements. Accordingly, Unitholders will not be able to sell their Units through trading on Bursa Securities if the Units are no longer listed on Bursa Securities and/or are suspended from trading for an indefinite period. Under such circumstances, Pavilion REIT may be terminated and wound up in accordance with the Deed. Please refer to Section 10.21 "Termination and Winding-up of Pavilion REIT" of this Prospectus for further details.

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6. THE MANAGER

6.1 CORPORATE INFORMATION

The Manager, Pavilion REIT Management Sdn Bhd, was incorporated in Malaysia on 7 April 2011. As at the date of this Prospectus, it has an issued and paid-up capital of RM1,000,000. The principal activity of the Manager is to manage and administer Pavilion REIT. The Manager is 51.0%-owned by UCDSB and 49.0%-owned by UCPC. UCDSB is a company controlled by Datuk Lim Siew Choon and Datin Tan Kewi Yong while UCPC is a company controlled by QH.

As at the date of this Prospectus, the Manager only manages one fund, namely, Pavilion REIT.

6.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE MANAGER

The Manager shall, subject to the provisions of the Deed carry out all activities, as it may deem necessary for the management of Pavilion REIT and its business. The Manager’s main responsibility is to manage activities in relation to Pavilion REIT.

The Manager shall, in managing Pavilion REIT, undertake primary management activities in relation to Pavilion REIT, including but not limited to overall strategy, risk management strategy, new acquisition and disposal analysis, marketing and communications, individual asset performance and business planning, market performance analysis and other activities as provided under the Deed.

In addition, the Manager covenants with the Trustee and each of the Unitholders, inter alia, the following:

(i) to carry on and conduct its business in a proper, diligent and efficient manner and ensure that Pavilion REIT is managed and administered in a proper, diligent and efficient manner and in accordance with the Deed and the Relevant Laws and Requirements and acceptable and efficacious business practices in the real estate investment industry;

(ii) to act with due care, skill and diligence in managing Pavilion REIT and effectively employ the resources and procedures necessary for the proper performance of Pavilion REIT;

(iii) to observe high standards of integrity and fair dealing in managing Pavilion REIT to the best and exclusive interest of the Unitholders;

(iv) not to take on, lease or otherwise acquire, any immovable property or any interest therein, except for the purposes of operating Pavilion REIT and those entered into in the ordinary course of business;

(v) not to make improper use of its position in, or information acquired through, managing Pavilion REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders and to ensure that its officers and delegates comply with the same;
(vi) to the same extent as if the Trustee was a director of the Manager:

(a) to make available to the Trustee or an authorised officer or employee of the Trustee or the auditor appointed by the Trustee, for inspection the whole of the books and records of the Manager in relation to Pavilion REIT wherever kept;

(b) to make available to the Trustee or an authorised officer or employee of the Trustee or the auditor appointed by the Trustee, for inspection all financial and other records of Pavilion REIT wherever kept; and

(c) to give to the Trustee or an authorised officer or employee of the Trustee or the auditor appointed by the Trustee such oral or written information, explanation or other assistance that they may require with respect to all matters relating to Pavilion REIT or any Deposited Property or otherwise relating to the affairs of Pavilion REIT;

(vii) to ensure that Pavilion REIT has, at all times, an appointed trustee and a person responsible for ensuring compliance with the Deed and the Relevant Laws and Requirements;

(viii) to appoint a property management company which has been approved by the Trustee to manage the Real Estate held by Pavilion REIT and which possesses adequate human resources with the necessary qualifications, expertise and experience in real estate management;

(ix) to take all necessary steps to ensure that the Deposited Property is adequately protected and properly segregated;

(x) to insure and keep covered or insured in the name of the Trustee for their full replacement value or such amounts as may be recommended by a qualified valuer against fire, explosion, storm, tempest, flood, lightning and other usual risks including loss of rent where applicable on all the Real Estate comprised in the Deposited Property and on request by the Trustee produce for the inspection of the Trustee all insurance policies effected;

(xi) to take all reasonable steps and exercise due diligence to ensure that the Deposited Property and the Units are correctly valued in accordance with provisions of the Deed and Relevant Laws and Requirements; and

(xii) to establish and maintain risk management systems and controls to enable it to identify, assess, mitigate, control and monitor risks in relation to Pavilion REIT.
6. THE MANAGER (Cont'd)

6.3 MANAGEMENT REPORTING STRUCTURE

Board of Directors

Chief Executive Officer
Philip Ho Yew Hong

Asset Manager (Retail)
Joyce Yap Soh Ching

Head of Legal and Compliance
Lo Khien Ngoh

Finance Manager
Lim Mian Nyee

Investment Manager
Tan Bee Yoke

Asset Manager (Leasing)
Lovell Ho Wai Hoong

Asset Manager (Marketing)
Kung Suan Ai

Asset Manager (Operations cum Mechanical and Engineering)
Daniel Hee Teck Ming

Asset Manager (Facilities Management)
Francis Ong Heng Khai

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6.4 DIRECTORS OF THE MANAGER

The Board is entrusted with the responsibility for the overall management of the Manager. The Board consists of 12 Directors. The following table sets forth certain information regarding the Directors:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Nationality</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Datuk Lim Siew Choon</td>
<td>Malaysian</td>
<td>Chairman and Non-Independent Executive Director</td>
</tr>
<tr>
<td>2.</td>
<td>Datin Tan Kewi Yong</td>
<td>Malaysian</td>
<td>Non-Independent Executive Director</td>
</tr>
<tr>
<td>3.</td>
<td>Ahmad Mohd A Y Al-Sayed</td>
<td>Qatari</td>
<td>Non-Independent Non-Executive Director</td>
</tr>
<tr>
<td>4.</td>
<td>Omer Abdulaziz H A Al-Marwani</td>
<td>Qatari</td>
<td>Non-Independent Non-Executive Director</td>
</tr>
<tr>
<td>5.</td>
<td>Mohamed Badr S K Al-Sadah</td>
<td>Qatari</td>
<td>Non-Independent Non-Executive Director</td>
</tr>
<tr>
<td>6.</td>
<td>Navid Chamdia</td>
<td>British</td>
<td>Non-Independent Non-Executive Director</td>
</tr>
<tr>
<td>7.</td>
<td>Dato' Lee Tuck Fook</td>
<td>Malaysian</td>
<td>Non-Independent Executive Director</td>
</tr>
<tr>
<td>8.</td>
<td>Ooi Ah Heong</td>
<td>Malaysian</td>
<td>Non-Independent Non-Executive Director</td>
</tr>
<tr>
<td>9.</td>
<td>Datuk Roger Tan Kim Hock</td>
<td>Malaysian</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>10.</td>
<td>Dato' Maznah binti Abdul Jail</td>
<td>Malaysian</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>11.</td>
<td>Dato' Mohzani bin Datuk Dr Abdul Wahab</td>
<td>Malaysian</td>
<td>Independent Non-Executive Director</td>
</tr>
<tr>
<td>12.</td>
<td>Syed Mohd Fareed bin Shaikh Alhabshi</td>
<td>Singaporean</td>
<td>Independent Non-Executive Director</td>
</tr>
</tbody>
</table>
6.4.1 Experience and Expertise of the Board of Directors

Information on the business and working experience of the Directors is set out below:

Datuk Lim Siew Choon is the Chairman and a Non-Independent Executive Director of the Manager.

He has more than 28 years of experience in property development, construction, retail design, retail development as well as corporate management.

He is currently the Executive Chairman and board member of Malton Berhad and is also a director of KLP.

Since the early 1980s, he has managed and guided a real estate development and construction group of companies known as the Khuan Choo Group, which successfully completed several projects ranging from landed properties, condominiums and mixed developments to high-rise office buildings in the Klang Valley. He subsequently listed the Khuan Choo Group on the Kuala Lumpur Stock Exchange (now known as Bursa Securities) in 2002 via Malton Berhad.

He holds a Bachelor of Business Administration degree (majoring in Finance) from the University of Central Oklahoma in the United States.

Datin Tan Kewi Yong is a Non-Independent Executive Director of the Manager.

She has over 27 years of experience in marketing, finance and human resource management and has been instrumental in setting up various business ventures including the manufacturing of office and industrial equipment, a mail order business, bonded warehouses and trading and distribution of well-known international brands of kitchenware and electrical appliances.

She has been involved in the marketing, events and promotional aspects of Pavilion Kuala Lumpur Mall since its opening in 2007. She has been an Executive Director of Malton Berhad since 2002 and is also a director of KLP.

She is also the spouse of Datuk Lim Siew Choon.

Ahmad Mohd A Y Al-Sayed is a Non-Independent Non-Executive Director of the Manager.

He is currently the Managing Director and Chief Executive Officer of QH, the strategic and direct investment arm of the Qatar Investment Authority. He is also the Secretary to the board of the Qatar Investment Authority, Vice Chairman of Qatar Exchange, Vice Chairman of Harrods Group and also a member of the boards of Canary Wharf Group and Qatar National Bank, which are listed in the United Kingdom and Qatar, respectively.

Prior to being appointed Secretary to the board of the Qatar Investment Authority in 2006, he held key roles in various Qatari institutions, including the Supreme Council for Economic Affairs and Investment.

He graduated with a Bachelor of Law from Qatar University in Doha, Qatar, and a Master of Law (Banking and Finance Law) from Boston University in the United States. He also holds an Executive Master of Business Administration from Trium Global (New York University Stern New York, London School of Economics London and HEC Paris).
Omer Abdulaziz H A Al-Marwani is a Non-Independent Non-Executive Director of the Manager.

He is currently the Director of the Finance Affairs Department at the Qatar Investment Authority and has held that appointment since 2006. He has also been the Director of the Finance and Administration Affairs Department at the Qatari Supreme Council for Economic Affairs and Investment since 2003.

He began his career as an accountant at Qatar Petroleum in 1996. From 1997 to 1999, he was the Finance Department Controller at Qatar Islamic Bank. From 1999 to 2002, he was Senior Auditor at the Qatari State Audit Bureau.

He graduated with a Bachelor degree from the Management and Economic faculty, Qatar University and is a Certified Public Accountant, United States.

Mohamed Badr S K Al-Sadah is a Non-Independent Non-Executive Director of the Manager.

He is currently the Human Resource Director of the Qatar Investment Authority, where he oversees the management of the Human Resource department, providing strategic support and services to the Qatar Investment Authority and various of its subsidiaries.

He started his professional career in 2003 as a Project Engineer with Dolphin Energy Limited, where he worked on a US$6 billion project. He has also worked on projects with JGC Corporation, an engineering and construction company in Japan. Subsequently, he was appointed as the Human Resource Manager of Dolphin Energy Limited in 2009.

He graduated with a Bachelor degree in Material Science and Engineering from the University of Arizona, in the United States.

Navid Chamdia is a Non-Independent Non-Executive Director of the Manager.

Navid Chamdia is head of real estate investments at QH, focusing primarily on direct acquisitions, joint ventures and co-investments in Europe, the United States and emerging markets. Navid is also responsible for real estate fund investments made by the Qatar Investment Authority.

Prior to joining QH and the Qatar Investment Authority in 2005, Navid spent 12 years at Ernst & Young’s Project Finance division in London advising on the financing and delivery of over US$10 billion of global real estate and infrastructure projects.

Navid is also a director of Chelsfield plc, a UK based property company.

Navid is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants from England and Wales. Navid is also a Chartered Financial Analyst charter holder. Navid graduated from University College London with a first class honours degree in Economics.
Dato' Lee Tuck Fook is a Non-Independent Executive Director of the Manager.

He is currently a director of KLP. He began his career with KPMG in 1974 under articleship, was subsequently admitted as a partner in 1985 and was responsible for KPMG's Malaysian management consultancy practice until he left the practice in 1990. From 1990 to 1992, he was appointed the Vice President of Samling Group in Sarawak. He later joined the Renong Berhad group as the Managing Director of Renong Overseas Corporation. Between 1994 and 2000, he was the Chairman of the Executive Committee of the board of Peremba-Kentz Ltd, an engineering company with operations located in South Africa, the Middle East, Thailand, Ireland and Malaysia. He was the Managing Director of Cement Industries of Malaysia Bhd from 2001 to 2002.

From 2002 to 2006, he was Managing Director of Paracorp Berhad. In 2003 he was appointed the Executive Director of Malton Berhad and was re-designated as its Managing Director in December 2003. He resigned from the board of Malton Berhad in 2009.

He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He also holds a Masters degree in Business Administration from the International Management Centre, Buckingham.

Ooi Ah Heong is a Non-Independent Non-Executive Director of the Manager.

He has over 35 years of experience in the property development business and has years of experience ranging from low-cost housing to high-end condominium development and institutional buildings to shopping and entertainment centres.

He is currently the Division Director of Business Development of Malton Berhad.

He began his career with Yong Dan Mohd Faiz, a quantity surveying firm in Kuala Lumpur in 1976. He joined Tan & Tan Developments as a Project Manager in 1979. He then joined IOI Group as its General Manager. In 1989, he helped to form Pentadel Sdn Bhd, which was involved in salvaging projects that were stalled. In 1991, he joined Cheras Heights Development, a subsidiary of Perlis Plantation Bhd, as its General Manager. During his tenure there he developed the Cheras Leisure Mall, a large shopping complex at Cheras and oversaw the retrofitting of Shaw Parade in Kuala Lumpur. From 1995 to 2002, he acted as an adviser to various property developers on business development opportunities in the property market, including the Khuan Choo Group. He joined Malton Berhad in 2002.

He graduated from the University of Singapore in 1976.

Datuk Roger Tan Kim Hock is an Independent Non-Executive Director of the Manager.

He has been a Director of Bank of Nova Scotia Berhad since December 2004.

Prior to joining Bank of Nova Scotia Berhad, he was Deputy Chairman at ECM Libra Berhad from 2004 to 2006. Before this, he was President and Chief Executive Officer of Hong Leong Credit Berhad from 2001 to 2004 and of Hume Industries (M) Bhd from 1993 to 2001.

He has held directorships at, among others, Croesus IT Solutions Sdn Bhd, Electrocon Ventures Sdn Bhd, Masmeyer Holdings Sdn Bhd and Treasure Resort Pte Ltd. He was a non-executive director, Chairman of the audit committee and a member of the remuneration committee of Midwest Corporation Limited, a public company listed on the Australian Stock Exchange from 2004 to 2008.
He graduated from the London School of Economics and Political Science with a Bachelor of Laws and practiced law for seven years prior to joining Hong Leong Group, Malaysia.

**Dato' Maznah binti Abdul Jalli** is an Independent Non-Executive Director of the Manager. Currently, she is the Executive Chairman of Moore Stephens AC Advisory Sdn Bhd.

She joined Master-Carriage (Malaysia) Sdn Bhd as Director of Corporate Affairs in 1992. Prior to that, she was with Amanah Merchant Bank Bhd, in Corporate Finance and Advisory for 13 years. In 1997 she was appointed as Vice President of HICOM Holdings Berhad. She was Chairman of Uni.Asia General Insurance Berhad and Uni.Asia Life Assurance Berhad. She has also served on the board of Edaran Otomobil Nasional Berhad, EON Capital Berhad, EON Bank Berhad, Gadek (Malaysia) Berhad, HICOM Holdings Berhad, Horsedale Development Berhad, Labuan Reinsurance (L) Ltd, Malaysian International Merchant Bankers Berhad and several private limited companies under DRB-HICOM as well as on the board of UOB Bank Berhad. Thereafter, she joined Hong Leong Financial Group Berhad as Executive Vice President, Corporate Finance & Principal Investment prior to her appointment as Executive Vice President, Investment Banking at Kenanga Investment Bank Berhad.

She graduated with a Bachelor and Masters Degree in Business Administration (Finance) from Northern Illinois University and Central Michigan University, respectively.

**Dato' Mohzani bin Datuk Dr Abdul Wahab** is an Independent Non-Executive Director of the Manager.

He served as the Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd from 2001 and 2005 respectively until his retirement at the end of 2009. He has years of experience in various senior management positions in Shell’s Downstream Oil Products sector. Prior to that, he was a non-independent non-executive director of Shell Refining Company (FOM) Berhad for eight years and was a board member of Brunei Shell Marketing. His board experience includes serving on Shell Oman Marketing plc and the joint venture companies between Petronas and Exxon/Mobil, PS Pipeline and PS Terminal, and other Shell downstream subsidiaries. He also served as a director of a multiparty loyalty program company, Bonuskad Loyalty Sdn Bhd.

Since his retirement at the end of 2009, he has been appointed to the board of Ramunia Holdings Bhd as a non-independent and non-executive director, as independent director of EON Bank Bhd and EONCAP Islamic Bank and assumed the role of Chairman of TH-Alam Holdings.

Previously, he sat as director of the Petroleum Industry of Malaysia Mutual Aid Group and is currently a member of the Investment Panel of Lembaga Tabung Haji.

He graduated with a Bachelor degree in Economics from the University of Malaya.
Syed Mohd Fareed bin Shaikh Alhabshi is an Independent Non-Executive Director of the Manager.

He is currently the Director in Business Development in Dragoni International LLC, an interior contracting company, where he holds a 20% equity interest.

He started his career by exporting electronic goods from Singapore to Middle East countries, namely Saudi Arabia, Kuwait and the United Arab Emirates. Thereafter, in 1994, he started an investment holding company for a Saudi Arabian family which owns 80% of National Commercial Bank. In 2002, he started his own interior contracting company in Dubai. He later sold majority of his interest to Depa Ltd, a public listed company in Dubai.

He has been appointed as the Advisor (Middle East) to the AlbuKhary Foundation as well as Director of the International Relations of His Royal Highness Prince Khalid bin Abdullah bin Abdul Aziz of Saudi Arabia. He is also a Representative of the Middle East to the East Coast Economic Region Development Council since August 2010.

6.4.2 Directorships of Directors in other Management Companies

As at the Latest Practicable Date, none of the Directors are directors of any other management companies.

6.4.3 Role of the Board of Directors

The key roles of the Board are to:

(i) guide the corporate strategy and directions of the Manager (including acquisition and divestment of Authorised Investments);
(ii) oversee the proper conduct of the Manager (including budgeting approval and all other financial matters);
(iii) set the guidelines for the internal controls;
(iv) ensure compliance with Relevant Laws and Requirements; and
(v) determine and approve the distribution amounts to Unitholders and payment of Management Fee.

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6. THE MANAGER (Cont'd)

6.5 MANAGEMENT TEAM OF THE MANAGER

The executive officers of the Manager are entrusted with the responsibility for the daily operations of the Manager. The following table sets forth information regarding the executive officers of the Manager:

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip Ho Yew Hong</td>
<td>Malaysian</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Joyce Yap Soh Ching</td>
<td>Malaysian</td>
<td>Asset Manager (Retail)</td>
</tr>
<tr>
<td>Lovell Ho Wai Hoong</td>
<td>Malaysian</td>
<td>Asset Manager (Leasing)</td>
</tr>
<tr>
<td>Kung Suan Ai</td>
<td>Malaysian</td>
<td>Asset Manager (Marketing)</td>
</tr>
<tr>
<td>Daniel Hee Teck Ming</td>
<td>Malaysian</td>
<td>Asset Manager (Operations cum Mechanical and Engineering)</td>
</tr>
<tr>
<td>Francis Ong Heng Khai</td>
<td>Singaporean</td>
<td>Asset Manager (Facilities Management)</td>
</tr>
<tr>
<td>Lo Khien Ngoc</td>
<td>Malaysian</td>
<td>Head of Legal and Compliance</td>
</tr>
<tr>
<td>Lim Mian Nyee</td>
<td>Malaysian</td>
<td>Finance Manager</td>
</tr>
<tr>
<td>Tan Bee Yoke</td>
<td>Malaysian</td>
<td>Investment Manager</td>
</tr>
</tbody>
</table>

6.5.1 Expertise and Experience of Executive Officers

Information on the working experience of the executive officers of the Manager is set out below:

Philip Ho Yew Hong is the Chief Executive Officer of the Manager.

He has over 23 years of years of experience in corporate planning, mergers & acquisitions, finance, audit, operations management, property development and construction.

Prior to joining the Manager, he was the Chief Financial Officer of the Sponsor, where he was involved in the establishment of Pavilion REIT. During this period he was also involved in the finance, operations and property investment functions for the Sponsor group. Prior to this, he was Chief Operation Officer and Finance Director of KLP during the development and construction stage of the Pavilion Kuala Lumpur Project.

He started his career in KPMG Peat Marwick as an auditor in 1989, before joining Kee Huat Industries Berhad in 1992 as an accountant and was subsequently promoted to Group Accountant. He then joined a construction company in 1995 as the Finance Manager and was promoted to Financial Controller. In 1997, he joined the Khuan Choo Group of companies where his last position was Executive Director of Malton Berhad before leaving in 2002 to join KLP.

He holds a Master of Business Administration from University of Strathclyde, United Kingdom and a Bachelor of Business in Accounting from Chisholm Institute of Technology, Australia. He is currently a member of the Malaysian Institute of Accountants.
Joyce Yap Soh Ching is the Asset Manager (Retail) of the Manager and Chief Executive Officer (Retail) of KLP.

During her 30 years' working experience, she has held key positions and handled a variety of responsibilities in the areas of development, sales and marketing, leasing of various types of property development and asset management.

In her role as Chief Executive Officer of KLP, her key responsibility was to formulate, articulate and prioritise departmental goals in line with KLP's strategic objectives which included mall operations, leasing, marketing and human resources. Her role also involved developing and maintaining effective networking relationships with local, regional and international retailers.


She is the Advisor and immediate past President of the Malaysian Association for Shopping and Highrise Complex Management ("PPKM"). In 2010, she received the Outstanding Entrepreneurship Awards awarded by the Asia Pacific Entrepreneurship Awards Malaysia and was awarded the Distinction for Distinguished Lifetime Dedication to Management of Shopping Centre by PPKM in 2008.

She holds a Bachelor of Arts (Hons) in Business Studies from North East London Polytechnic, London (now known as North London University) and a Certificate in Centre Management from PPKM.

Lovell Ho Wai Hoong is the Asset Manager (Leasing) of the Manager and Director of Leasing of KLP.

He has 18 years' experience in shopping mall management particularly in the areas of leasing and marketing. In the retail industry, he possesses a wide network of both local and international retailers from renowned local brands to international luxury brands and has successfully secured the tenant mix and occupancy rates for Pavilion Kuala Lumpur Mall. He joined KLP in 2002 as Senior Leasing Manager, was promoted to General Manager in 2005 and was appointed Director of Leasing in 2010.

Prior to joining KLP, he was the Marketing Manager of Sunway Pyramid Sdn Bhd and was responsible for setting the strategic marketing plans and implementing marketing and communication plans for the mall. He began his career with the Shopping Centre Management Division of The Lion Group. During his tenure with The Lion Group, he was involved in the overall leasing and marketing functions for the Lion Group Parade of Shopping Centres throughout the country.

He holds a Bachelor of Business in Marketing from the Royal Melbourne Institute of Technology, Melbourne, Australia. He is also a Certified Marketing Manager by PPKM and a member of PPKM.
6. **THE MANAGER (Cont’d)**

**Kung Suan Ai** is the Asset Manager (Marketing) of the Manager and Director of Marketing of KLP.

She has 15 years of experience in retail and corporate marketing for shopping centres and integrated developments. She joined KLP in 2008 as General Manager, Marketing before being appointed as Director of Marketing in 2010. She oversaw the marketing and concierge services of Pavilion Kuala Lumpur Mall.

She started her career with Sunway Pyramid in 1996, and in 2001 joined Mid Valley Megamall as Advertising and Promotions Manager. In 2004, she was made Director of Advertising & Promotions and in 2008, Director of Marketing for the integrated Mid Valley City development.

She is presently the Vice President of PPKM and is actively involved in shopping tourism events for Bukit Bintang – KLCC.

She holds a Bachelor of Arts (Hons) in Communications from Universiti Kebangsaan Malaysia.

**Daniel Hee Teck Ming** is the Asset Manager (Operations cum Mechanical and Engineering) of the Manager and Director of Operations of KLP.

He joined the Sponsor in 2007 as General Manager, Mechanical & Electrical before being appointed as Director of Operations from the end of 2008.

He gained several years of experience in aluminium fabrication in the United Kingdom after his graduation in 1982. On his return to Malaysia, he worked with United Technologies Carrier from 1988 to 2000 where he last held the position of General Manager, Services. From 2000 to 2006, he was Chief Operating Officer of Paracorp Technology Sdn Bhd. From 1996 to 2007, he served on the Board of Directors of Artwright Holdings Berhad as an Independent Non-Executive Director. He was also a member of the Audit Committee and a member of the Nomination & Remuneration Committee of Artwright Holdings Berhad.

He holds a Higher National Diploma in Mechanical Engineering from Humberside College of Higher Education, United Kingdom.

**Francis Ong Heng Khai** is the Asset Manager (Facilities Management) of the Manager and Assistant Director of Operations of KLP.

He has over 18 years of experience in property management covering residential, commercial and industrial properties.

Prior to joining KLP, he was with CapitaMall Asia Ltd for close to seven years and managed one of their shopping malls, Plaza Singapura which is situated in Singapore’s shopping belt along Orchard Rd. He was seconded to a new development, ION Orchard in 2008 as Head of Facilities. While with ION Orchard, he was involved in the operations planning and recruitment of the facilities team for the new mall, pre-opening preparations and post-opening operations. He was responsible for the daily operations of the mall, preparation of the operations and maintenance budget, implementation of standard operating procedures and was also involved in asset enhancement initiatives of the respective malls that he had managed.
He holds a Bachelor of Business (Property) from the University of South Australia, Australia and a Diploma in Building Management from Ngee Ann Polytechnic, Singapore.

Lo Khien Ngoh is the Head of Legal and Compliance of the Manager.

She is a senior lawyer with more than 20 years professional experience. Prior to joining the Manager, she was an investment lawyer with the Qatar Investment Authority specialising in the area of corporate, mergers and acquisitions and regulatory compliance work.

She had also served as a regional counsel of Hess Corporation (a United States oil & gas corporation) in South East Asia, the Head of Legal for the industrial and energy division of the Genting group of companies, and a legal manager with Berjaya Group Berhad. She started her career as an Advocate and Solicitor of the High Court of Malaya.

Khien Ngoh was called as a barrister and admitted into the Honourable Society of Lincoln’s Inn, London after receiving her degree from the University of London.

Lim Mian Nyee is the Finance Manager of the Manager.

Prior to joining the Manager in October 2011, she was the Finance Manager at The Nomad Hotel Management Sdn Bhd, a subsidiary of The Nomad Group Berhad. She oversaw the finance department for the service residences within the The Nomad Group Berhad with main responsibilities in financial reporting, budget and planning.

Lim Mian Nyee is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

Tan Bee Yoke is the Investment Manager of the Manager.

Prior to joining the Manager in October 2011, she was Assistant Vice President at Sime Darby Berhad under the Group Strategy and Business Development Department. She has extensive experience in corporate exercises relating to mergers and acquisitions as well as business expansion and development. The scope of her work involved financial modelling and valuation, debt financing analysis, project/investment feasibility analysis and planning as well as other financial and strategic reviews. Prior to joining Sime Darby Berhad, she was with a couple of audit firms, namely Ernst & Young in China and PricewaterhouseCoopers in Malaysia.

Tan Bee Yoke is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

6.5.2 Roles of the Executive Officers of the Manager

The Chief Executive Officer will work with the Board to determine the strategy for Pavilion REIT. The Chief Executive Officer will also work with the other members of the Manager’s Management Team to ensure that Pavilion REIT operates in accordance with the Manager’s stated investment strategy. Additionally, the Chief Executive Officer will be responsible for planning the future strategic development of Pavilion REIT. The Chief Executive Officer is also responsible for strategic planning, the overall day-to-day management and operations of Pavilion REIT and working with the Manager’s investment, asset management, financial and legal and compliance personnel in meeting the strategic, investment and operational objectives of Pavilion REIT.
The Asset Manager (Retail) is in charge of the asset management team, which is responsible for formulating the business plans in relation to Pavilion REIT's properties with short, medium and long-term objectives, and with a view to maximising the Rental Income of Pavilion REIT. The Asset Manager (Retail) will ensure that the asset managers work closely with the Property Manager to implement Pavilion REIT's strategies to maximise the income generation potential and minimise the expense base of the properties without compromising their marketability. The asset management team led by the Asset Manager (Retail) focuses on the operations of Pavilion REIT's properties, the implementation of the short to medium-term objectives of Pavilion REIT's portfolio and supervise the Property Manager in the implementation of Pavilion REIT's property-related strategies including analysing and recommending asset enhancement initiatives.

The Head of Legal and Compliance is responsible for ensuring that Pavilion REIT complies with the Relevant Laws and Requirements. The Head of Legal and Compliance is responsible for monitoring the internal corporate governance policies of Pavilion REIT and will report directly to the Board on specific compliance matters.

The Finance Manager will work with the Chief Executive Officer and will be responsible for applying the appropriate capital management strategy, including tax and treasury matters, as well as finance and accounting matters, overseeing implementation of Pavilion REIT's short and medium-term business plans, cash and funding management activities and financial condition.

The Investment Manager is in charge of the investment team, which is responsible for identifying, researching and evaluating potential acquisitions and related investments with a view to enhancing Pavilion REIT's portfolio, or divestments where a property is no longer strategic, fails to enhance the value of Pavilion REIT's portfolio or fails to be yield accretive. In order to support these various initiatives, the team will undertake detailed analysis to test the financial impact of different courses of action.

6.6 MANAGEMENT FEE

6.6.1 Details of the Management Fee

The Manager is entitled under the Deed to the following management fees (exclusive of service tax, if any):

(i) Base Fee

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).

For the purposes of calculating the Base Fee only, where Pavilion REIT holds its investments through one or more SPVs, the Total Asset Value shall include the value of all the assets of the relevant SPV, pro-rated, if applicable, to the proportion of Pavilion REIT's interest in the relevant SPV.

(ii) Performance Fee

Up to 5.0% per annum of Pavilion REIT's Net Property Income in the relevant financial year.
(iii) Incentive Fee

An incentive fee is payable in accordance with the following:

<table>
<thead>
<tr>
<th>Fee Payable (% per annum of the Total Asset Value of Pavilion REIT)</th>
<th>Criteria: Annual growth in Distributable Income in a Financial Year (calculated before accounting for Incentive Fee in that Financial Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 0.10%</td>
<td>Exceeds 7.5% and up to 10.0%</td>
</tr>
<tr>
<td>Up to 0.15%</td>
<td>Exceeds 10.0% and up to 12.5%</td>
</tr>
<tr>
<td>Up to 0.20%</td>
<td>Exceeds 12.5%</td>
</tr>
</tbody>
</table>

The Incentive Fee is payable in Units only. The Incentive Fee is only applicable in respect of the second full financial year in which Pavilion REIT has been established and in operation, being FY2013. No Incentive Fee is payable for FY2011 and FY2012.

Nevertheless, taking into consideration that the Incentive Fee is not common among other listed Malaysian REITs, the Manager has, and will continue, to waive its rights to the Incentive Fee unless otherwise approved by Unitholders via an ordinary resolution, obtained at a general meeting to be convened. For this purpose, the Major Unitholders, who are also substantial shareholders of the Manager, will abstain from voting on such resolution in respect of their direct and/or indirect unitholdings in view that they have an interest in the outcome of such resolution which is different from the other Unitholders. The Manager intends to convene the said general meeting in FY2012.

(iv) Acquisition Fee

1.0% of the transaction value (being the total purchase consideration) of any Real Estate and Real Estate-Related Assets directly or indirectly acquired from time to time by the Trustee or one or more SPV on behalf of Pavilion REIT pro-rated, if applicable, to the proportion of Pavilion REIT’s interest.

In the case of acquisition of SPVs, 1.0% of the underlying value (being the appraised value of the Real Estate as determined by an independent valuer appointed by the Trustee) of any Real Estate (which are held through the SPVs) pro-rated, if applicable, to the proportion of Pavilion REIT’s interest.

Any payment to third party agents or brokers in connection with the acquisition of any Real Estate Assets and Real Estate-Related Assets by Pavilion REIT shall not be paid by the Manager out of the Acquisition Fee received or to be received by the Manager (but shall be borne by Pavilion REIT).
(v) Divestment Fee

0.5% of the transaction value (being the total sale consideration) of any Real Estate and Real Estate-Related Assets directly or indirectly sold or divested from time to time by the Trustee or one or more SPVs on behalf of Pavilion REIT pro-rated, if applicable, to the proportion of Pavilion REIT’s interest.

In the case of divestment of SPVs, 0.5% of the underlying value (being the appraised value of the Real Estate as determined by an independent valuer appointed by the Trustee) of any Real Estate (which are held through the SPVs) pro-rated, if applicable, to the proportion of Pavilion REIT’s interest.

Any payment to third party agents or brokers in connection with the sale or divestment of any Real Estate Assets and Real Estate-Related Assets by for Pavilion REIT shall not be paid by the Manager out of the Divestment Fee received or to be received by the Manager (but shall be borne by Pavilion REIT).

The Management Fee should not be higher than that disclosed above in this Section 6.6 “Management Fee” unless:

(i) the Manager has notified the Trustee in writing of the new higher rate, and the Trustee consents to the same;

(ii) the Manager has announced to Bursa Securities of the higher fee rate and its effective date; and

(iii) 90 days has elapsed from the date of this Prospectus.

The Management Fee as disclosed in this section may only be varied upwards by way of a supplementary deed and in accordance with the requirements of the CMSA.

Based on the Profit Forecast, the Management Fee estimated for the Forecast Period 2011 and Forecast Year 2012 amounts to RM1.4 million and RM17.5 million, respectively, which were computed based on a Base Fee of 0.3% per annum of the Total Asset Value of Pavilion REIT (excluding cash and bank balances which are held in non-interest bearing account) and a Performance Fee of 3.0% of Pavilion REIT’s NPI for the respective years. While the Manager intends to receive between 15% to 50% of its Management Fee in the form of Units for FY2011 and FY2012, for the purpose of the Profit Forecast, it is assumed that 15.0% of the Management Fee will be paid in Units for the Forecast Period 2011 and Forecast Year 2012.

Save for the Incentive Fee, the Management Fee is payable to the Manager in cash and/or new Units as the Manager may elect. Any payment of the Management Fee in cash must be paid within seven days of (i) in respect of 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 or divestment (collectively, “Trigger Events”). Any payment of the Management Fee in new Units must be paid as soon as practicable after obtaining Bursa Securities’ approval for the listing of and quotation for the said Units. Where such approval cannot be obtained, the payment of the Management Fee will be paid in cash. Bursa Securities has approved the listing of and quotation for 100,000,000 Units to be issued as part payment of the Management Fee.
Payment of the Management Fee in Units (particularly in the case of Incentive Fee) is subject to Pavilion REIT complying with the public spread requirements and there being no Take-over Code implications, failing which such Management Fee will be remain as an amount owing and the Units can only be issued to the Manager after such restrictions are resolved.

The Manager will ensure that the payment of the Management Fee in the form of new Units does not result in a conflict of interest by taking the following steps:

(i) The payment of the Management Fee in the form of new Units will be in accordance with the following formula:

\[
\text{New Units to be issued as payment of the Management Fee} = \frac{\text{Management Fee payable in Units}}{\text{Market Price}}
\]

where the Market Price is the volume weighted average market price of the Units for the last five Market Days preceding each 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; and

(ii) The Manager will make immediate announcements to Bursa Securities disclosing the number of new Units issued and the issue price of the new Units when new Units are issued as payment for the Management Fee.

Any issuance of the Units set out in Section 3.2 "Total Fund Size and Units to be Issued" of this Prospectus which have been approved by the SC to be allocated as payment of the Management Fee shall not require the approval of the Unitholders and the SC.
6.6.2 Illustration of the Management Fee Payable

To illustrate the Management Fee payable in any particular financial year (other than FY2011 and FY2012), the following scenarios for Pavilion REIT's financial position and performance as well as acquisition and divestment activities are assumed:

**Total Asset Value as at the end of the current FY**
- RM3,700.0 million (assuming all cash and bank balances are held in interest bearing accounts)

**Net Property Income for the current FY**
- RM220.0 million

**Annual growth in Distributable Income for the current FY**
- **Scenario 1:** Exceeds 7.5% and up to 10.0% increase from the previous FY
- **Scenario 2:** Exceeds 10.0% and up to 12.5% increase from the previous FY
- **Scenario 3:** Exceeds 12.5% increase from the previous FY

**Acquisition activities during the FY**
- **Acquisition 1:** Acquisition of a Real Estate for a purchase consideration of RM500.0 million
- **Acquisition 2:** Acquisition of an SPV, which holds a Real Estate valued at RM500.0 million (by an independent valuer) and has borrowings of RM300.0 million, for a purchase consideration of RM200 million

**Divestment activities during the FY**
- **Divestment 1:** Divestment of a Real Estate for a sale consideration of RM500.0 million
- **Divestment 2:** Divestment of an SPV, which holds a Real Estate valued at RM500.0 million (by an independent valuer) and has borrowings of RM300.0 million, for a sale consideration of RM200.0 million

Based on the above, the Management Fee payable by Pavilion REIT are illustrated on the following scenarios as set out in the table below:

**Base Case**
- Assuming Management Fee is charged at the rate in line with the assumptions for the Profit Forecast (see Section 4.5.3.4 "Management Fee Assumptions" of this Prospectus for further details) and Unitholders’ approval for the Incentive Fee is not obtained.

**Maximum Case**
- Assuming Management Fee is charged at the maximum rate provided for under the Deed and Unitholders’ approval for the Incentive Fee is obtained.
<table>
<thead>
<tr>
<th></th>
<th>Base Case</th>
<th>Maximum Case</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Fee</strong></td>
<td>0.3% of Total Asset Value = 0.3% of RM3,700.0 million = RM11.1 million</td>
<td>1.0% of Total Asset Value = 1.0% of RM3,700.0 million = RM37.0 million</td>
</tr>
<tr>
<td><strong>Performance Fee</strong></td>
<td>3.0% of Net Property Income = 3.0% of RM220.0 million = RM6.6 million</td>
<td>5.0% of Net Property Income = 5.0% of RM220.0 million = RM11.0 million</td>
</tr>
</tbody>
</table>
| **Incentive Fee**    | Not applicable.                               | **Scenario 1:** 0.10% of Total Asset Value = 0.10% of RM3,700.0 million = RM3.7 million  
|                      |                                               | **Scenario 2:** 0.15% of Total Asset Value = 0.15% of RM3,700.0 million = RM5.6 million  
|                      |                                               | **Scenario 3:** 0.20% of Total Asset Value = 0.20% of RM3,700.0 million = RM7.4 million |
| **Acquisition Fee**  | Acquisition 1: 1.0% of transaction value = 1.0% of RM500.0 million = RM5.0 million  
|                      |                                               | Acquisition 2: 1.0% of underlying value = 1.0% of RM500.0 million = RM5.0 million  |
| **Divestment Fee**   | Divestment 1: 0.5% of transaction value = 0.5% of RM500.0 million = RM2.5 million  
|                      |                                               | Divestment 2: 0.5% of underlying value = 0.5% of RM500.0 million = RM2.5 million  |

Aside from the event driven fees (being the Acquisition Fee and Divestment Fee), the aggregate annual Management Fee (being the Base Fee, Performance Fee and Incentive Fee, where applicable) and its proportion as a percentage of NPI based on the illustrations above are as follows:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Base Case</th>
<th>Maximum Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1</td>
<td>RM17.7 million (8.0% of NPI)</td>
<td>RM51.7 million (23.5% of NPI)</td>
</tr>
<tr>
<td>Scenario 2</td>
<td></td>
<td>RM35.6 million (24.3% of NPI)</td>
</tr>
<tr>
<td>Scenario 3</td>
<td></td>
<td>RM55.4 million (25.2% of NPI)</td>
</tr>
</tbody>
</table>
6.7 OUTSOURCING OF THE REGISTRAR FUNCTION

The SC has approved the outsourcing of the registrar function by the Manager to Tricor Investor Services Sdn Bhd on 31 October 2011.

The Manager has entered into an agreement with Tricor Investor Services Sdn Bhd to delegate the function of registrar to Tricor Investor Services Sdn Bhd.

Tricor Investor Services Sdn Bhd was incorporated in Malaysia under the Act on 21 April 1984. As at the Latest Practicable Date, the authorised share capital of Tricor Investor Services Sdn Bhd is RM25,000.00 comprising 25,000 ordinary shares of RM1.00 each, of which 20,000 are currently issued and credited as fully paid-up. Tricor Investor Services Sdn Bhd is principally involved in the provision of unit registration services.

The principal services to be provided by the Registrar shall comprise, inter alia, the following:

(i) setting up maintenance of the principal register and keeping the same updated in compliance with the CMSA and the Relevani Laws and Requirements and in accordance with the provisions in the Deed;

(ii) maintaining of records, books and documents for the time period in accordance to the provisions as stipulated in the Relevant Laws and Requirements;

(iii) attending to relevant correspondences and enquiries from the Unitholders and any other parties pertaining to the principal register which include changes of names and addresses, replacement of lost certificates (if applicable), distribution statements, registration of powers of attorneys, letters of administration, grant of probate, indemnities, court orders and any other matters ancillary thereto;

(iv) acting as advisor to the Manager on all matters in relation to Bursa Depository or the Relevant Laws and Requirements and be the official link between Bursa Depository and the Manager;

(v) performing registration formalities on consolidation and splitting of Unit Certificates received from Bursa Depository;

(vi) despatching annual reports, interim reports, circulars, notices and documents to Unitholders;

(vii) providing statistical reports or detailed Unitholders' information that may be required by the Manager or the relevant authorities on a regular basis or upon receipt of a written request;

(viii) preparing, verifying and despatching of distribution cheques and statements as well as reconciling and submitting the distribution accounts to the Registrar of Unclaimed Moneys in accordance with the Unclaimed Moneys Act, 1965 (if applicable);

(ix) processing issue of new Units including computation and allotment, verification of data for crediting into the respective CDS account and the subsequent despatching of new certificates, notices of allotment and relevant confirmation letter(s) to the Unitholders;
6. THE MANAGER (Cont'd)

(x) providing where applicable, information to Bursa Depository on relevant dates for book closure and payment; and

(xi) preparing for and handling the registration for Unitholders' meeting which includes the following:

(a) handling registration of Unitholders for meeting purpose;

(b) handling lodgment and processing of proxy forms received as well as providing the analysis of voting instruction based on proxy forms received.

Notwithstanding the above, the services of the Registrar are not intended, in anyway, to diminish the responsibilities of the Manager. The registrar function is the responsibility of the Manager.

6.5 OUTSOURCING OF THE INTERNAL AUDIT FUNCTION

The SC has approved the outsourcing of the internal audit function by the Manager to BDO Governance Advisory Sdn Bhd ("BDO GA") on 31 October 2011.

The Manager has entered into an agreement with BDO GA to delegate the function of internal auditor to BDO GA.

BDO GA was incorporated in Malaysia under the Act on 9 June 1997. As at the Latest Practicable Date, the authorised share capital of BDO GA is RM150,000 comprising 150,000 shares of RM1.00 each, of which 150,000 shares are currently issued and fully paid-up. BDO GA is principally involved in the provision of internal audit services, corporate governance advisory and general consulting.

The principal services to be provided by BDO GA shall comprise, inter alia, the following:

(i) developing an annual internal audit plan;

(ii) conducting an annual internal control review covering key business processes, including but not limited to, procurement and payment of property operating expenses and property enhancement services, tenancy management, collection of rentals, acquisition and divestment of investment properties and fund management activities;

(iii) presenting the findings on internal control reviews to the Board as and when required; and

(iv) conducting a follow-up review to report on the status of implementation of management action plans arising from the internal control review conducted, as necessary.

Notwithstanding the above, the services of the BDO GA are not intended, in anyway, to diminish the responsibilities of the Manager. The design, development, implementation and operations of the system of controls are the responsibilities of the Manager.
6.9 UNITHOLDINGS OF SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF THE MANAGER IN PAVILION REIT

As Pavilion REIT was only established on 18 October 2011, the substantial shareholders, Directors and key management personnel of the Manager will not hold any Units, direct and/or indirect, in Pavilion REIT prior to the Acquisitions and Offering. The unitholding of the said parties after the Acquisitions and Offering are set out in the table below:

<table>
<thead>
<tr>
<th>Substantial Shareholders(1)</th>
<th>Direct No. of Units (1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Lim Siew Choon(2)</td>
<td>845,425 28.18</td>
</tr>
<tr>
<td>Datin Tan Kewi Yong</td>
<td>281,875 9.40</td>
</tr>
<tr>
<td>QH</td>
<td>1,082,900 36.10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Directors(2)</th>
<th>Direct No. of Units (1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Lim Siew Choon</td>
<td>845,425 28.18</td>
</tr>
<tr>
<td>Datin Tan Kewi Yong</td>
<td>281,875 9.40</td>
</tr>
<tr>
<td>Ahmad Mohd A Y Al-Sayed</td>
<td>100  *</td>
</tr>
<tr>
<td>Omer Abdulaziz H A Al-Marwani</td>
<td>100  *</td>
</tr>
<tr>
<td>Mohamed Badr S K Al-Sadah</td>
<td>100  *</td>
</tr>
<tr>
<td>Navid Chamdia</td>
<td>100  *</td>
</tr>
<tr>
<td>Dato' Lee Tuck Fook</td>
<td>100  *</td>
</tr>
<tr>
<td>Ooi Ah Heong</td>
<td>100  *</td>
</tr>
<tr>
<td>Datuk Roger Tan Kim Hock</td>
<td>100  *</td>
</tr>
<tr>
<td>Dato' Maznah binti Abdul Jalil</td>
<td>100  *</td>
</tr>
<tr>
<td>Dato' Mohzani bin Datuk Dr Abdul Wahab</td>
<td>100  *</td>
</tr>
<tr>
<td>Syed Mohd Fareed bin Shafik Alhabshi</td>
<td>100  *</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Management Personnel(3)</th>
<th>Direct No. of Units (1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip Ho Yew Hong</td>
<td>95  *</td>
</tr>
<tr>
<td>Joyce Yap Soh Ching</td>
<td>95  *</td>
</tr>
<tr>
<td>Lovell Ho Wai Hoong</td>
<td>85  *</td>
</tr>
<tr>
<td>Kung Suan Ai</td>
<td>70  *</td>
</tr>
<tr>
<td>Daniel Hee Teck Ming</td>
<td>70  *</td>
</tr>
<tr>
<td>Francis Ong Heng Khai</td>
<td>60  *</td>
</tr>
<tr>
<td>Lo Khien Ngoh</td>
<td>-</td>
</tr>
<tr>
<td>Lim Mian Nyee</td>
<td>-</td>
</tr>
<tr>
<td>Tan Bee Yoke</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:
(1) Pursuant to the issuance of the 2,210,000,000 Consideration Units to UCSB, which will be distributed or transferred by UCSB to its ultimate shareholders, being the Major Unitholders, in the proportion set out above.
(2) Assuming full subscription of the Offer Units reserved for them under the preferential allocation under the Retail Offering.
* Negligible.

The substantial shareholders, Directors and key management personnel of the Manager will not have any indirect unitholdings in Pavilion REIT upon Listing.
6.10 SUMMARY OF THE MANAGER'S FINANCIAL POSITION SINCE THE DATE OF INCORPORATION

The Manager was incorporated in Malaysia under the Act on 7 April 2011 as a private limited company and it has not commenced operations. As at the date of this Prospectus, the Manager has an issued and paid up share capital of RM1,000,000.

6.11 RETIREMENT, REMOVAL AND REPLACEMENT OF THE MANAGER

6.11.1 Retirement

The Manager may retire upon giving six months' written notice to the Trustee (or such shorter period as may be agreed upon with the Trustee) and then the Trustee shall appoint in writing any other corporation as the Manager in its stead subject to the approval of the SC.

6.11.2 Removal and Replacement

The Trustee may take all reasonable steps to remove the Manager from its appointment under the following circumstances:

(i) the Manager ceases to exist;
(ii) the Manager was not validly appointed;
(iii) the Manager ceases to be eligible to act as a management company pursuant to the CMSA or its appointment to act as the management company of Pavilion REIT is revoked by the SC;
(iv) the Manager fails or refuses to act as Manager in accordance with the material provisions or covenants of the Deed or the provisions of the CMSA;
(v) the Manager has a receiver appointed over the whole or a substantial part of its assets or undertaking and the Manager has not ceased to act under the appointment, or a petition is presented for the winding up of the Manager (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction the Manager becomes or is declared to be insolvent);
(vi) the Manager is under investigation for conduct amounting to fraud or of similar serious nature being a contravention of the Act or any securities law and is found guilty by the Courts of Malaysia of such office as charged;
(vii) the Manager is required to be removed by the SC or is required to be removed pursuant to the provisions of the REITs Guidelines; or
(viii) the Manager is required to be removed by the Unitholders by way of a Special Resolution (or otherwise in accordance with the requirements of the REITs Guidelines) passed at a meeting of Unitholders convened for that purpose on the grounds that the Manager is in breach of its obligations under the Deed and the Manager has failed to remedy the breach despite the request from the Trustee.
6. \textbf{THE MANAGER (Cont'd)}

The Trustee may then appoint a replacement manager whom is eligible to act as manager under the CMSA and which has been approved by the SC. Without prejudice to the Trustee's right to appoint a replacement management company, the Manager shall have the right to nominate a new management company (which is eligible to be appointed to act as management company under the CMSA) which shall not be a related corporation or an associated person of the Manager, within 14 days of its removal for consideration by the Trustee.

6.12 \textbf{RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST}

The Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising or, if conflicts arise, shall ensure that Pavilion REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing Pavilion REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interest of Unitholders.

The Directors are under a fiduciary duty towards Pavilion REIT to act in the best interest of Pavilion REIT. In addition, the Executive and Non-Executive Directors (including the Chief Executive Officer) and the executive officers of the Manager are expected to act with honesty and integrity at all times.

Under the Deed, the related parties of the Manager (as defined in the Deed) may hold Units. Unless otherwise permitted by the SC, Related Parties of the Manager shall not have voting rights in respect of the Units held and shall not be counted in a quorum at any Unitholders' meeting, if they have interest in the outcome of the transaction tabled for approval at the meeting which is different from the interest of other Unitholders.

See Section 11 “Corporate Governance, Related Party Transactions and Conflicts of Interest” of this Prospectus for further details on conflicts of interest and related party transactions.

6.13 \textbf{CORPORATE GOVERNANCE}

See Section 11 “Corporate Governance, Related Party Transactions and Conflicts of Interest” of this Prospectus.

6.14 \textbf{MATERIAL LITIGATION AND ARBITRATION}

As at the Latest Practicable Date, the Manager is not engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on its financial position and its Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect its financial position or business.
7. BACKGROUND INFORMATION ON SPONSOR AND MAJOR UNITHOLDERS

7.1 THE SPONSOR

The Sponsor of Pavilion REIT is UCSB, the developer of the Pavilion Kuala Lumpur Project comprising four components, namely Pavilion Kuala Lumpur Mall, Pavilion Tower, two blocks of luxury serviced apartments known as Pavilion Residences and a proposed block of serviced suites. Incorporated on 15 April 1993, the Sponsor developed the first Smart School for the Ministry of Education in Taman Shamelin Perkasa, Cheras, Kuala Lumpur.

The board of directors of the Sponsor has a wealth of experience, and are supported by experienced asset management and development teams.

The Sponsor's principal business strategy is to invest in, develop and manage real estate in Malaysia. The Sponsor aims to further add value to these properties through asset enhancement initiatives and precinct development strategies.

7.2 MAJOR UNITHOLDERS

The total number of Units in issue upon Listing will be 3,000,000,000 Units.

The following table sets out a summary of the Major Unitholders of Pavilion REIT and their unitholdings upon Listing:

<table>
<thead>
<tr>
<th></th>
<th>Units held post Offering</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Indirect</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. Of Units</td>
<td>%</td>
<td>No. Of Units</td>
</tr>
<tr>
<td>Datuk Lim Siew Choon(1)</td>
<td>845,425</td>
<td>28.18</td>
<td>-</td>
</tr>
<tr>
<td>Datin Tan Kewi Yong(2)</td>
<td>281,875</td>
<td>9.40</td>
<td>-</td>
</tr>
<tr>
<td>QH(3)</td>
<td>1,082,900</td>
<td>36.10</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>2,210,200</td>
<td>73.68</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:
(1) Pursuant to the issuance of the Consideration Units to UCSB, which will be distributed or transferred by UCSB to its ultimate shareholders, being the Major Unitholders, in the proportion set out above.
(2) Assuming full subscription of the Offer Units reserved to them under the preferential allocation under the Retail Offering.

7.2.1 Datuk Lim Siew Choon and Datin Tan Kewi Yong

Upon Listing, Datuk Lim Siew Choon and Datin Tan Kewi Yong will be Major Unitholders of Pavilion REIT, and will together hold 37.6% of the Units. See Section 6.4.1 "Experience and Expertise of the Board of Directors" of this Prospectus for further details on the relevant experience of Datuk Lim Siew Choon and Datin Tan Kewi Yong.
7.2.2 QH

Upon Listing, QH will be a Major Unitholder of Pavilion REIT with a unitholding of 36.1%. QH is a global investment house established in 2006, founded and wholly-owned by the Qatar Investment Authority. QH invests internationally and locally in strategic private and public equity, and other direct investments including real estate.
8. THE TRUSTEE

The following information in this section (save where it relates to the Deed) has been prepared and provided by the Trustee. None of the Manager, the Joint Principal Advisers, the Joint Global Coordinators and any other person has independently verified this information and, therefore, neither the Manager, the Joint Principal Advisers nor the Joint Global Coordinators make any representation as to the correctness, accuracy or completeness of such information. Accordingly, prospective investors should not place undue reliance on such information.

8.1 CORPORATE INFORMATION

AmTrustee Berhad ("AmTrustee") was incorporated in Malaysia under the Act on 28 July 1987. It is registered as a trust company under the Trust Companies Act, 1949 and is also registered with the SC for trusteeship service in respect of unit trust funds. As at the Latest Practicable Date, the authorised share capital of the Trustee was RM1,000,000 comprising 100,000 ordinary shares of RM10.00 each, paid up to RM5.00 each in accordance with Section 3(c) of the Trust Companies Act, 1949.

The principal activity of the Trustee is the provision of corporate trusteeship services. The Trustee has been in the trustee business for more than 24 years. As at the Latest Practicable Date, the Trustee's staff strength comprises 28 executive staff and five non-executive staff.

The Trustee undertakes all types of trustee business allowed under the Trust Companies Act, 1949 specialising in corporate trustee services which include acting as trustee for private debt securities, unit trust funds, provident and retirement funds, golf clubs and timeshares, stakeholders and REITs. As at the Latest Practicable Date, the Trustee is trustee for 22 unit trust funds and three listed REITs.

8.2 BOARD OF DIRECTORS OF THE TRUSTEE

The following table sets out information regarding the Board of Directors and Chief Executive Officer of the Trustee as at the Latest Practicable Date:

<table>
<thead>
<tr>
<th>Name</th>
<th>Directorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Pushparani d/o Moothathamby</td>
<td>Chairman (Non-Independent Director)</td>
</tr>
<tr>
<td>En. Shaharuddin Bin Hassan</td>
<td>Director (Non-Independent Director)</td>
</tr>
<tr>
<td>Tuan Hj Mohamad Sabrin Bin Hj A. Rahman</td>
<td>Director (Non-Independent Director)</td>
</tr>
<tr>
<td>Dato' Ng Mann Cheong</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Datuk Haji Mohd Idris Bin Mohd Isa</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>
8. THE TRUSTEE (Cont'd)

Chief Executive Officer of the Trustee: Mr Tan Kok Cheeng

Mr Tan Kok Cheeng has been appointed as the Chief Executive Officer of AmTrustee with effect from 1 October 2010. Prior to joining the Trustee, he served as the Chief Internal Auditor, Internal Audit Department, AmBank Group then elevated as Internal Audit Advisory, AmBank Group. He has been with AmBank for more than 25 years.

8.3 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE TRUSTEE

The Trustee's functions, duties and responsibilities are set out in the Deed. The general function, duties and responsibility of the Trustee include, but are not limited to the following:

(i) to safeguard the interests of the Unitholders and actively monitor the administration of Pavilion REIT by the Manager to ensure that the interests of Unitholders are upheld at all times;

(ii) to act continuously as the Trustee under the trust created by the Deed until Pavilion REIT is terminated as provided in the Deed or until the Trustee has retired from Pavilion REIT in the manner provided in the Deed;

(iii) to ensure that Pavilion REIT has, at all times, an appointed management company;

(iv) to ensure that the Manager does not make improper use of its position in managing Pavilion REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interest of the Unitholders of Pavilion REIT;

(v) to exercise all due care, skill, diligence and vigilance in carrying out its functions and duties and in safeguarding the rights and interests of the Unitholders in accordance with the Deed and the Relevant Laws and Requirements;

(vi) to ensure at all times, through proper and adequate supervision, that Pavilion REIT is managed and administered by the Manager in accordance with Pavilion REIT’s objectives, the Deed and the Relevant Laws and Requirements and acceptable and efficacious business practices within the real estate investment industry. In ensuring compliance with the requirements and safeguarding the interests of the Unitholders, the Trustee, covenants to conduct independent reviews and not only depend on the submission of information by the Manager. It covenants to exercise reasonable diligence in monitoring the function of the Manager in accordance with the provisions of the Deed and to do everything in its power to ensure that the Manager remedies any breach known to the Trustee of the provisions or covenants of the Deed, unless the Trustee is satisfied that the breach will not materially prejudice the Unitholders’ interests;

(vii) to immediately notify the SC of any irregularity, breach of the Deed, the Relevant Laws and Requirements or any other matter properly regarded by the Trustee as not being in the interests of Unitholders; and

(viii) to take all reasonable steps and exercise due diligence to ensure that the Deposited Property are correctly valued and valued by a qualified valuer in accordance with the Deed and Relevant Laws and Requirements.
8. THE TRUSTEE (Cont'd)

8.4 FINANCIAL INFORMATION OF THE TRUSTEE

The following is a summary of the Trustee's past audited financial performance for the past three financial years ended 31 March.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 (RM)</td>
</tr>
<tr>
<td>Paid-up share capital</td>
<td>500,000</td>
</tr>
<tr>
<td>Shareholders' funds</td>
<td>8,144,017</td>
</tr>
<tr>
<td>Revenue</td>
<td>5,936,225</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,786,353</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>1,563,902</td>
</tr>
</tbody>
</table>

8.5 TRUSTEE'S FEE

In accordance with the Deed, Pavilion REIT will pay the Trustee an annual trustee's fee of up to 0.05% per annum of the NAV of Pavilion REIT. For FY2011 and FY2012, the Trustee's fee will be capped at RM400,000 per annum. Any other upward variation exceeding the maximum limit will only be made with the prior approval of the Unitholders, and by way of a supplementary trust deed, in accordance with the Deed and the CMSA.

8.6 RETIREMENT, REMOVAL AND REPLACEMENT OF THE TRUSTEE

8.6.1 Retirement

The Trustee may retire upon giving six months' written notice to the Manager (or such shorter period as may be agreed upon with the Manager) whereupon the Manager shall within one month after becoming aware of the intention of the Trustee to retire, appoint by way of deed, a replacement trustee who is eligible to be appointed to act as trustee under the CMSA and who has been approved by the SC.

8.6.2 Removal and Replacement

The Manager may take all reasonable steps to remove the Trustee from its appointment under the following circumstances:

(i) the Trustee ceases to exist;
(ii) the Trustee was not validly appointed;
(iii) the Trustee is not eligible to be appointed or to act in accordance with the provisions or covenants of the Deed or the provisions of the CMSA;
(iv) the Trustee fails or refuses to act as trustee in accordance with the provisions or covenants of the Deed or the provisions of the CMSA;
8. THE TRUSTEE (Cont’d)

(v) the Trustee has a receiver appointed over the whole or a substantial part of its assets or undertaking and the Trustee has not ceased to act under the appointment, or a petition is presented for the winding up of the Trustee (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction the Trustee becomes or is declared to be insolvent); or

(vi) the Trustee is under investigation for conduct that contravenes the Trust Companies Act 1949, the Trustees Act 1949, the Act or any securities law and an adverse finding is found.

The Manager may then appoint a replacement trustee whom is eligible to act as trustee under the CMSA and whom has been approved by the SC.

The Trustee may be removed on grounds that the Trustee is in breach of its obligations under the Deed and the Trustee has failed to remedy the breach despite the request from the Manager to remedy the breach and another trustee (which is eligible to be appointed to act as trustee under the CMSA and duly approved by the SC) shall be appointed if the Unitholders decide on such removal and replacement by a Special Resolution (or otherwise in accordance with the requirements of the REITs Guidelines), passed at a duly convened meeting which is requisitioned by the Unitholders in the manner provided in the Deed.

Nothing in the Deed limits the right of the SC under Section 292(2) of the CMSA to remove the Trustee and appoint a replacement on the SC's own accord, or on the application of the Manager or of a Unitholder, on any of the grounds stated in sub-paragraphs (i) to (vi) above.

8.7 TRUSTEE’S RESPONSIBILITY STATEMENT

The Trustee has given its willingness to assume the position as trustee of Pavilion REIT and all the obligations in accordance with the Deed and the Relevant Laws and Requirements.

8.8 MATERIAL LITIGATION AND ARBITRATION

Save as disclosed below, as at the Latest Practicable Date, there is no current material litigation and arbitration, including those pending or threatened, or any facts likely to give rise to any proceedings which might materially affect the business or financial position of the Trustee, or any of their delegates.

AmTrustee was served with a Writ and Statement of Claim dated 12 December 2005 by solicitors acting for Meridian Asset Management Sdn Bhd ("Meridian") for alleged loss and damage amounting to RM27,606,169.65 together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian ("Meridian Suit").
AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for Malaysian Assurance Alliance Berhad ("MAA") for alleged loss and damages amounting to RM19,640,178 together with interest and costs ("MAA Suit"). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee. The claim by MAA in the MAA Suit is part of the portion of the claim as mentioned in the above Meridian Suit.

In the MAA Suit, AmTrustee filed a Third Party Notice against Meridian on 6 November 2006 seeking indemnification/contribution from Meridian. Meridian filed a counter claim against AmTrustee.

On 22 February 2008, AmTrustee filed an application for a stay of proceedings of the Meridian’s Suit on the grounds that Meridian’s counter claim in the MAA Suit amounts to duplicity/abuse of process which was dismissed with costs on 26 June 2008. AmTrustee filed a Notice of Appeal to the Court of Appeal on 25 July 2008. The Appeal came up for hearing on 11 August 2011 and the Court of Appeal ordered that this appeal be heard with another of AmTrustee’s appeal. Both the Appeals were fixed for Case Management on 7 October 2011 and refixed for Hearing on 17 November 2011.

Parties have filed several interim applications in the Meridian Suit among which was application by Meridian to add another subsidiary of AMMB Holdings Berhad, namely AmInvestment Bank Berhad as 2nd Defendant and also to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian. The Learned Judge dismissed Meridian’s application to add AmInvestment Bank Berhad as a Party to the Meridian Suit and allowed Meridian’s claim to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84 ("Decision").

No appeal was lodged by Meridian to the Court of Appeal against the Decision in dismissing its application to add AmInvestment Bank Berhad as a Party to the Meridian Suit. With no appeal against the Decision, there is no litigation pending against AmInvestment Bank Berhad by Meridian as at the Latest Practicable Date.

It is to be noted that both the Meridian Suit and MAA Suit were ordered on 16 September 2008 to be tried together at the same time pursuant to Order 4 Rule 1 of the Rules of the High Court 1980.

AmTrustee has also been served on 2 September 2009 with a copy of a Third Party Notice dated 12 August 2009 by solicitors acting for Meridian.

The Third Party Notice is taken against AmTrustee by Meridian on a suit filed by Kumpulan Wang Persaraan (Diperbadankan) ("KWAP") against Meridian in 2007, at the Kuala Lumpur High Court via suit number D5-22-1457-2007 ("KWAP Suit"). The facts of this case revolve around the same facts as that of the above Meridian Suit and MAA Suit. The High Court suit by KWAP is for an alleged breach by Meridian of an Investment Management Agreement executed between KWAP and Meridian in 2001 ("the Agreement") for a sum of RM7,294,050.42 as general damages for breach of the Agreement and breach of trust together with interests and costs ("KWAP’s claim").
8. THE TRUSTEE (Cont'd)

On the basis of KWAP’s claim, Meridian is seeking against AmTrustee via the Third Party Notice for AmTrustee to indemnify Meridian in respect of KWAP’s claim.

AmTrustee filed an Application to Strike out the Third Party Notice. This Application was fixed for Hearing on 27 September 2010 and the court allowed this Application with cost on 1 November 2010. Meridian filed an appeal to the Court of Appeal against this decision and the appeal was dismissed with costs ("Order"). With the Order, AmTrustee is no longer involved in KWAP’s claim against Meridian.

The court directed parties to consider resolving this matter via mediation but Parties informed court that they are not agreeable to resolve this matter via mediation. Trial dates for both Meridian Suit and MAA Suit were initially fixed from 24 January to 26 January 2011 and are refixed now on 29 and 30 June and 1 July 2011. Both matters were then fixed for Case Management on 25 May 2011.

In the meantime, AmTrustee filed an Application for Stay of Proceeding of both the Meridian Suit and MAA Suit pending the full and final disposal of a criminal proceeding (which is still ongoing) involving a key witness of Meridian. This Application came up for hearing on 1 December 2010 and was dismissed. AmTrustee filed an appeal to the court of appeal against this decision. The Appeal came up for hearing on 24 May 2011 and the Appeal was allowed with costs and both the Suits are stayed pending the disposal of the criminal proceedings.

When the matter came up for Case Management on 25 May 2011, Solicitors informed the High Court of the Court of Appeal’s decision to stay the civil trial pending the disposal of the criminal trial. The court then vacated the initial trial dates and both the Suits are fixed for Case Management on 20 October 2011.

Based on documents and evidence in their possession, the solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of the claims by Meridian and MAA and in any event, that AmTrustee will be entitled to an indemnity or contribution from Meridian in respect of the claim.

8.9 DELEGATION OF THE TRUSTEE’S FUNCTION

As at the Latest Practicable Date, none of the Trustee’s function in relation to Pavilion REIT has been delegated.
9. THE PROPERTY MANAGER

The following information in this section (save where it relates to the Property Management Agreement) has been prepared and provided by the Property Manager. None of the Manager, the Joint Principal Advisers, the Joint Global Coordinators and any other person has independently verified this information and, therefore, neither the Manager, the Joint Principal Advisers nor the Joint Global Coordinators make any representation as to the correctness, accuracy or completeness of such information. Accordingly, prospective investors should not place undue reliance on such information.

9.1 CORPORATE INFORMATION

The Property Manager, Henry Butcher Malaysia Sdn Bhd, is an affiliate of Henry Butcher & Co (now operating under the name of Goindustry Dovebid PLC), a worldwide professional practice established in London in the 1800s. The Property Manager is principally involved in property management, property valuation, real estate agency and consultancy services in the property field. The Property Manager is duly registered with the Board of Valuers, Appraisers and Estate Agents Malaysia.

9.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE PROPERTY MANAGER

The Trustee, the Manager and the Property Manager entered into the Property Management Agreement on 18 October 2011 for the appointment of the Property Manager to provide property management services to manage, operate, maintain and market the Subject Properties upon the terms and conditions therein.

The services provided by the Property Manager for each property under its management include the following:

(i) retail consultancy services, including carrying out regular reviews, analysis and surveys relating to property management practices adopted by other existing and new shopping centres, trends in consumer buying behaviour, changes in demographic and psychographic characteristics of target consumers, expenditure patterns and trends in the industry, trends in tenant mix and tenant requirements and expectations, and design, layout and building trends for retail centres;

(ii) property management services, including operation and maintenance of the property, recommending third party contracts for provision of property maintenance and building security services, supervising the performance of contractors, advising on centre improvement and upgrading, and ensuring compliance with building and safety regulations;

(iii) financial management services by assisting the Manager and/or the Trustee in respect of the financial, cost and budgetary coordination, administration and measurement including preparation of budgets for management operation, procedures for monitoring budgetary performance and compliance, and annual reports and analysis of operation performance;
(iv) tenancy management services, including coordinating handover of premises and tenants' fitting-out requirements, implementing effective rental collection policies and practices, formulating letting policies, tenancy terms and conditions and assisting in drawing up legal tenancy documentation and implementing marketing activities to attract and secure tenants;

(v) marketing and marketing coordination services, including managing public relations and the promotion of the property by organising campaigns and activities to increase visitor numbers and further strengthen the image and popularity of the property; and

(vi) professional service management to seek advice and consult with other expertise within the Property Manager on capital value and assessment value and seeking other professional advice and consulting with other professionals in legal, technical, financial and accounting matters.

In accordance with the terms of the Property Management Agreement, the Property Manager shall, during the duration of the Property Management Agreement, employ, by itself or through third party service providers, personnel required to properly operate, maintain, manage and market all the Subject Properties on such terms and conditions as are commercially reasonable or appropriate having regard to the qualification, skill and experience of the persons employed for the relevant positions, responsibilities and duties. Please refer to Section 9.6 "Salient Terms of the Property Management Agreement" of this Prospectus for further details of the Property Management Agreement.

9.3 EXPERIENCE IN PROPERTY MANAGEMENT AND PROPERTIES MANAGED

The Property Manager has over 20 years of experience in property management, carrying out numerous assignments relating to shopping centre consultancy, leasing and management. The Property Manager is currently managing more than 30 properties and has a nationwide network of 25 offices with a current total of over 400 employees.

The Property Manager has provided property management and related consultancy services for other properties, including the following commercial properties:

(i) Menara PGRM in Kuala Lumpur;
(ii) Menara HSC in Kuala Lumpur;
(iii) Courts Mammoth in Kuala Lumpur;
(iv) Laman Seri Business Park in Selangor;
(v) Excella Business Park in Kuala Lumpur; and
(vi) Wisma Allianz in Kuala Lumpur.
9. INFORMATION ON KEY PERSONNEL AND STAFF STRENGTH

The profiles of the key personnel of the Property Manager who are involved in the management of the Subject Properties are as follows:

**Long Tian Chek**, Director, is a Chartered Surveyor, a member of the Institute of Surveyors Malaysia, a founder member of the Association of Valuers and Property Consultants in Private Practice Malaysia and a registered valuer, auctioneer and estate agent. He has over 20 years of professional experience in matters relating to the real estate industry. He started in the public sector before joining a local private firm of professional surveyors. He has also been appointed on many occasions to act as Court Assessor in the High Court of Malaya where he has advised in land acquisition cases for compensation payable. He is a graduate in Urban Estate Management from London. He founded Henry Butcher Malaysia Sdn Bhd with Lim Eng Chong in 1987.

**Lim Eng Chong**, Director, holds a BSc degree in Estate Management (Hons.). He is a registered Valuer and Estate Agent, and a member of the Royal Institute of Chartered Surveyors. His experience since 1977 includes the valuation of properties, plant and machineries, agency sales, investments advisory and brokerage and property and project management as well as research and development consultancy for mega projects. He also has years of experience in the development business, from land acquisitions to project management to project marketing. He is active in the professional advancement of the real estate industry, previously serving as Vice President of FIABCI Malaysia (FIABCI is an international real estate federation), a council member of the Malaysian Institute of Estate Agents, as well as a committee member of the Private Valuers' Association. He founded Henry Butcher Malaysia Sdn Bhd with Long Tian Chek in 1987.

**Low Hon Keong**, General Manager (Asset and Property Management), is charged with overseeing property management division. He also has years of experience in managing both residential and commercial properties as he was fully involved in the management of Menara Genesis for more than five years, a prime commercial office development located within the Golden Triangle. In his previous employment, he was overseeing the property management and marketing of Plaza Phoenix, a regional retail development situated in Cheras. He is also experienced in chairing general meetings, and has provided consulting services to management corporations, joint management bodies and building owners pertaining to operation and maintenance matters. He also has experience in giving advice to developers on the handover of vacant possession. He holds a Degree in Property Management from University Technology of Malaysia. He also undertakes business development of the property management services for the firm.
9.5 PROPERTY MANAGEMENT FEE
The Property Manager is entitled to property management fee of RM30,000 per month (excluding service 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 Subject Properties (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 provider(s), subject that such reimbursable amounts are (i) approved under the annual business plan and budget for the Subject Properties or incurred with prior approval by the Trustee and the Manager and (ii) supported by receipts, vouchers or other evidence of payment acceptable to the Manager and the Trustee. For Forecast Year 2012, the reimbursable amount payable to the Property Manager is estimated to be RM11.1 million.

9.6 SALIENT TERMS OF THE PROPERTY MANAGEMENT AGREEMENT
The salient terms of the Property Management Agreement are summarised below:

(i) Subject to the right of termination under the Property Manager Agreement, the appointment of the Property Manager shall commence from the Listing Date and shall unless terminated in accordance with the Property Management Agreement, continue for an initial period of 2 years and may be renewed for another two years thereafter with the agreement of the Property Manager on such terms and conditions as may be mutually agreed between the parties ("Management Period").

(ii) The functions, duties and responsibilities of the Property Manager under the Property Management Agreement is summarised in Section 9.2 "Functions, Duties and Responsibilities of the Property Manager" of this Prospectus.

(iii) The Property Management Agreement may be terminated in accordance to the terms and conditions herein under any one of the following circumstances:

(a) upon expiry of the Management Period;
(b) upon termination by the Trustee of the appointment of the Manager as the management company to Pavilion REIT;
(c) upon exercise by any parties therein of the right of mutual termination by giving 3 months' notice in writing to the other parties;
(d) upon occurrence of any force majeure event which results in the failure of the Property Manager to deliver a substantial majority of the services contemplated under the Property Management Agreement for at least 14 days;
(e) upon the sale of the Subject Properties by the Trustee; and
(f) at the option of the Manager and/or the Trustee, upon occurrence of any one or more of the events:

(1) the Property Manager is in breach of the terms or conditions of the Property Management Agreement and such breach continues for a period of thirty (30) business days after its receipt from the Manager and/or the Trustee a notice specifying such breach and requesting that the same be remedied;

(2) there is a revocation, withholding or modification of licence, authorisation or approval that impairs or prejudices the Property Manager's ability to comply with the material terms and conditions of the Property Management Agreement;

(3) any of the material provisions in the Property Management Agreement becomes ineffective, invalid or unenforceable;

(4) the Property Manager changes the nature or scope of its core business, suspends or ceases or threatens to suspend or cease a substantial part of its business operations;

(5) an order is made or a resolution is passed for winding up or dissolution of the Property Manager; and/or

(6) the Property Manager becomes insolvent or a receiver has been appointed over the whole or a substantial part of the assets of the Property Manager.

For the purposes of this Section 9.6, "force majeure event" means all events which are beyond the reasonable control of the parties to the Property Management Agreement and which are unforeseen or if foreseen are unavoidable and which render impossible the performance of any material obligation or the exercise of any material right under the Property Management Agreement by any of the parties and shall include but is not limited to (i) war, invasion, rebellion, revolution, insurrection or civil war; (ii) act of government in its sovereign capacity; (iii) earthquakes, fire, lightning, storms, floods or any other occurrence caused by the operation of the forces of nature; (iv) strikes, lockouts, boycotts or labour disputes affecting the operation of any of the Subject Properties; (v) terrorism, sabotage or arson; and (vi) change in 'law.'

9.7 UNITHOLDING OF THE PROPERTY MANAGER IN PAVILION REIT
The Property Manager will not hold any Units upon Listing.
9.8 SERVICE PROVIDER TO PROVIDE PERSONNEL TO THE PROPERTY MANAGER

Pursuant to the Property Management Agreement, the Property Manager may appoint any third party service provider to, inter alia, provide personnel to the Property Manager in order for the Property Manager to carry out its duties under the Property Management Agreement to the best of its abilities provided that the appointment of such third party service providers has been approved by the Manager. The amount of such third party service providers’ fees will be determined under the annual business plan and budget for the Subject Properties. The service provider’s fees and costs and expenses properly incurred by the service provider for the provision of the services will form part of the property expenses to be paid by the Trustee to the Property Manager under the Property Management Agreement. The Trustee, on the instruction of the Manager and the concurrence of the Property Manager, is authorised to make payment of such fees, costs and expenses from the account of Pavilion REIT either (i) directly to the service provider, or (ii) to the operating account of the Manager for the Manager to utilise such payment to pay the service provider.

The Property Manager entered into a service provider agreement with KLP on 18 October 2011 ("Service Provider Agreement"), wherein KLP will provide the Property Manager with, inter alia, a team of personnel with the necessary qualification, expertise, experience and internal working and operation knowledge of the Subject Properties in order for the Property Manager to properly operate, maintain, manage and market Pavilion Kuala Lumpur Mall and Pavilion Tower in accordance with the terms and conditions of the Service Provider Agreement. As disclosed in Section 6.5.1 “Expertise and Experience of Executive Officers” of this Prospectus, several members of the management team of the Manager are also employees of KLP.
10. SALIENT TERMS OF THE DEED

The Deed is a complex document and the following is a summary only and is qualified in its entirety by, and is subject to, the contents of the Deed. Certain salient terms of the Deed are summarised in other sections of this Prospectus. Recipients of this Prospectus and all prospective investors in the Units should refer to the Deed itself to confirm specific information or for a detailed understanding of Pavilion REIT. The Deed is available for inspection at the registered office of the Manager.

10.1 THE DEED

Pavilion REIT is a REIT constituted by the Deed, as entered into between the Trustee and the Manager on 13 October 2011. The Deed came into effect on 18 October 2011 when it was registered with the SC.

Each Unitholder and all persons claiming through it shall be entitled to the benefit of and shall be bound by the terms and conditions of the Deed and any supplementary deed as if it had been a party thereto and as if the Deed contained covenants on the part of each Unitholder to observe and be bound by all the provisions thereof and an authorisation by each Unitholder to do all such acts and things as the Deed may require the Trustee or the Manager (as the case may be) to do. The Deed does not establish either the Trustee or the Manager as the agent of the Unitholders and does not create any other relationship other than that which is established by the provisions of the Deed.

Pursuant to the Deed, the Trustee shall hold the Deposited Property upon trust for the Unitholders and the Deposited Property so held shall be segregated from the general assets of the Trustee. The rights of the Unitholders under the Deed are divided into Units.

The Manager and the Trustee shall in the performance of their respective duties under the Deed, at all times comply with applicable provisions of the Relevant Laws and Requirements, subject to compliance with any applicable waiver or exemption given by any relevant regulatory authority (including the SC or Bursa Securities, as the case may be) in respect of the Relevant Laws and Requirements. See “Information Summary – Fees and Charges” of this Prospectus for a summary of fees payable to the Manager and the Trustee; Section 6.6 “Management Fee” of this Prospectus for further details of the Management Fee payable to the Manager; and Section 8.5 “Trustee’s Fee” of this Prospectus for further details of the Trustee’s fee payable to the Trustee, pursuant to the terms of the Deed.

The Deed is governed by, and shall be construed in accordance with, the laws of Malaysia.

10.2 NATURE OF UNITS

Each Unit is of equal value and represents an undivided interest in Pavilion REIT. There is only one class of Units in Pavilion REIT, and all issued Units rank pari passu provided the issue price is fully paid. A Unit shall not confer any interest in any particular Deposited Property held by the Trustee on the trust of the Deed but only such interest in Pavilion REIT as a whole as is conferred on a Unit under the provisions of the Deed.
10.3 RIGHTS OF UNITHOLDERS

The Units confer on the Unitholder the rights (among others) to receive any distribution entitlements and such other rights, benefits, entitlements and privileges as are conferred on the Units or attached to the Units by the provisions of the Deed.

10.4 LIMITATION OF LIABILITY AND RIGHTS OF UNITHOLDERS

The liability of each Unitholder in its capacity as such is limited to the Unitholder's investment in Pavilion REIT. A Unitholder is not required to indemnify the Trustee or the Manager or a creditor of either or both of them against any liability of the Trustee or the Manager in respect of Pavilion REIT.

However, the rights of the Unitholders are limited as follows:

(i) a Unitholder has no equitable or proprietary interest in the Deposited Property and is not entitled to the transfer to it of any Deposited Property or any part of the Deposited Property or of any estate or interest in the Deposited Property or in any part of the Deposited Property;

(ii) the right of a Unitholder in the Deposited Property and under the Deed is limited to the right to require the due administration of Pavilion REIT in accordance with the Deed including, without limitation, by suit against the Trustee or the Manager; and

(iii) without limiting the generality of the foregoing, each Unitholder acknowledges and agrees that:

(a) he will not commence or pursue any action against the Trustee or the Manager seeking an order for specific performance or for injunctive relief in respect of the Deposited Property or any part of the Deposited Property and hereby waives any rights it may otherwise have to such relief;

(b) if the Trustee or the Manager breaches or threatens to breach its duties or obligations to a Unitholder under the Deed, the Unitholder's recourse against the Trustee or the Manager is limited to a right to recover damages or compensation from the Trustee or the Manager in a court of competent jurisdiction; and

(c) damages or compensation is an adequate remedy for such breach or threatened breach.

(iv) a Unitholder may not (whether at a meeting of Unitholders or otherwise):

(a) interfere or seek to interfere with the rights, powers, authority or discretion of the Manager or the Trustee or restrict the exercise of any discretion expressly conferred on the Manager or Trustee under the Deed or the determination of any matter which, under the Deed, requires the agreement of either or both of the Manager and the Trustee;
(b) exercise any right in respect of the Deposited Property or any part of the Deposited Property or lodge any caveat or other notice affecting the Deposited Property or any part of the Deposited Property;

(c) require that any of the Deposited Property or any part of the Deposited Property be transferred to the Unitholder; and

(d) give any directions to the Manager or the Trustee which would require the Manager or the Trustee to do or omit doing anything which may result in Pavilion REIT ceasing to comply with the Relevant Laws and Requirements or which may result in the Manager or the Trustee being required to do anything which is inconsistent with their duties at law or under the Deed.

10.5 CREATION OF UNITS

The Manager is to ensure that any method of offering of Units for the Listing includes an offering of Units to the general public. Where the method of offering includes an offer for sale of existing Units, the Manager is to ensure that all expenses of such offer for sale is borne by the offerors and not Pavilion REIT. Where the method of offering is an issue of new Units, the Manager is to ensure that all expenses of such issuance are borne by Pavilion REIT. Applications for new Units to be issued for the Offering shall be made in accordance with this Prospectus. The Manager shall have the absolute discretion as to whether to allot and issue any Units pursuant to an application without assigning any reasons for its decision.

Subject to the Relevant Laws and Requirements, the Manager shall determine the issue price, on market-based principles, taking into account the best interests of Pavilion REIT and Unitholders. A Unit shall be deemed to have been issued to the person entitled to such Unit when the name of such person has been entered onto the Record of Depositors. No certificates for the Units shall be issued to any subscribers or purchasers of Units pursuant to this Prospectus.

The Manager may from time to time recommend to the Trustee any subsequent issuance of Units by any method permitted under the REITs Guidelines.

10.6 SUSPENSION OF, DEALING IN AND ISSUE OF UNITS

The Manager or the Trustee may, with the prior written approval of the other and subject to the Listing Requirements, suspend the issue of Units during exceptional circumstance which in the opinion of the Trustee and the Manager provides good and sufficient reason to do so, having taken into consideration the interests of the Unitholders. Such suspension will take effect forthwith upon the written approval by the Manager or the Trustee pursuant to any the declaration in writing of the same by the other and shall terminate upon the written approval by the Manager or the Trustee pursuant to any declaration in writing of the same by the other which will be made after the condition or any other conditions giving rise to the suspension ceases to exist subject always to the Relevant Laws and Requirements.
10. SALIENT TERMS OF THE DEED (Cont'd)

The Trustee shall, in consultation with the Manager and where it deems appropriate and subject to the REITs Guidelines, suspend dealing in the Units due to exceptional circumstances, where there is a good and sufficient reason to do so, considering the interest of Unitholders or potential investors. Such suspension must cease as soon as practicable after the exceptional circumstances have ceased, and in any event within 21 days of the commencement of the suspension. The Trustee shall immediately notify the SC in writing of such suspension, stating the reason for suspension and the proposed resumption of dealings in Units and the date of the proposed resumption.

10.7 VENDOR UNITS

In the case of the issue of Units to vendors of Authorised Investments and subject to the Relevant Laws and Requirements, the Manager may offer Units to vendors as consideration (in whole or in part) for Authorised Investments proposed to be acquired by Pavilion REIT at a price determined by the Manager and approved by the Trustee if the following conditions are met so long as Pavilion REIT is listed:

(i) the terms and conditions of the acquisition are approved by the Unitholders pursuant to the REITs Guidelines;

(ii) neither the Manager nor the person to whom the Units are to be issued nor any associated person of that person votes in relation to the above approval of the Unitholders pursuant to the REITs Guidelines; and

(iii) if and to the extent required, the acquisition is approved by the SC and any other relevant regulatory authority (where required).

10.8 DISTRIBUTABLE INCOME

The Distributable Income for each Distribution Period shall be the realised income for such Distribution Period being the net income for the Distributable Period adjusted (in whole or in part) as deemed necessary by the Manager in the interest of Pavilion REIT and the Unitholders for the following effects which may or may not have been recorded in the profit or loss for the relevant Distribution Period:

(i) the portion of the Management Fee paid or payable in Units;

(ii) amortisation and other non-cash expenses or gains;

(iii) valuation gain/loss on investment properties and financial instruments;

(iv) depreciation or impairment of assets;

(v) any other entries, provisions, write-offs or adjustments required by the approved accounting standards;

(vi) expenses/loss which is charged to the profit or loss relating to issuance of new Units or expenses that is capital in nature; and
(vii) unamortised costs which had been paid and incurred but had not been expensed off to the profit or loss other than those incurred for issuance or Units or raising of funds.

The Distributable Income which the Manager may distribute for any Distribution Period shall take into consideration the following:

(i) total returns for the period;
(ii) income for the period;
(iii) cash flow for distribution;
(iv) stability and sustainability of distribution of income and/or capital; and
(v) the investment objective and distribution policy of Pavilion REIT.

All (or such lower percentage as determined by the Manager in its absolute discretion) of the Distributable Income will be distributed among the persons who on the relevant book closing date for a Distribution Period are Unitholders, in proportion to their Units. Each Unitholder’s entitlement to the percentage of Distributable Income (before any applicable deduction) is to be determined in accordance with the following formula:

Distribution Entitlement = % of DI x UH/UI

where:

DI = Distributable Income

UH = the number of Units held by the Unitholder at the close of business on the book closing date for the relevant Distribution Period adjusted to the extent it is entitled to participate in the Distributable Income.

UI = the total number of Units in issue in Pavilion REIT at the close of business on the book closing date for the relevant Distribution Period adjusted to the extent it is entitled to participate in the Distributable Income.

10.9 INVESTMENT POLICIES OF PAVILION REIT

10.9.1 Authorised Investments

(i) Subject to observance of the investment limits as may be established or prescribed by the SC from time to time for a listed REIT and the REITs Guidelines, Pavilion REIT may invest in any Authorised Investments.

(ii) The Trustee must act as custodian and take into its custody, or under its control (in the event of delegation of custody), the Deposited Property in trust and hold the Deposited Property for the Unitholders in accordance with the Deed and the Relevant Laws and Requirements. The Deposited Property shall be registered in the name of the Trustee for and on behalf of the Unitholders, or assigned to the Trustee for and on behalf of the Unitholders, or to the order of Pavilion REIT.
10. SALIENT TERMS OF THE DEED (Cont'd)

For avoidance of doubt, the Manager may use financial derivatives including but not limited to entering into futures, forwards, options and swap contracts for the purpose of achieving the investment objective of Pavilion REIT if in compliance with the Relevant Laws and Requirements.

10.9.2 Investment Limits

In exercising its powers to make investment on behalf of Pavilion REIT, and subject to limits as may be prescribed by the SC or the REITs Guidelines from time to time, the Manager must ensure that:

(i) at least 50.0% of the Total Asset Value of Pavilion REIT must be invested in Real Estate Assets at all times; and

(ii) not more than 25.0% of the Total Asset Value of Pavilion REIT is invested in Non-Real Estate-Related Assets, cash, deposits and/or money market instruments; or

(iii) such other investment or limits as may be permitted by the SC or the REITs Guidelines,

provided that arising from the disposal of Deposited Property or pending acquisition of any Authorised Investments or following capital raising of Pavilion REIT, the actual investment ratio of Pavilion REIT may be at a variance from the provisions stipulated above, and the REITs Guidelines. However, the Manager may, in consultation with the Trustee, vary the investments forming part of the Deposited Property in the best interests of the Unitholders provided that such variance is in compliance with the REITs Guidelines.

10.9.3 Restriction on Investment/Activities

Pavilion REIT shall not at any time be involved in the following activities:

(i) the extension of financing or other credit facilities by Pavilion REIT;

(ii) property development, except in the circumstances permitted by the REITs Guidelines; and

(iii) acquisition of vacant land; or

(iv) any other activity which does not comply with the REITs Guidelines and where no waiver from the SC is obtained to exempt compliance with the relevant guideline.

10.9.4 Investment Policy

(i) 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 (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region as well as Real Estate-Related Assets.

(ii) The Manager may, in consultation with the Trustee and subject to all Relevant Laws and Requirements, from time to time change the investment policy of Pavilion REIT.

(iii) The Trustee shall ensure that it is fully informed at all times of the investment policy and of changes made by the Manager to the investment policy of Pavilion REIT.
10. SALIENT TERMS OF THE DEED (Cont'd)

Unless otherwise provided by the Relevant Laws and Requirements, any modification to the Deed involving any material change to the investment policy of Pavilion REIT must be approved by the Unitholders by way of a resolution of not less than two-thirds of all Unitholders at a Unitholders' meeting duly convened and held in accordance with the Deed.

10.10 CONCERNING THE TRUSTEE

The Trustee is responsible for the safe custody of the Deposited Property. Any Authorised Investment forming part of the Deposited Property, whether in bearer or registered form, is to be paid, assigned or transferred to or to the order of the Trustee forthwith on receipt by the Manager and is to be dealt with as the Trustee may think proper for the purpose of providing for the safe custody of the same.

The Trustee may act as custodian of the Deposited Property itself or the Trustee may delegate this role to another person as custodian or joint custodians (with the Trustee if acting as custodian or with any other custodian appointed by the Trustee) of the whole or any part of the Deposited Property and (where the Trustee is custodian) may appoint or (where the Trustee appoints a custodian) may empower such custodian or joint custodian (as the case may be) to appoint with the prior consent in writing of the Trustee, sub-custodians. Any such delegation can only be carried out by the Trustee in compliance with the REITs Guidelines and the Trustee shall remain responsible for the actions and omissions of any delegate as though they were its own actions and omissions. Where this role is delegated, the Trustee should ensure that:

(i) it retains control of Pavilion REIT’s property at all times; and
(ii) there are adequate arrangements to prevent the delegate from releasing the custody or control of Pavilion REIT’s property without its prior consent.

The Trustee shall not be under any obligation to institute, acknowledge service of, appear in, prosecute or defend any action, suit, proceedings or claim in respect of the provisions of the Deed or in respect of the Deposited Property or any part thereof or any corporate or Unitholders’ action which in its opinion would or might involve it in expense or liability, unless the Manager shall so request in writing, and shall so often as required by the Trustee furnish it with an indemnity satisfactory to it against any such expense and liability.

Except if and so far as otherwise expressly provided in the Deed, the Trustee as regards all the trusts, powers, authorities and discretions vested in it has absolute and uncontrolled discretion as to the exercise of the same, whether in relation to the manner or as to the mode of and time for such exercise, and in the absence of fraud, negligence, wilful default, breach of the Deed or breach of trust the Trustee shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise of the same.

See Section 8.3 “Functions, Duties and Responsibilities of the Trustee” of this Prospectus, for other salient terms of the duties, responsibilities and covenants of the Trustee as provided in the Deed.
10.11 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE TRUSTEE

See Section 8.3 “Functions, Duties and Responsibilities of the Trustee” of this Prospectus, for details of the functions, duties and responsibilities of the Trustee.

10.12 RETIREMENT, REMOVAL AND REPLACEMENT OF THE TRUSTEE

See Section 8.6 “Retirement, Removal and Replacement of the Trustee” of this Prospectus, for details of the retirement, removal and replacement of the Trustee.

10.13 LIMITATION OF LIABILITY AND INDEMNITY OF THE TRUSTEE

It is expressly agreed that the Trustee enters into the Deed and any documents in relation thereto only in its capacity as trustee of Pavilion REIT. A liability arising under the Deed and any such document shall be limited to and can be enforced against the Trustee only to the extent to which the Trustee can satisfy such liability out of the Deposited Property. Subject to the provisions of the Deed and the Relevant Laws and Requirements and without prejudice to any right of indemnity at law given to the Trustee, the Trustee shall be entitled for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as the Trustee to have recourse to the Deposited Property or any part thereof:

(i) if the same are not caused by any fraud, negligence, recklessness, wilful act or omission, breach of trust or breach of contractual duty on the part of the Trustee or by its failure to show the degree of care, due diligence and vigilance required of a trustee in the execution or performance of its obligations under the Deed and/or any other documents in relation thereto; or

(ii) where a majority of not less than \( \frac{3}{4} \) of all Unitholders for the time being, voting at a meeting summoned for such purposes, releases the Trustee with respect to specific acts or omission.

10.14 CONCERNING THE MANAGER

The Manager shall, subject to the provisions of the Deed and the Relevant Laws and Requirements, carry out all activities as it may deem necessary for the management of Pavilion REIT and its business, including but not limited to undertaking the following activities:

(i) to develop a business plan for the Deposited Property in the short, medium and long term with a view to maximising income of Pavilion REIT;

(ii) to recommend to the Trustee in writing to purchase, transfer, acquire, hire, let, lease, license, exchange, dispose of, convey, surrender or otherwise deal with any Authorised Investment in furtherance of the investment policy and prevailing investment strategy of Pavilion REIT; and
10. SALIENT TERMS OF THE DEED (Cont'd)

(iii) to supervise and oversee the management of Deposited Property (including but not limited to lease audit, systems control, data management and business plan implementation) in accordance with the provisions of the Deed.

Unless otherwise expressly provided in the Deed, the Manager shall as regards all the powers, authorities and discretions vested in it have absolute and uncontrolled discretion as to the exercise thereof whether in relation to the manner or as to the mode of and time for the exercise thereof and in the absence of fraud, negligence, wilful default or breach of the Deed, the Manager shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof. Notwithstanding the above, the Manager shall be responsible at all times for the exercise or non-exercise of its power, authorities and discretions in respect of the management of Pavilion REIT and the investment of the Deposited Property.

10.15 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE MANAGER

See Section 6.2 "Functions, Duties and Responsibilities of the Manager" of this Prospectus for other salient terms of the functions, duties and responsibilities of the Manager as provided in the Deed.

10.16 RETIREMENT, REMOVAL AND REPLACEMENT OF THE MANAGER

See Section 6.11 "Retirement, Removal and Replacement of the Manager" of this Prospectus, for details of the retirement, removal and replacement of the Manager.

10.17 LIMITATION OF LIABILITY AND INDEMNITY OF THE MANAGER

The Manager shall not be under any liability except such liability as may be assumed by it under the Deed nor shall the Manager be liable for any act or omission of the Trustee.

Subject as expressly provided in the Deed and without prejudice to any right of indemnity at law given to the Manager, the Manager shall be entitled for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Manager to have recourse to the Deposited Property, save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, negligence, wilful default or breach of the Deed by the Manager.

10.18 MANAGER'S FEE AND TRUSTEE'S FEE

The provisions on the Manager's fee and the Trustee's fee are as set out in the Deed. See Section 6.6 "Management Fee" and Section 8.5 "Trustee's Fee" of this Prospectus for details of the Manager's fee and the Trustee's fee, respectively.
10.19 PERMITTED CHARGES OF PAVILION REIT

The Trustee and/or the Manager shall in addition to their remuneration and rights to indemnification or reimbursement conferred under any other provision of the Deed or by law, respectively be indemnified and shall be reimbursed out of either the income of Pavilion REIT or the capital of Pavilion REIT (as determined from time to time between the Manager after consultation with the Auditor) for all fees, costs, charges, expenses and outgoings reasonably and properly incurred by or on behalf of the Trustee or the Manager as the case may, that are directly related and necessary to the business of Pavilion REIT.

10.20 MODIFICATION OF THE DEED

All modifications to the Deed must be made through a deed supplementary to the Deed and will take effect only upon registration of the supplementary deed with the SC. The Manager must submit any such supplementary deed to the SC for such registration pursuant to the CMSA. In addition to the foregoing, any material change to the investment objectives of Pavilion REIT must be approved by resolution passed by not less than two-thirds of all Unitholders for the time being (or such other majority as may be required under the REITs Guidelines from time to time), given at a meeting of Unitholders duly convened and held.

10.21 TERMINATION AND WINDING-UP OF PAVILION REIT

The Trustee shall terminate Pavilion REIT where:

(i) if at a duly convened meeting of Unitholders a Special Resolution (or otherwise in accordance with the requirements of the REITs Guidelines), is passed that Pavilion REIT be terminated; or

(ii) the Manager is in liquidation or where the Trustee is of the opinion that the Manager has ceased to carry on business or has, to the prejudice of the Unitholders, failed to comply with any provision or covenant of the Deed or contravened any provisions of any Relevant Laws and Requirements, and at a meeting duly summoned in accordance with Section 301 of the CMSA, a Special Resolution is passed that Pavilion REIT be terminated; or

(iii) if at any time during the life of Pavilion REIT, the Manager, after consultation with the Trustee, is of the opinion that changes in the economic climate or taxation law have caused or are likely to cause the Unitholders to be detrimentally affected, the Manager requests the Trustee to summon a meeting of Unitholders and place a Special Resolution before such a meeting, setting out the action they recommend at the meeting to endorse to meet such changes, and the meeting decides to terminate Pavilion REIT; or

(iv) if the Listing does not take place within three months from the date of this Prospectus for the Listing and a Special Resolution (or otherwise in accordance with the requirements of the REITs Guidelines), is passed at a duly convened meeting of Unitholders to terminate Pavilion REIT; or
10. SALIENT TERMS OF THE DEED (Cont'd)

(v) if at any time after the Listing Date, the Units are unconditionally suspended from trading and such suspension is not lifted within a continuous period of 90 Market Days (notwithstanding any rights, powers or duties of the Manager or the Trustee and directions given by or resolutions of the Unitholders). In this case, winding up of Pavilion REIT will immediately commence upon the end of such 90 Market Days; or

(vi) if the SC’s approval is revoked under Section 212(7)(A) of the CMSA or if Pavilion REIT is delisted by Bursa Securities; or

(vii) if an approved transfer scheme (referred to in the Deed) has been effected and resulted in Pavilion REIT being left with no assets or properties.

If the determination events in paragraph (ii) above occur, the Trustee must apply to the Court for an order confirming the Unitholders’ resolution. The Court may confirm the resolution if the Court is satisfied that it is in the interests of the Unitholders to do and may make orders for the winding-up of Pavilion REIT (including but not limited to procedures for a voluntary winding-up of Pavilion REIT), which orders must be carried out by the Trustee.

Upon termination of Pavilion REIT (other than due to the events in paragraph (ii) above) the following shall have effect:

(i) the Trustee shall as soon as practicable sell, call in and convert into money the Deposited Property, and divide the proceeds of such sale, calling in and conversion less all proper costs and disbursement, commissions, brokerage fees, fees payable to the Manager and the Trustee on termination of Pavilion REIT and other outgoings including costs of final distribution of capital and income and all proper provisions for liabilities of Pavilion REIT, among the Unitholders in proportion to the number of Units which they hold respectively at the date of the decision to terminate Pavilion REIT provided that the Trustee may at its discretion make a partial distribution of capital from time to time and the Trustee and Manager shall on termination of Pavilion REIT be deemed as preferential creditors as provided in the Act.

(ii) the Trustee shall as soon as practicable after the date of the notice to notify Unitholders on, among others, on the decision to terminate Pavilion REIT, give to each Unitholder notice of impending distribution.

(iii) the Trustee may postpone the sale, calling in and conversion of any part of the investment and property comprised in Pavilion REIT for such time as it thinks it desirable so to do in the interest of the Unitholders and shall not be responsible for any loss attributable to such postponement except to the extent that such loss may be attributable to the Trustee’s own neglect or default.

(iv) the Trustee may retain in its hands or under its control for as long as it thinks fit such part of Pavilion REIT as in its opinion may be required to meet any outgoings of Pavilion REIT or any of the investments thereof provided that any investments or monies so retained to the extent that they are ultimately found not to be so required shall remain subject to Pavilion REIT for conversion and distribution in accordance with the Deed.
10. SALIENT TERMS OF THE DEED (Cont'd)

(v) the Trustee and the Manager are entitled to:

(a) be paid from the proceeds of realisation of Pavilion REIT before any payment is made to the Unitholders, all costs incurred:

(1) by the Trustee and the Manager before the winding up of Pavilion REIT which has not been recouped;

(2) by the Trustee and the Manager in connection with the winding up of Pavilion REIT and the realisation of the Deposited Property;

(3) by or on behalf of any creditor of the Trustee or the Manager in relation to Pavilion REIT;

(4) by or on behalf of any agent, solicitor, banker, accountant or other person employed by the Trustee or the Manager in connection with the winding up of Pavilion REIT; and

(b) following the termination of Pavilion REIT and until the winding up is completed, their remuneration provided for in the Deed.

The provisions of the Deed shall continue to apply (where applicable) pending the completion of the winding up process unless provided otherwise in the Deed.

Pavilion REIT shall nevertheless terminate at the expiration of a period of 999 years after the date of the registration of the Deed with the SC.

10.22 MEETINGS OF UNITHOLDERS

Either the Trustee or the Manager may convene a meeting of Unitholders by giving notice to the Unitholders in accordance with the Deed, which notice shall specify the general nature of the business to be transacted. The Manager shall within 21 days after an application has been delivered to the Manager at its registered office, being an application by not fewer than 50, or 1/10 in number, whichever is lesser, of all Unitholders, convene a meeting of Unitholders.

The Manager is entitled to receive notice of and to attend and speak at any meeting of the Unitholders but the Manager shall not be entitled to exercise its voting rights in respect of Units which it or its nominee holds or is deemed to hold for such meeting, unless otherwise permitted by the SC or the Relevant Laws and Requirements.
11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

11.1 CORPORATE GOVERNANCE

The Manager intends to adopt a comprehensive corporate governance framework that meets best practice principles and to ensure that applicable securities laws and regulations, the REITs Guidelines, the Listing Requirements and the Malaysian Code on Corporate Governance (Revised 2007) are complied with, where applicable, and that the Manager’s obligations as described in the Deed are properly and efficiently carried out.

11.2 EXISTING AND ONGOING RELATED PARTY TRANSACTIONS

11.2.1 Acquisition of Subject Properties

The Sponsor is a company whose share capital is 51.0%-owned by UCDSB and 49.0%-owned by UCPC. UCDSB is a company controlled by Datuk Lim Siew Choon and Datin Tan Kewi Yong while UCPC is a company controlled by QH. Datuk Lim Siew Choon, Datin Tan Kewi Yong and QH will be Major Unitholders of Pavilion REIT on Listing. The share capital of the Manager is also 51.0% held by UCDSB and 49.0% held by UCPC. In addition, certain directors of the Sponsor also sit on the Board of the Manager.

The acquisition of the Subject Properties is deemed a related party transactions as Pavilion REIT shall acquire Pavilion Kuala Lumpur Mall from the Sponsor and Pavilion Tower from CFSB (a wholly-owned subsidiary of the Sponsor).

The purchase consideration for the acquisition of the Subject Properties is at a discount of approximately 6.47% to the Appraised Value. The acquisition of the Subject Properties is consistent with the investment objective and strategy of Pavilion REIT. See Section 3.7.1 “Acquisitions” and Section 14.3 “Salient Terms of the SPAs” of this Prospectus for more details on the Acquisitions and the SPAs.

11.2.2 Non-exclusive licence granted by the Sponsor to Pavilion REIT to use certain trademarks

Pursuant to a licence agreement dated 18 October 2011, the Sponsor has granted the Trustee and the Manager a non-exclusive licence to use, among others, the registered trademark “Pavilion Kuala Lumpur” and other pending trademarks for a nominal consideration. See Section 1.9 “Intellectual Property” of this Prospectus for further details. This arrangement is deemed a related party transaction in view that the Sponsor is a person connected to the Manager by virtue of their relationship described in Section 11.2.1 above.
11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

11.2.3 Tenancies entered into by Malton Berhad and its subsidiaries in relation to Pavilion Tower

Malton Berhad and its subsidiaries (namely Bukit Rimau Development Sdn Bhd, Horizontal Promenade Sdn Bhd, Domain Resources Sdn Bhd, Khuan Choo Property Management Sdn Bhd, Gapadu Development Sdn Bhd, Pembinaan Gapadu Sdn Bhd and Khuan Choo Development Sdn Bhd) ("Malton Group") have entered into various tenancy agreements with CFSB for rental of office lots (aggregating 29,742 sq ft) in Pavilion Tower. Datuk Lim Siew Choon and Datin Tan Kewi Yong are major shareholders and directors of Malton Berhad (via Malton Corporation Sdn Bhd). Upon the completion of the SPAs, these existing tenancies will be assigned to the Trustee and upon the expiry of the existing tenancies, the Trustee may, on behalf of Pavilion REIT, enter into new agreements of a similar nature with Malton Group. The rental rates in the tenancy agreements are arrived at on an arm's length basis within the range which is currently payable by the other third party tenants of Pavilion Tower.

11.2.4 Easement granted by the Sponsor to Harmoni Perkasa Sdn Bhd

Pursuant to a deed dated 27 March 2011, the Sponsor has granted Harmoni Perkasa Sdn Bhd, a wholly-owned subsidiary of the Sponsor, several perpetual easements and rights over Pavilion Kuala Lumpur Mall. See Section 2.4.11 "Rights and Easements" of this Prospectus for more details. Upon completion of the Pavilion Kuala Lumpur Mall SPA, the deed relating to such easements and rights will be novated to the Trustee or the Trustee may, on behalf of Pavilion REIT, enter into a new deed of a similar nature with Harmoni Perkasa Sdn Bhd.

11.2.5 Tenancies entered into by the Manager and the Sponsor in relation to the Management Space

The Sponsor and the mall management occupy a total of 20,465 sq ft of retail office space on levels 9 and 10 of Pavilion Kuala Lumpur Mall. Following the Listing, rental will be payable by the Sponsor and the Manager, as tenants, in respect of the space which they occupy. The rental rates in these tenancy agreements will be arrived at on an arm's length basis within the range of the office rental which is currently payable by the other third party office tenants of Pavilion Kuala Lumpur Mall.

11.2.6 Tenancy entered into by Syedex Marketing Sdn Bhd ("Syedex") in relation to Pavilion Kuala Lumpur Mall

Syedex has entered into a tenancy agreement with UCSB for rental of a retail lot (measuring 1,267 sq ft) in Pavilion Kuala Lumpur Mall, which commenced on 20 December 2007 and renewed on 20 December 2010. Syed Mohd Fareed bin Shaikh Alhabshi, who is a Director, is also a 20%-shareholder and director of Syedex. Upon the completion of the SPAs, the existing tenancy will be assigned to the Trustee and upon the expiry of the existing tenancy, the Trustee may, on behalf of Pavilion REIT, enter into a new agreement of a similar nature with Syedex. The rental rate in the tenancy agreement was arrived at on an arm's length basis within the range which is currently payable by the other third party tenants of Pavilion Kuala Lumpur Mall after taking into consideration the size and location of the retail space within the Pavilion Kuala Lumpur Mall.
11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont’d)

11.2.7 Easement and tenancies involving Lumayan Indah Sdn Bhd ("LISB")

QH (via its related corporations) currently holds 49% equity interest in LISB. By a deed dated 14 June 2011, the Sponsor has granted LISB, the right and perpetual easement to construct and maintain the LISB Link Bridge (as defined in Section 2.4.11 "Rights and Easements" of this Prospectus). Upon the completion of the Pavilion Kuala Lumpur Mall SPA, the deed relating to such easements and rights will be novated to the Trustee or the Trustee may, on behalf of Pavilion REIT, enter into a new deed of a similar nature with LISB.

Further to the above, LISB had on 1 September 2010 entered into a tenancy agreement with the Sponsor for the rental of retail space (aggregating 20,364 sq ft) in Pavilion Kuala Lumpur Mall. Upon the completion of the SPAs, the existing tenancy will be assigned to the Trustee and upon the expiry of the existing tenancy, the Trustee may, on behalf of Pavilion REIT, enter into new agreements of a similar nature with LISB. The rental rate in the tenancy agreement was arrived at on an arm’s length basis after taking into consideration the size and location of the retail space within the Pavilion Kuala Lumpur Mall.

11.2.8 Appointment of QNB Capital as Joint Global Coordinator

The appointment of QNB Capital as Joint Global Coordinator to the Institutional Offering and the payment of the fees by Pavilion REIT to QNB Capital for its services pursuant to the said appointment (which is the same as that to all other Joint Global Coordinators), will be deemed a related party transaction in view that QNB Capital is a wholly-owned subsidiary of Qatar National Bank S.A.Q., which is 50%-owned by Qatar Investment Authority and Qatar Investment Authority wholly-owns QH, which in turn holds 49% equity interest in the Manager (via UCPC). QH will also become a Major Unitholder of Pavilion REIT after the Acquisitions and Offering.

11.3 POTENTIAL RELATED PARTY TRANSACTIONS

11.3.1 Acquisition pursuant to exercise of ROFRs

In the event of any acquisition pursuant to the exercise of the General ROFR or the fahrenheit88 ROFR, the sale and purchase agreement for such proposed acquisition will be a potential related party transaction. Potential conflict of interest may arise between Pavilion REIT and the vendors of such assets during the negotiation on the terms of such sale and purchase agreement.

See Section 14.4 "Salient Terms of the Existing ROFRs" of this Prospectus for details of the ROFRs.

11.3.2 Facilities sharing arrangement

Upon the completion of the construction of the proposed block of serviced suites above Pavilion Kuala Lumpur Mall by Harmoni Perkasa Sdn Bhd, a wholly-owned subsidiary of the Sponsor, the proposed block of serviced suites may share the use of certain facilities at Pavilion Kuala Lumpur Mall. Potential conflict of interest may arise between Pavilion REIT and Harmoni Perkasa Sdn Bhd during the negotiation of the terms of a shared facilities agreement, if required.
11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont’d)

11.4 POTENTIAL CONFLICTS OF INTEREST

11.4.1 The Sponsor

The Sponsor and its subsidiaries are engaged in, and/or may engage in among others, investment in, and the development, management and operation of retail and office properties which may compete with the Subject Properties. Further, the Sponsor and its subsidiaries may also sponsor, manage or invest in other REITs or other vehicles which may compete directly with Pavilion REIT.

Certain directors of the Manager sit on the board of the Sponsor. As a result, the strategies and activities of Pavilion REIT may be influenced by the overall interests of the Sponsor. There can be no assurance that conflicts of interest may not arise among Pavilion REIT, the Manager and the Sponsor in the future.

To mitigate the potential conflicts of interest, the Sponsor has undertaken to both the Manager and the Trustee, to grant to Pavilion REIT the General ROFR in respect of the acquisition and disposal of Relevant Assets upon terms contained in the Sponsor’s letter of undertaking. See Section 14.4.1(a) “General ROFR granted to Pavilion REIT by the Sponsor” of this Prospectus for further details.

11.4.2 KLP

Datuk Lim Siew Choon, Datin Tan Kewi Yong and Dato’ Lee Tuck Fook are also directors of KLP. Datuk Lim Siew Choon and Datin Tan Kewi Yong hold the entire issued and paid-up share capital of KLP. Pursuant to the Service Provider Agreement entered into between KLP and the Property Manager, KLP will provide the Property Manager with, inter alia, a team of personnel with the necessary qualifications, expertise, experience and internal working and operation knowledge of the Subject Properties in order for the Property Manager to properly operate, maintain, manage and market Pavilion Kuala Lumpur Mall and Pavilion Tower. Potential conflict of interest may arise in view that the appointment of KLP as service provider (including the terms of its remuneration) by the Property Manager is subject to the approval of the Manager.

11.4.3 QH and its related corporations

QH, which will be a Major Unitholder of Pavilion REIT upon Listing, is also a substantial shareholder of the Manager (via UCPC) with representatives on the Board.

Potential conflict of interest may arise in view that fahrenheit88, which is an existing shopping mall situated along Jalan Bukit Bintang and opposite Pavilion Kuala Lumpur Mall, is owned by Makna Mujur Sdn Bhd, an indirect subsidiary of QH. Further, QH and its related corporations may also sponsor, manage or invest in other REITs or other vehicles which may compete directly with Pavilion REIT.

Notwithstanding the above, the Manager believes that Pavilion Kuala Lumpur Mall is not in direct competition with fahrenheit88 given the differing focus on shopper and brand profiles. In addition, the Board representatives of QH (all of whom are Non-Executive Directors) will not be involved in the day-to-day operations of Pavilion Kuala Lumpur Mall such as tenancing and marketing activities.
11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

11.4.4 Manager's policy on related party transactions and dealing with conflict of interest situations

Upon Listing, Pavilion REIT will be subjected to the REITs Guidelines and/or the Listing Requirements (where applicable) on related party transactions. Compliance of Pavilion REIT with the REITs Guidelines and the Listing Requirements will ensure that related party transactions will not prejudice the interests of the Unitholders as a whole.

The REITs Guidelines provide, inter alia, that the trustee's consent is required for all related party transactions which involves real estate, and where the transaction value is equal or greater than 5% of the Total Asset Value of Pavilion REIT (after acquisition), the prior approval of Unitholders by way of an ordinary resolution is required. In addition, the REITs Guidelines also provides that related parties of the Manager should not vote or be counted as quorum at a meeting if they have interest in the outcome of a transaction tabled for approval which is different from the interests of other Unitholders.

In respect of tenancies entered into with related parties, the REITs Guidelines require the Trustee to ensure that the terms and conditions of the tenancy agreements are reasonable under the prevailing market conditions. In determining the rental rates for related tenants, the Trustee should be guided by the recommendation of at least one independent valuer appointed by the Trustee.

The Listing Requirements oblige the Manager to make prompt announcements and disclosures in Pavilion REIT's annual reports in relation to any related party transactions.

In order to mitigate any potential conflict of interest, the Manager has also instituted the following procedures:

(i) in respect of matters or transactions which a Director or a person connected to him or her has an interest (directly or indirectly), such Director shall not participate in any proceedings of the Board and shall abstain from voting in respect of such matter or transaction;

(ii) the Board shall maintain a minimum ratio of at least one-third independent directors at all times;

(iii) the Directors owe fiduciary duties to the Manager and Pavilion REIT, including the duty to act in good faith and in the best interest of Pavilion REIT; and

(iv) any transactions in which a conflict of interest will arise should be executed on terms which are the best available for Pavilion REIT and which are no less favourable to Pavilion REIT than arm's-length transactions between independent parties and be adequately disclosed in the Prospectus and fund reports of Pavilion REIT.
11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont’d)

11.5 INTERESTS OF DIRECTORS AND OTHER SUBSTANTIAL SHAREHOLDERS OF THE MANAGER IN OTHER CORPORATIONS CARRYING ON SIMILAR BUSINESSES

As at the Latest Practicable Date, none of the Directors and substantial shareholders of the Manager hold any interests in other corporations carrying on similar businesses.

For the purpose of this Section 11.5 “similar business” means the management of a REIT with an investment mandate to invest in real estate property in Malaysia and other countries within the Asia-Pacific region.

11.6 OTHER PERTINENT INFORMATION

The Manager will comply with all requirements as laid out in the REITs Guidelines on related party transactions including provisions contained in the Deed.

The Manager will establish procedures that will ensure that such transactions are undertaken in full compliance to the REITs Guidelines and are carried out on an arm’s length basis and under normal commercial terms and in the best interest of the Unitholders.

Related party transactions shall require the Trustee to ensure that such transactions are at arm’s length, based on normal commercial terms and not prejudicial to the interest of the Unitholders. Furthermore, the Trustee has the ultimate discretion under the Deed to decide whether or not to enter into a transaction involving a related party of the Manager. If the Trustee is to sign any contract with a related party of the Manager, the Trustee will review the contract documentation to ensure it complies with the requirements and provisions relating to related party transactions contained in the REITs Guidelines and the Deed.

11.7 DECLARATIONS BY ADVISERS

11.7.1 CIMB

CIMB confirm that, save for as disclosed below, it is not aware of any conflict of interest by acting as Joint Principal Adviser, Joint Global Coordinator, Joint Bookrunner and Joint Underwriter in relation to the Offering.

CIMB, its subsidiaries and associated companies, as well as its holding company CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company (the “CIMB Group”) form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for the Sponsor, Pavilion REIT, PRMSB and/or its affiliates, in addition to the roles undertaken in the Offering. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of the Sponsor, Pavilion REIT, PRMSB and/or its affiliates, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of the Sponsor, Pavilion REIT, PRMSB and/or its affiliates. This is a result of the businesses of CIMB Group generally acting independently of each other, and accordingly there may be situations
11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of Pavilion REIT.

The CIMB Group has, in the ordinary course of their banking business, granted credit facilities to the Sponsor and its group of companies. Part of the proceeds arising from the disposal of Pavilion Kuala Lumpur Mall and Pavilion Tower to Pavilion REIT will be used to repay all or part of the said credit facilities. In addition, CIMB Group will also be, in the ordinary course of their banking business, granting credit facilities to Pavilion REIT under the New Debt Facilities.

The CIMB Group has also, in the ordinary course of their banking business, granted credit facilities to a member of the Sponsor, whereby the current security provided may be replaced with Units held by certain Major Unitholders upon Listing.

CIMB is of the view that all the aforementioned extension of credit facilities do not result in conflict of interest situation in respect of its capacities in relation to the Offering as the total current outstanding credit facilities are not material when compared to the audited total assets of CIMB Group as at 31 December 2010. Furthermore, the extension of credit facilities arose in the ordinary course of business of the CIMB Group in view of CIMB Group’s extensive participation in the Malaysian capital market and banking industry.

11.7.2 Maybank IB

Maybank IB confirms that, save for as disclosed below, it is not aware of any conflict of interest by acting as Joint Principal Adviser, Joint Global Coordinator, Joint Bookrunner and Joint Underwriter in relation to the Offering.

Maybank IB, its subsidiaries and associated companies, as well as its holding company Maybank Banking Berhad and the subsidiaries and associated companies of its holding company (the "Maybank Group") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. Maybank Group has engaged and may in the future, engage in transactions with and perform services for the Sponsor, Pavilion REIT, PRMSB and/or its affiliates, in addition to the roles undertaken in the Offering. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of the Sponsor, Pavilion REIT, PRMSB and/or its affiliates, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of the Sponsor, Pavilion REIT, PRMSB and/or its affiliates. This is a result of the businesses of Maybank Group generally acting independently of each other, and accordingly there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of Pavilion REIT.
Maybank Group has, in the ordinary course of their banking business, granted credit facilities to the Sponsor and its group of companies. Part of the proceeds arising from the disposal of Pavilion Kuala Lumpur Mall and Pavilion Tower to Pavilion REIT will be used to repay all or part of the said credit facilities. In addition, Maybank Group will also be, in the ordinary course of their banking business, granting credit facilities to Pavilion REIT under the New Debt Facilities.

Maybank IB is of the view that all the aforementioned extension of credit facilities does not result in conflict of interest situation in respect of its capacities in relation to the Offering as the total current outstanding credit facilities are not material when compared to the audited total assets of Maybank Group as at 30 June 2011. Furthermore, the extension of credit facilities arose in the ordinary course of business of the Maybank Group in view of Maybank Group's extensive participation in the Malaysian capital market and banking industry.

11.7.3 Credit Suisse

Credit Suisse is of the view that it has no conflict of interest in its capacity as the Joint Global Coordinator and Joint Bookrunner in relation to the Offering and the Listing in that Credit Suisse has not made any loans to the Manager, Trustee, UCSB or CFSB and in its capacity as the Joint Global Coordinator and Joint Bookrunner, Credit Suisse will not receive proceeds from the Offering, except with respect to the fees and expenses of Credit Suisse in connection with the Offering.

11.7.4 Credit Suisse Malaysia

Credit Suisse Malaysia is of the view that it has no conflict of interest in its capacity as the Joint Bookrunner in relation to the Offering and the Listing in that Credit Suisse Malaysia has not made any loans to the Manager, Trustee, UCSB or CFSB and in its capacity as the Joint Bookrunner, Credit Suisse Malaysia will not receive proceeds from the Offering, except with respect to the fees and expenses of Credit Suisse Malaysia in connection with the Offering.

11.7.5 Deutsche Bank

Deutsche Bank is of the view that it has no conflict of interest in its capacity as the Joint Bookrunner in relation to the Offering and the Listing in that Deutsche Bank has not made any loans to the Manager, Trustee, UCSB or CFSB and in its capacity as the Joint Bookrunner, Deutsche Bank will not receive proceeds from the Offering, except with respect to the fees and expenses of Deutsche Bank in connection with the Offering.

11.7.6 QNB Capital

QNB Capital is of the view that it has no conflict of interest in its capacity as the Joint Global Coordinator in relation to the Offering and the Listing in that QNB Capital has not made any loans to the Manager, Trustee, UCSB or CFSB and in its capacity as the Joint Global Coordinator, QNB Capital will not receive proceeds from the Offering, except with respect to the fees and expenses of QNB Capital in connection with the Offering.

11.7.7 KPMG

KPMG confirms that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants of Pavilion REIT.
11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont’d)

11.7.8 KPMG Tax

KPMG Tax confirms that there is no conflict of interest in its capacity as the Tax Consultant of Pavilion REIT.

11.7.9 Rahmat Lim & Partners

Rahmat Lim & Partners confirms that there is no conflict of interest in its capacity as the Legal Adviser to the Manager as to Malaysian Law.

11.7.10 Allen and Gledhill LLP

Allen and Gledhill LLP confirms that there is no conflict of interest in its capacity as the Transaction and International Legal Adviser to the Manager.

11.7.11 CB Richard Ellis (Malaysia) Sdn Bhd

CB Richard Ellis (Malaysia) Sdn Bhd confirms that there is no conflict of interest in its capacity as the Independent Property Market Consultant in relation to the Offering and the Listing.

In its capacity as the Independent Property Market Consultant, CB Richard Ellis (Malaysia) Sdn Bhd was responsible for preparing the Independent Property Market Report found in Appendix B of this Prospectus.

11.7.12 Knight Frank (Proprietor: Ooi & Zaharin Sdn Bhd)

Knight Frank (Proprietor: Ooi & Zaharin Sdn Bhd) confirms that there is no conflict of interest in its capacity as the Independent Property Valuer in relation to the Offering and the Listing.

In its capacity as the Independent Property Valuer, Knight Frank (Ooi & Zaharin Sdn Bhd) was responsible for preparing the Valuation Certificate found in Appendix A of this Prospectus.
### 12. APPROVALS, WAIVERS AND CONDITIONS

#### 12.1 APPROVALS AND CONDITIONS

(i) The SC has, through its letter dated 11 October 2011, approved the establishment of Pavilion REIT (including the appointment of the Manager and the Trustee), the Acquisitions, the Offering and the Listing. The conditions imposed by the SC and the status of compliance are as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Details of conditions imposed</th>
<th>Status of compliance</th>
</tr>
</thead>
</table>
| 1.  | The Manager or its advisers to clearly disclose in the Prospectus the following in relation to Pavilion Tower:  
     (a) the reasons for the low occupancy rates;  
     (b) the measures to be undertaken by PRMSB to ensure full occupancy; and  
     (c) the impact on the expected yield for the forecast year should Pavilion Tower not be fully occupied. | Complied. The required disclosures have been included in Sections 2.5.9 and 4.5.4 of this Prospectus. |
| 2.  | The Manager is to rectify the reconfiguration of net lettable area and conversion of car parking bays into additional retail area in Pavilion Kuala Lumpur Mall(1) within 12 months from the date of the SC's approval letter. | Noted and to be complied by the Manager. |
| 3.  | The Manager or its advisers is to make half yearly announcements to Bursa Securities on the actions taken to comply with item (2) above and to update the SC on the actions taken to comply with such condition when the announcements are made. | Noted and to be complied by the Manager. |
| 4.  | The Manager or its advisers is to provide evidence of compliance with Clauses 3.04(d) and 3.28 of the REITs Guidelines prior to the registration of the Prospectus. | Complied, as informed via a letter to the SC dated 20 October 2011. |
| 5.  | The Manager or its advisers is to submit an operational audit report of Pavilion REIT's operations to the SC within 6 months after Pavilion REIT is launched and listed. The appointment of the auditors and the scope of work shall be subject to the SC's clearance. | Noted and to be complied by the Manager. |
| 6.  | The Manager or its advisers is to inform the SC of the Listing Date prior to the Listing.     | To be complied.                                                                 |
| 7.  | The issuance of up to 3,000,000,000 Units and the Listing must be completed within 6 months from the date of the decision letter. SC's approval is deemed to lapse if the Manager fails to do so within the stipulated timeframe. | To be complied. |

Note:
(1) This SC's condition refers to obtaining the relevant authorities' approval in connection with the Unrecognised Area.
In addition, the SC has via the same letter approved the following:

(a) the proposed issuance of up to 100,000,000 Units to the Manager on a staggered basis in accordance with the terms and formula set out in the Deed, as part payment for the Management Fee together with the listing of and quotation for such Units proposed to be issued to the Manager. The condition imposed by the SC and the status of compliance are as follows:

<table>
<thead>
<tr>
<th>Details of conditions imposed</th>
<th>Status of compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>With regards to the 100.0 million Units reserved for the Management Fee that are payable in Units, the Manager is to notify the SC on the following with regard to each issuance of such Units:</td>
<td>To be complied.</td>
</tr>
<tr>
<td>(a) the actual number of new Units to be issued and listed as part payment of the Management Fee; and</td>
<td></td>
</tr>
<tr>
<td>(b) the basis of arriving at such number of new Units.</td>
<td></td>
</tr>
</tbody>
</table>

(b) the proposed issuance of up to 620,000,000 Units (together with the listing of and quotation for such Units and the corresponding increase in Pavilion REIT’s approved fund size) in connection with Unitholders’ approval to be obtained under a general mandate in accordance Paragraph 14.03 of the REITs Guidelines. The condition imposed by the SC and the status of compliance are as follows:

<table>
<thead>
<tr>
<th>Details of conditions imposed</th>
<th>Status of compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>With regards to the 620.0 million Units to be issued pursuant to Clause 14.03 of the REITs Guidelines, the Units are to be issued and listed within 12 months from the date of Unitholders’ approval, which must be obtained by 31 December 2012</td>
<td>To be complied.</td>
</tr>
</tbody>
</table>

(ii) The SC had further granted its approval, through its letter dated 31 October 2011, for the outsourcing of the registrar and internal audit functions by the Manager to Tricor Investor Services Sdn Bhd ("Tricor") and BDO Governance Advisory Sdn Bhd ("BDO GA"), respectively. The conditions imposed by the SC and the status of compliance are as follows:

<table>
<thead>
<tr>
<th>Details of conditions imposed</th>
<th>Status of compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Manager to submit a copy of the duly executed Service Level Agreements with Tricor and BDO GA within 1 month of SC’s approval</td>
<td>Complied, as informed via a letter to the SC dated 4 November 2011.</td>
</tr>
</tbody>
</table>
12. WAIVERS

Waivers from the REITs Guidelines, Asset Valuation Guidelines and Part II (Listed Funds) of the Prospectus Guidelines for Collective Investment Schemes ("CIS Guidelines") issued by the SC

The SC has, through its letters dated 28 July 2011 and 11 October 2011, granted the following waivers in respect of compliance with the REITs Guidelines, Asset Valuation Guidelines and the CIS Guidelines (collectively, "Guidelines"):

<table>
<thead>
<tr>
<th>No.</th>
<th>Relevant section of the Guidelines</th>
<th>Details of the waiver granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Paragraph 3.04 (b) of the REITs Guidelines</td>
<td>Waiver from complying with the requirement for the Manager to be a subsidiary of (i) a company involved in the financial services industry in Malaysia; (ii) a property-development company; or (iii) a property-investment holding company.</td>
</tr>
<tr>
<td>2.</td>
<td>Paragraph 13.03 (b) of the REITs Guidelines</td>
<td>Waiver to allow for only 1% of the approved fund size of Pavilion REIT to be offered to the Malaysian Public (via balloting) under the Retail Offering.</td>
</tr>
<tr>
<td>3.</td>
<td>Paragraph 13.13 (b) and (c) of the REITs Guidelines</td>
<td>Waiver to allow for a restricted offer of Units to be made to the eligible employees of UCSB, CFSB and KLP as part of the Retail Offering.</td>
</tr>
<tr>
<td>4.</td>
<td>Paragraph 4.12 (e) of the Asset Valuation Guidelines</td>
<td>Waiver to allow for the Manager to provide a redacted version of the valuation report by the Independent Property Valuer where the details of terms and rentals of the tenants are blacked-out from public inspection.</td>
</tr>
<tr>
<td>5.</td>
<td>Paragraph 20.07(a)(ii), Part II of the CIS Guidelines</td>
<td>Waiver from disclosing the Subject Properties' major tenants and their corresponding percentage contribution to NLA Income but instead to only disclose the Subject Properties' major tenants' aggregated percentage of contribution to NLA Income together with their individual percentage of Occupied NLA.</td>
</tr>
<tr>
<td>6.</td>
<td>Paragraph 3.10(j), Part IV of the CIS Guidelines</td>
<td>Waiver to allow the facility agreement in relation to the New Debt Facilities to be submitted to the SC as part of the registration documents three Market Days prior to obtaining the SC's approval for the registration of the Prospectus.</td>
</tr>
</tbody>
</table>

In respect of item (1) above, the SC has imposed the following conditions, all of which has been met as at the date of this Prospectus and will be subject to continued compliance:

(i) the principal activity of the holding company of the Manager (being UCDSB) being confined to property-related investment holding;

(ii) the principal activity of UCDSB's subsidiary, namely UCSB, is to remain as property and project development, and further, that the investment holdings of UCSB be confined to property-related investments; and

(iii) the current shareholding structures of UCDSB and UCSB as well as the proposed shareholding structure of the Manager must be maintained.
13. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA

13.1 OVERVIEW OF REGULATION OF REITS IN MALAYSIA

In Malaysia, REITs are governed and regulated by the SC and in addition, a listed REIT would also be subject to the purview of Bursa Securities. The SC is empowered to ensure compliance with the CMSA, the REITs Guidelines and the Take-over Code while Bursa Securities is empowered to ensure the compliance of the listed REIT with the relevant sections of the Listing Requirements. The appointments of the management company and the trustee are subject to the approval of the SC. The CMSA, the REITs Guidelines, the Listing Requirements serve to govern the operation and administration of REITs and together with the Take-over Code serve to protect the interest of unitholders and to facilitate an orderly development of REITs. The trustee and the management company, including their officers and directors, must comply with the CMSA, the REITs Guidelines, the Listing Requirements, the Take-over Code and all other Relevant Laws and Requirements.

13.1.1 Under the CMSA and/or the REITs Guidelines:

(i) **The management company** - A management company must, among others, be an entity incorporated in Malaysia; have a minimum shareholders fund of RM1 million at all times and approved by the SC. The REITs Guidelines contain provisions on reconstruction, amalgamation and change in shareholding of the management company (which will require the prior approval of the SC), composition of the board of directors (including independent members), appointment of a chief executive officer, designated person responsible for the REIT, compliance person and property manager.

(ii) **The trustee** – The appointment of a trustee must be approved by the SC. The minimum requirements of a trustee include, among other things, that it must be a trust company registered under the Trust Companies Act 1949 or incorporated under the Public Trust Corporation Act 1995; be registered with the SC; have a minimum issued and paid-up capital of not less than RM500,000; have the adequate human resources, expertise, and experience and have adequate and appropriate systems, procedures and processes, to carry out its duties and responsibilities. A trustee is also obliged by the CMSA to notify the SC as soon as practicable of any irregularity, any breach of the provisions or covenants of the Deed or any contravention of securities laws.

(iii) **Delegation and outsourcing** – A management company or a trustee may delegate and outsource its functions to third parties. Nonetheless, this does not relieve a management company or a trustee from its responsibilities. When delegation takes place, it is the duty of the management company and the trustee to ensure that adequate procedures are in place and that the trust deed, prospectus, guidelines and securities laws are complied with. Note also that the delegation of a management company’s function requires the SC’s prior approval.
(iv) **Investment of the REIT** – The REITs Guidelines set out the investment perimeters of REITs in Malaysia including among other things, the spread limits, concentration limits, etc, Real Estate-Related Assets, Non-Real Estate-Related Assets, investments in deposits, investments in foreign real estate/markets and the level of borrowings (which shall not exceed 50.0% of the Total Asset Value of the REIT at any time), acquisition of real estate (i.e., at a price which shall not exceed 10.0% above the value assessed in a valuation report (unless varied by the SC) and likewise a REIT should not dispose of a real estate asset at a price 10.0% less than the value assessed; and the disposal of any real estate (e.g., any disposal of real estate at a value exceeding 50.0% of the REITs' Total Asset Value must be sanctioned by the unitholders by way of an ordinary resolution).

(v) **Valuation** – Valuations of real estate are required to be undertaken at least once every three years. The REITs Guidelines also govern the valuation of Real Estate-Related Assets and Non-Real Estate-Related Assets, appointment of the valuer, preparation of the valuation report, regulatory parameters on valuation of real estate and announcement/publication of NAV per unit of REIT.

(vi) **Fees** – The REITs Guidelines contain provisions for the remuneration of the management company, remuneration of the trustee and other expenses of the REIT. The management company and the trustee may only be remunerated by way of an annual fee charged to the REIT, which must be permitted by the trust deed and disclosed in the prospectus and only expenses directly related to the operation and administration of the REIT may be paid out of the REIT including, among other things, the maintenance of real estate belonging to the REIT, fees for the valuation of any investment of the REIT and listing expenses for listing on the stock exchange.

(vii) **Issue of securities by a REIT** – Unless contemplated in the trust deed constituting the REIT and approved by the SC, any issue of new units by a REIT is subject to approval by the unitholders and, where relevant, the prior approval of the SC.

(viii) **Operational matters** – The chapter on operational matters in the REITs Guidelines covers issues such as the registration of unitholders, the branch register of unitholders outside Malaysia, distribution of income, rebates and commission, transfer scheme (which is an arrangement to transfer REIT property from a REIT to another REIT), unitholders’ meetings, notice, voting rights, chairperson of meetings, quorum, corporate governance principles and best industry standards for all activities conducted in relation to the REIT.

**13.1.2 Under the Listing Requirements:**

In addition to prescribing the admission procedures and requirements for the admission and listing of a REIT on the Main Market, the Listing Requirements also prescribe the following:

(i) **Board of directors of the management company** – The board of directors of the management company must have at least 2 independent directors while maintaining a minimum ratio of at least 1/3 independent directors at all times.
13. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA (Cont’d)

(ii) **General meetings** – The deed of a listed REIT is required to be in compliance with the Listing Requirements in relation to notice, proxies and voting rights of the Unitholders.

(iii) **Continuing listing obligation** – The chapter on continuing listing obligation covers the unitholding spread requirement of a listed REIT of at least 25.0% of the total number of listed units must be held by public unitholders.

(iv) **Continuing disclosure** – The chapter on continuing disclosure requirements sets out the disclosure policy of Bursa Securities which a listed REIT is required to adhere to, immediate disclosure of any material information, preparation of announcements, financial statements and reports, and consequences for failure to comply.

13.1.3 Under the Take-over Code:

The Take-over Code applies to REITs that are listed on Bursa Securities. Under the Take-over Code, any person acquiring an interest, either individually or with parties acting in concert, in more than 33.0% of the Units (being voting units in Pavilion REIT) is required to extend a mandatory offer for the remaining Units in accordance with the Take-over Code, unless otherwise exempted. A take-over offer is also required to be made if a person holding more than 33.0% but not more than 50.0% of the Units, either individually in concert, acquires more than 2.0% of the Units in any six-month period under the Take-over Code, unless otherwise exempted.

As a result, acquisitions of Units which may result in a change in control of Pavilion REIT will be subject to the provisions of the Take-over Code, such as a requirement to make a mandatory offer for Units.

13.2 OVERVIEW OF LAND LAW

13.2.1 The Land System

In Malaysia, land law is based on the Torrens system of South Australia which operates on the principle of “title by registration”. Notwithstanding the adoption of Torrens system in Malaysia, some lands in the state of Penang and Malacca are still governed by the deed system. The National Land (Penang and Malacca Titles) Act 1963 (“NLCPM”) was thus enacted to govern such lands and to convert the deed system in Penang and Malacca to the Torrens system used under the National Land Code 1965 (“NLC”).

Pursuant to the Federal Constitution of Malaysia (“Constitution”), land matters generally lie within the jurisdiction of the state governments. However, the Constitution specifically provides for federal legislation in such matters for the purposes of ensuring uniformity of law and policy in various aspects of land matters which are not exercisable with regard to the States of Sabah and Sarawak.
13. **OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA (Cont'd)**

The following are the primary pieces of legislation governing land law in Malaysia the operation of which is supplemented by various subsidiary legislations such as the various state land enactments and ordinances which are in force in the respective states in Malaysia:

(i) the NLC;
(ii) the NLCPM;
(iii) Strata Titles Act 1985 ("STA");
(iv) Sarawak Land Code (Cap 81) ("Sarawak Land Code"); and
(v) Sabah Land Ordinance (Cap 68) ("Sabah Land Ordinance").

The NLC is an act which amends and consolidates the laws relating to land and land tenure, the registration of title to land and of dealings therewith and the collection of revenue therefrom within the States of Johor, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Selangor and Terengganu, the Federal Territory of Kuala Lumpur, the Federal Territory of Putrajaya and the Federal Territory of Labuan, and for purposes connected therewith while in the States of Sabah and Sarawak, the respective Sabah Land Ordinance and Sarawak Land Code apply.

The rest of this Section 13.2 of the Prospectus will cover land law applicable to the states in Peninsula Malaysia and the Federal Territories.

The NLCPM was enacted to provide for the conversion of the system of registration of deeds practiced prior to 1966 to the Torrens system.

STA is an act to facilitate the subdivision of buildings or lands into parcels and the issuance of separate strata titles in relation to the same, and the STA is only applicable to West Malaysia and the Federal Territory of Labuan.

The NLC expressly provides that it shall not (unless expressly provided to the contrary) affect the provisions of:

(i) any law relating to customary tenure;
(ii) any law relating to Malay reservations or Malay holdings;
(iii) any law relating to mining;
(iv) any law relating to sultanate lands;
(v) any law relating to wakaf (relating to the endowment of property for religious and/or public purposes in accordance with Islamic teachings) or bait-ul-mal (an Islamic non-profit financial organisation providing benefits to community members and organisations);
(vi) the Terengganu Settlement Enactment 1356;
(vii) the Padi Cultivators (Control Rent and Security of Tenure) Ordinance 1955;
(viii) the Kelantan Land Settlement Ordinance 1955;
(ix) the Land (Group Settlement Areas) Act 1960;
(x) the Perlis Land Settlement Enactment 1966; and
(xi) any law relating to exemptions from the payment of land revenue.

13.2.2 Indefeasibility of Title

Pursuant to the NLC, a person will obtain an indefeasible title to or interest in the land after his/her proprietorship to or interest in land is being registered on the document of title. However, the indefeasibility of title can be defeated under those circumstances as provided in Section 340(2) of the NLC, which include fraud or forgery, or where the registration of title or interest is obtained by the use of an insufficient or void instrument or where the title or interest is unlawfully acquired.

13.2.3 Powers of the State Authority

The State Authority is vested with the entire property in all state lands under the NLC. “State Authority” refers to the Ruler or Governor of the state, as the case may be, and “state land” refers to all land in the state other than land that has already been alienated or reserved (whether as forest of otherwise) or mining land.

Under the NLC, the State Authority has power to alienate land for either:

(i) a term not exceeding 99 years (commonly referred to as leasehold); or
(ii) in perpetuity (commonly referred to as freehold).

The power to alienate land by the State Authority is the most common method of disposal of land. The alienation of land by the State Authority is subject to certain conditions such as:

(i) payment of annual rent;
(ii) payment of premium (which is subject to exemption by the State Authority);
(iii) category of land use; and
(iv) such conditions and restrictions in interest which may be imposed by the State Authority.

Unless an application is made to the State Authority for the extension of the term and such application is approved by the State Authority usually upon the payment of a premium, land alienated for a term not exceeding 99 years shall upon the expiry of such term revert to the State Authority.

In addition to the power to alienate land, the State Authority also has the power to:

(i) reserve land and grant leases of reserve land for a specific purpose not exceeding 21 years;
(ii) permit temporary occupation of land;
(iii) permit the extraction and removal of rock material from land;
(iv) permit the use of air space on or above land; and
(v) dispose of underground land.
13. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA (Cont'd)

13.2.4 Categories of Land Use

Land in Malaysia is divided into three general categories of land use, namely, agricultural, industrial and building. The category of land use is endorsed on the documents of title issued in respect of those lands alienated by the State Authority pursuant to the NLC. However, on approving the alienation of land, the State Authority may, if it is satisfied that the imposition of express conditions could better control the use of the land, direct that no category of land use be endorsed on the document of title.

An application may be made to the State Authority by the proprietor of any alienated land for the alteration of any category of land use to which the land is for the time being subject, or where it is not so subject, for the imposition of any category.

Each category of land use is subject to implied conditions as more particularly set out in the NLC. Additionally, specific uses may be specified in the documents of title to land. Failure to comply with express or implied conditions of land use may result in the forfeiture of land by the State Authority.

13.2.5 Dealsings in Land

The NLC governs dealings in land and interest in land (which in the context of the NLC includes a registered lease, charge or easement as well as a statutory lien or a tenancy exempt from registration created in respect thereof). Dealsings under the NLC may be divided into:

(i) dealings capable of registration which are transfers, charges, leases and easements; and

(ii) dealings not capable of registration which are tenancies exempt from registration and statutory liens which are protected by way of an endorsement and the entry of a lien-holder's caveat.

In Malaysia, no instrument effecting any dealing with respect to alienated lands and/or interests therein shall be effective until such instrument has been duly registered.

13.2.6 Restrictions in Interest

Restrictions in interest are restrictions expressly endorsed on the document of title to the land which limits the powers of the registered proprietor to deal with the land. An example of such a restriction is the restriction to transfer, charge or lease the land unless the prior consent of the State Authority has been obtained. It is common to find such restrictions in interest endorsed on the documents of title to lands alienated by the State Authority for terms not exceeding 99 years as opposed to lands alienated by the State Authority in perpetuity.

As restrictions in interest imposed on the document of title to the land binds the land, the restrictions therefore bind the owner(s) (whether present or future) of the land.

In the case of a property held or to be held under a strata title, where there is a restriction in interest endorsed on the document of title to the master land, such restriction will also apply to such property, whether or not the separate strata title to such property has been issued.
13. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA (Cont'd)

13.2.7 Restraints on Dealings

Restraints on dealings include the following:

(i) Private caveats

Private caveat is one of the restraints on dealings under the NLC. A person claiming title to or any registrable interest in any alienated land any right to such title or interest may lodge a private caveat to protect his title or interest in such alienated land. Under the NLC, a non-citizen or foreign company is required to obtain the prior approval of the State Authority before lodging a private caveat.

Once a private caveat is lodged, the registered proprietor may not register or endorse any dealing on the document of title to his land without first removing such private caveat or first obtaining the consent in writing of the person who lodged such private caveat. However, the private caveat will not prevent any dealing made by the registered proprietor, the application for the registration or endorsement of which is made by the registered proprietor before the lodgement of such private caveat.

An application may be made to the Registrar of Titles/Land Administrator or the court by a registered proprietor (or any aggrieved person or body) for the removal of the private caveat. A private caveat will expire six years from the time of the lodgement of the same, unless earlier withdrawn or removed by the Registrar of Titles/Land Administrator or the court.

(ii) Prohibitory Orders

Pursuant to the NLC, "prohibitory order" means where land or an interest in land held by a judgment-debtor is to be sold in execution proceedings, an order made pursuant to rules of court by a court of competent jurisdiction prohibiting the judgment-debtor from effecting any dealing therewith or from effecting such dealing therewith as may be specified in the order.

A prohibitory order will take effect once it has been entered by the land registrar and endorsed on the document of title. The order will prohibit the following endorsement or entry:

(a) any instrument of dealing executed by or on behalf of the proprietor save and except for any certificate of sale relating thereto;

(b) any claim to the benefit of any tenancy exempt from registration granted by the proprietor; and

(c) any lien-holder's caveat.

However, a prohibitory order will not prohibit the registration, endorsement or entry of any instrument, claim or lien-holder's caveat where the instrument was presented, or the application for endorsement or entry received, prior to the time from which the order takes effect.
13. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA (Cont’d)

13.2.8 Malay reserve land and customary land

The Malay Reservation Enactments of the respective states were enacted to secure and protect the Malays’ interest in lands reserved for Malays by prohibiting the disposition of such lands by the state and the dealings by the registered proprietors in favour of non-Malays. Any disposal, dealing or attempt to dispose of or deal in Malay reserve land in contravention of the respective Malay Reservation Enactments will be rendered null and void and no action for breach of contract shall be maintained in respect of such disposal or dealing.

The present Malay Reservation Enactments have adopted the policy of providing for exceptions to the prohibition by permitting disposals by the State Authority and dealings by the registered proprietors in favour of certain specified persons and bodies with the approval of the ruler of the state in council of the respective states.

In the same manner, customary land such as those in the state of Malacca, shall only be transferred, charged, leased or transmitted to a Malay pursuant to NLCPM.

13.2.9 Charges

It is common for a financier to require a borrower to create a charge over the land or a lease of land of the borrowers in favour of the financiers as a security for the financing provided.

A registered proprietor’s power to charge is subject to any prohibition or limitation imposed by the NLC or any other written law for the time being in force, any restriction in interest to which the land in question is for the time being subject and in relation to leases, the provision thereof, express or implied.

Every charge created under the NLC shall take effect upon registration so as to render the land or lease in question liable as security in accordance with the provisions thereof, express or implied.

A chargee is required to comply with the NLC when enforcing the charge to obtain a sale of the land or lease to which the charge relates in the event of a breach by the borrower. The chargee is required, among other things, to serve a default notice in the form as prescribed by the NLC and apply to the court or the land office administrator or the collector of land revenue, as the case may be, for an order for sale. Upon the registration of any certificate of sale given to a purchaser in respect of a charged land or lease, the title or interest of the registered proprietor/chargor shall pass to and vest in the purchaser, free and discharged from all liability under the charge in question and any charge subsequent thereto.

13.2.10 Leases and Tenancies

Under the NLC, tenancies may be granted for terms not exceeding three years. There is no registration requirement for tenancies under the NLC but the interest of a tenant under a tenancy exempt from registration can be protected by way of an endorsement on the document of title to the land.
The proprietor of any alienated land may grant leases of the whole or any part thereof. A lease granted under the NLC must be more than three years and maximum term for which any lease may be so granted shall be:

(i) 99 years if it relates to the whole of the land; or
(ii) 30 years if it relates to a part only thereof.

The lease granted is required to be registered with the relevant Land Registry/Office in order to vest in the lessee the interest in respect of the said lease.

13.2.11 Sale and Purchase of Real Property

The sale and purchase of real property in Malaysia may be completed by way of transfer or legal assignment. Any transfer of a property with a separate document of title is effected by registration of an instrument of transfer in a format prescribed under the NLC at the relevant Land Registry/Office. For a property without a separate document of title having been issued, transfer of beneficial ownership of the property is made by way of a legal assignment in favour of a new purchaser of all the rights, interests and title in respect of the property under the principal sale and purchase agreement (made between the original proprietor of the land and/or the developer (as the seller) and the first purchaser).

13.2.12 Properties held under Strata Titles

Under the STA, the owner of a building who has sold or agreed to sell any parcel comprised in the building to any person, is required to apply for an individual strata title to the parcel within the period stipulated in the STA.

The establishment and functions of the joint management body ("JMB") and the management corporation ("MC") for the purpose of managing and maintaining the common areas of those buildings constructed on the land situated within West Malaysia and the Federal Territory of Labuan have been provided for in the respective acts named below:

(i) Building and Common Property (Maintenance and Management) Act 2007 ("BCPA")

Pursuant to the BCPA, the JMB, where a building or land intended for subdivision into parcels has been completed:

(a) before the commencement of BCPA and vacant possession of the parcels has been delivered by the developer to the purchaser but the MC has not come into existence, the JMB shall be established consisting of the developer and parcel owners upon the convening of the first meeting no later than 12 months from the commencement of the BCPA;

(b) on or after the commencement of the BCPA, the JMB shall be established consisting of the developer and the parcel owners upon the convening of the first meeting not later than 12 months from the date of delivery of vacant possession of the parcels to the parcel owners.
The JMB is required to elect a joint management committee, consisting of one representative of the developer and not less than 5 but not more than 12 parcel owners, at a general meeting to perform the duties of the JMB, conduct the business of JMB on its behalf and for that purpose, to exercise the powers of the JMB under the BCPA.

There are three types of meetings namely, the first general meeting, the annual general meetings and the extraordinary general meetings to be held by the JMB. At the first general meeting, each parcel owner who has paid his maintenance charges in respect of his parcel to the building management account of the developer is entitled to vote by show of hands. Joint purchasers will only be entitled to vote by appointing a proxy. The BCPA does not provide for voting on poll and therefore, each parcel owner is only entitled to one vote regardless of the share units allotted to his parcel. Although the BCPA made provisions for rules to regulate the first general meeting of the JMB, there are no provisions on how the subsequent annual general meetings or extraordinary general meetings are to be conducted and it is also not clear whether the rules on quorum and voting rights for the first general meeting of the JMB will apply to subsequent annual general meetings or extraordinary general meetings. The parcel owners and the developer will therefore have to agree on their voting rights in the said meetings.

The JMB will be deemed to be dissolved 3 months from the date of the first meeting of the MC.

**(ii) STA**

Upon the opening of a book of the strata register in respect of a subdivided building or land, there shall come into existence the MC consisting of all the parcel owners including in the case of phased development, the proprietor of the provisional block or blocks. The MC shall, on coming into existence, become the proprietor of the common property and be the custodian of the issue document of title of the lot. Upon its establishment, the MC is responsible for the maintenance and management of common property (which means so much of the lot as is not comprised in any parcel (including any accessory parcel), or any provisional block as shown in an approved strata plan).

The by-laws set out in the Third Schedule of the STA shall, as and from the opening of a book of the strata register, be in force for all purposes in relation to every subdivided building or land and shall not be amended by the MC. The purposes of by-laws are for regulating the control, management, administration, use and enjoyment of the strata development. The MC may, by special resolution make additional by-laws, or make amendments to such additional by-laws, not inconsistent with the by-laws set out in the Third Schedule of the STA.

The STA provides for meetings to be held periodically. Under the STA, three types of meeting are provided to be held by the MC, namely, the first annual general meeting, the annual general meetings and the extraordinary general meetings.
It shall be the duty of the original proprietor to convene the first annual general meeting of the MC. The agenda for the first annual general meeting includes, among other things, to confirm or vary the insurances effected by the MC and the amounts of contributions to the management fund, to determine the members of the council and to elect the council and to decide whether to amend the additional by-laws in force immediately before the holding of the meeting.

Annual general meetings are required to be held by the MC annually for the consideration of accounts, election of council members and such other matters as may be required. Extraordinary meetings are held by the council of the MC upon request by the parcel owners or commissioner of buildings or when the council deems appropriate or necessary.

Each parcel owner shall, at general meetings, have one vote on a show of hands and on poll will have such number of votes that corresponds with the number of share units attached to his parcel. A co-proprietor may vote by means of a jointly appointed proxy. Only parcel owners whose separate strata titles to their respective parcels are registered in their names are allowed to vote.

Pursuant to the STA, every parcel shall have a share value approved by the relevant authority and expressed in whole numbers to be known as share units. Share units allotted to the parcels can be based on a few factors, namely, the areas of the parcels and the purchase consideration of the parcels.

The share units allocated to each parcel owner is important as it determines, among other things, the following:

(a) the voting rights of each parcel owner on a poll;
(b) the quantum of the undivided share of each parcel owner in the common property;
(c) the proportion of the contribution payable by each parcel owner to the management fund;
(d) the proportion of each parcel owner’s entitlement to the profits arising from transactions pertaining to the common property;
(e) the proportion of each parcel owner’s liability for the debts of the MC;
(f) the proportion of each parcel owner’s entitlement to the proceeds of a sale of the lot and his share in the surplus of the funds of the MC, if any, on the termination of the strata scheme.
14. ADDITIONAL INFORMATION

14.1 GENERAL

(i) No Units will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.

(ii) The Units will rank pari passu in all respects and will be entitled to all distributions that may be declared subsequent to the Listing.

(iii) In accordance with the Deed and REITs Guidelines, the Manager is required, on a quarterly basis, to carry out a valuation of Pavilion REIT's investments in Real Estate-Related Assets and Non-Real Estate-Related Assets and announce the NAV of Pavilion REIT to Bursa Securities. Unitholders are able to keep track of the market price per Unit and the NAV per Unit as announced by the Manager through Bursa Malaysia Berhad's website www.bursamalaysia.com after the Listing.

(iv) Pavilion REIT will also be providing Unitholders with an annual report on its performance which will also include information on the NAV per Unit. The Manager must also give the SC the annual report no later than two months after the end of the financial period the report relates to.

Unitholders can obtain information on the current developments and annual reports of Pavilion REIT from the Bursa Malaysia Berhad's website www.bursamalaysia.com after the Listing.

(v) If you require further information on Pavilion REIT, the Manager may be contacted at:

Level 10 Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur

Telephone Number: (603) 2118 8888

E-mail: info@pavilion-reit.com

Website: www.pavilion-reit.com

(vi) Save as disclosed in this Prospectus, as at the Latest Practicable Date, the Directors confirm that Pavilion REIT's financial conditions and operations are not affected by any of the following factors:

(a) known trends, demands, commitments, events or uncertainties that have had or that the Manager reasonably expect to have, a material favourable or unfavourable impact on Pavilion REIT's financial performance, liquidity, position and operations;

(b) material commitments for capital expenditure; and

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected Pavilion REIT's financial performance, position and operation.
(vii) The Manager has not established any specific policies or procedures to counter the risk involving money-laundering activities. It is not pertinent for the Manager to adopt such policies and procedures as unlike other unit trust funds, Pavilion REIT is a REIT to be listed on the Main Market and will not be sourcing for investment funds on a regular basis nor does Pavilion REIT allow for redemption of its Units. Further, Pavilion REIT does not receive monies from investors on cash terms.

14.2 MATERIAL CONTRACTS

The dates of, parties to, and general nature of every material contract which Pavilion REIT (via the Trustee) has entered into since its establishment up to the date of this Prospectus (not being contracts entered into in the ordinary course of the business of Pavilion REIT) are as follows:

(i) the Deed dated 13 October 2011 constituting Pavilion REIT and registered with the SC on 18 October 2011 entered into between the Manager and the Trustee, for the benefit of the Unitholders;

(ii) the SPA dated 18 October 2011 between UCSB and the Trustee whereby the Trustee agreed to purchase Pavilion Kuala Lumpur Mall and the Pavilion Kuala Lumpur Mall Related Assets for a purchase consideration of RM3,190,300,000 and RM8,806,000 respectively, with the purchase consideration of Pavilion Kuala Lumpur Mall to be satisfied in cash and the issuance of Consideration Units, and the purchase consideration of the Pavilion Kuala Lumpur Mall Related Assets to be satisfied in cash;

(iii) the SPA dated 18 October 2011 between UCSB, CFSB and the Trustee whereby the Trustee agreed to purchase Pavilion Tower and the Pavilion Tower Related Assets for a purchase consideration of RM123,500,000 and RM795,000 respectively, which will be satisfied in cash;

(iv) the Retail Underwriting Agreement for the Retail Offering dated 18 October 2011 between the Manager, the Sponsor and the Joint Underwriters for the underwriting of 35,000,000 Units under the Retail Offering at an underwriting commission of RM616,000;

(v) the facility agreements for the New Debt Facility dated 3 November 2011 between the Lenders, PRVC and the Trustee in respect of the New Debt Facilities;

(vi) the non-exclusive licence agreement dated 18 October 2011 between the Sponsor, the Manager and the Trustee in respect of the use of, among others, the registered trademark "Pavilion Kuala Lumpur" and other pending trademarks for a nominal amount;

(vii) the Property Management Agreement dated 18 October 2011 between the Property Manager, the Manager and the Trustee pursuant to which the Property Manager will provide certain property management services for the Subject Properties in consideration of a property management fee of RM30,000 per month (excluding service tax); and
14. ADDITIONAL INFORMATION (Cont’d)

(viii) the master cornerstone agreement dated 4 November 2011 entered into between the Manager, the Cornerstone Investors and certain Joint Bookrunners in relation to subscription by the Cornerstone Investors for an aggregate of 265,000,000 Offer Units, representing approximately 8.83% of the total Units issued upon Listing, at the Cornerstone Price.

14.3 SALIENT TERMS OF THE SPAs

14.3.1 Overview of the SPAs

Under the SPAs, the Trustee will acquire from the Vendors, Pavilion Kuala Lumpur Mall and Pavilion Tower together with the fixtures and fittings which are currently affixed, installed, attached and/or appurtenant to Pavilion Kuala Lumpur Mall and Pavilion Tower (save and except for those fixtures and fittings belonging to the tenants) and the Related Assets:

(i) free from all encumbrances but subject to all conditions of title and restrictions in interest whether express or implied in the Master Title and the strata titles to Pavilion Kuala Lumpur Mall and Pavilion Tower when issued; and

(ii) subject to all the tenancies identified in the SPAs together with all the rights benefits and obligations thereunder.

The SPAs are interdependent and the Trustee is not obliged to complete the acquisition of either Subject Property unless the acquisition of the Subject Properties are completed concurrently under the respective SPAs.

The acquisition of Pavilion Kuala Lumpur Mall will be subject to the rights and easements granted by UCSB to the parties which are more particularly described in the Pavilion Kuala Lumpur Mall SPA. See Section 2.4.11 “Rights and Easements” of this Prospectus for the summary of the rights and easements.

Upon completion of the SPAs, UCSB will assign, transfer and vest all its rights, title, interest, benefits in and to the Mechanical/Electrical Levels to the Trustee in accordance with the terms of the Pavilion Tower SPA.

14.3.2 Consideration

The total purchase consideration amounting to RM3,323,401,000 only for the Subject Properties and the Related Assets shall be satisfied by the Trustee in accordance with the SPAs as follows:

(i) the issuance and allotment of the Consideration Units and to be credited into such CDS Account as may be notified by UCSB, at least one Business Day before the Completion Date of the SPAs or such other date as parties may agree in writing; and

(ii) the balance of the purchase consideration by way of cash which shall, on the Completion Date of the SPAs, be paid firstly towards settlement of the redemption sum required to redeem Pavilion Kuala Lumpur Mall and Pavilion Tower from the Vendors’ lenders and the balance (if any) shall be paid to the Vendors in their respective proportions.

See Section 3.7.1 “Acquisitions” of this Prospectus for the breakdown of the total purchase consideration.
The purchase consideration payable in respect of the Related Assets is based on the Vendors' estimate of the net book value of the Related Assets as at the Completion Date of the SPAs. The purchase consideration of the Related Assets will be adjusted to the actual net book value of the Related Assets in the Vendors' books immediately prior to the Completion Date of the SPAs (to be certified by an external auditor to be mutually appointed by the parties in writing) subject always that the adjusted purchase consideration of the Related Assets shall not be more than the amount stipulated in the respective SPAs, that is in total a sum of RM9,601,000.00. The adjusted purchase consideration of the Related Assets must be agreed in writing within three (3) months from the Completion Date of the SPAs, in which case the Vendors shall refund to the Trustee the difference between the purchase consideration of the Related Assets and the adjusted amount within thirty (30) days from the date of such written confirmation by the parties.

14.3.3 Conditions

The sale, purchase and transfer of Pavilion Kuala Lumpur Mall and Pavilion Tower (excluding Mechanical/Electrical Levels) are conditional upon:

(i) the approval of Bursa Securities for the Listing having been obtained;
(ii) the consent of the Vendors' lenders for the Acquisitions having been obtained;
(iii) this Prospectus having been issued to the Malaysian Public;
(iv) the receipt by the Vendors and the Vendors' lenders respectively of the undertakings from the Issuing House to pay the requisite purchase consideration on the Completion Date of the SPAs in such form and on such terms as may be mutually agreed upon; and
(v) the receipt by the Trustee's solicitors of the written confirmation from the Manager confirming that all the conditions, variations or revisions imposed by SC and Bursa Securities in respect of the acquisition of Pavilion Kuala Lumpur Mall and Pavilion Tower (excluding Mechanical/Electrical Levels) which are capable of being satisfied up to the date of such confirmation have been satisfied and of its satisfaction with the results of the bookbuilding exercise under the Institutional Offering.

14.3.4 Completion

Subject to the fulfilment of the conditions precedent set out in Section 14.3.3 above, on the Completion Date of the SPAs:

(i) legal possession of Pavilion Kuala Lumpur Mall and Pavilion Tower in the same state and condition as they were at the date of the SPAs (fair wear and tear excepted) shall be deemed to have been delivered by the Vendors to the Trustee;
(ii) all rights, title, interest, benefits or claim in and to Pavilion Kuala Lumpur Mall and Pavilion Tower and the risk relating to Pavilion Kuala Lumpur Mall and Pavilion Tower shall pass from the Vendors and UCSB to the Trustee;
(iii) all rights, title, interest, benefits in and to the Mechanical/Electrical Leveis will be transferred, assigned and vested in favour of the Trustee by UCSB under the Pavilion Tower SPA;
(iv) all interests, benefits and rights in all the tenancies in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower will be assigned to the Trustee;

(v) all outgoings in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower shall be apportioned on the Completion Date of the SPAs and the Vendors and UCSB shall respectively bear and settle the outgoings due and payable up to the date immediately preceding the Completion Date of the SPAs and the Trustee shall bear and settle the outgoings due and payable on and from the Completion Date of the SPAs;

(vi) all income in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower shall be apportioned on the Completion Date of the SPAs and the Vendors and UCSB shall respectively be entitled to all income received by them and/or the Trustee for the period immediately preceding the Completion Date of the SPAs and the Trustee shall be entitled to all income received by them and/or the Trustee for the period on and from the Completion Date of the SPAs;

(vii) the Vendors will hold all security deposits, rental and all other payments paid by the tenants (including electricity charges) on and after the Completion Date of the SPAs to the Vendors upon trust for the Trustee and will pay over the same to the Trustee in accordance with the terms of the SPAs;

(viii) the Vendors will issue written notices to all the tenants to inform them of the assignment of the Vendors’ interests, benefits and rights under their respective tenancies in favour of the Trustee and to extend a copy each of such notices;

(ix) all the rights, interests, benefits and obligations in and under all contracts and guarantees in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower will be assigned to the Trustee;

(x) all the insurance contracts in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower will be endorsed in favour of the Trustee;

(xi) the Vendors will issue written notices to all counter-parties to inform them of the assignment of the Vendors’ rights, interests, benefits and obligations in and under their respective contracts in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower in favour of the Trustee;

(xii) the Vendors and UCSB will respectively deliver to the Trustee all relevant documents including but not limited to all operating and maintenance manuals and files of the tenancies and assets, all agreements (including all tenancy agreements and service contracts), all relevant approvals, licences, consents, permits, certificates, plans and drawings in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower to the extent possible; and

(xiii) the Vendors will deliver vacant possession of the untenanted space within the Subject Properties together with all keys and access devices in respect of the same unless such spaces have been tenanted by the Vendors prior to the Completion Date of the SPAs.
14. ADDITIONAL INFORMATION (Cont’d)

14.3.5 Representations and Warranties

The Vendors have given specific representations and warranties relating to Pavilion Kuala Lumpur Mall and Pavilion Tower and the tenancies and have agreed to indemnify the Trustee against all losses, damages, costs, expenses and outgoings for a breach of such representations and warranties.

14.3.6 Other Terms

(i) The registered proprietor of the Master Land, UCSB, has undertaken to apply for the subdivision of title for the Master Land so as to obtain a separate strata title for each Pavilion Kuala Lumpur Mall and Pavilion Tower and upon the issuance of such separate strata titles, UCSB shall execute the relevant memorandum of transfer in respect of Pavilion Kuala Lumpur Mall and Pavilion Tower in favour of the Trustee.

(ii) Save and except for a breach of UCSB’s undertaking as set out in sub-paragraph (i) above and the rights of the Trustee reserved in relation to any default by Vendors under the respective SPAs, notice of any claims arising from any breach of the terms and conditions of the SPAs must be given by the non-defaulting party to the defaulting party within 12 months from the Completion Date of the SPAs to ensure that the defaulting party shall take such necessary action to rectify the said breach.

(iii) The Trustee’s liability arising under the SPAs as trustee for Pavilion REIT shall be limited to and can only be enforced against the Trustee only to the extent to which the Trustee can satisfy such liability out of the assets of Pavilion REIT.

14.4 SALIENT TERMS OF THE EXISTING ROFRS

14.4.1 (a) General ROFR granted to Pavilion REIT by the Sponsor

By a letter of undertaking dated 18 October 2011, the Sponsor has undertaken to the Trustee that with effect from the Listing Date and for so long as:

(i) the Manager or any of its related corporations remains the management company of Pavilion REIT;

(ii) UCDSB and/or any of its related corporations, alone or in aggregate, remains as a Controlling Shareholder of the Manager;

(iii) QH and/or any of its related corporations, alone or in aggregate, remains as a Controlling Shareholder of the Manager;

(iv) QH and/or any of its related corporations, alone or in aggregate, remains as a Controlling Unitholder of Pavilion REIT;

(v) Datuk Lim Siew Choon and/or Datin Tan Kewi Yong and/or any corporation in which either of them or collectively, is or are, the Controlling Shareholder(s), alone or in aggregate, remains as a Controlling Unitholder of Pavilion REIT; and

(vi) Pavilion REIT remains listed on Bursa Securities,
neither the Sponsor nor any Sponsor Entity will:

(i) dispose any General Asset without giving the ROFR to the Trustee to purchase such General Asset for and on behalf of Pavilion REIT;

(ii) purchase any General Asset from any third party which may in future be identified and targeted for acquisition by the Sponsor or a Sponsor Entity, without giving the ROFR to the Trustee to purchase such General Asset for and on behalf of Pavilion REIT.

In the event that the Sponsor or a Sponsor Entity should sponsor a Malaysian retail property fund for the development of General Asset, then the Sponsor shall use his best endeavours to procure such fund to grant a ROFR to the Trustee to purchase any General Asset which the said fund wishes to dispose, for and on behalf of Pavilion REIT.

(b) fahrenheit88 ROFR granted to Pavilion REIT by Makna Mujur Sdn Bhd

By a letter of undertaking dated 18 October 2011, Makna Mujur Sdn Bhd ("Makna Mujur"), an indirect subsidiary of QH, has undertaken to the Trustee that with effect from the Listing Date and for so long as:

(i) the Manager or any of its related corporations remains the management company of Pavilion REIT;

(ii) QH and/or any of its related corporations, alone or in aggregate, remains as a Controlling Shareholder of the Manager;

(iii) UCDSB and/or any of its related corporations, alone or in aggregate, remains as a Controlling Shareholder of the Manager;

(iv) QH and/or any of its related corporations, alone or in aggregate, remains as a Controlling Unitholder of Pavilion REIT;

(v) Datuk Lim Siew Choon and/or Datin Tan Kewi Yong and/or any corporation in which either of them or collectively, is or are, the Controlling Shareholder(s), alone or in aggregate, remains as a Controlling Unitholder of Pavilion REIT; and

(vi) Pavilion REIT remains listed on Bursa Securities.

Makna Mujur shall not dispose fahrenheit88 without giving the ROFR to the Trustee to purchase fahrenheit88 for and on behalf of Pavilion REIT.
(c) Pavilion Extension ROFR

By a letter of undertaking dated 18 October 2011, Urusharta Cemerlang (KL) Sdn Bhd ("UCKL") has undertaken to the Trustee that with effect from the Listing Date to the expiry of:

(i) five years from the date of the letter of undertaking; or
(ii) two years from the date of the issuance of the certificate of practical completion for Pavilion Extension,

whichever is later, and subject to Pavilion REIT remaining listed on Bursa Securities, UCKL shall not dispose Pavilion Extension without giving the ROFR to the Trustee to purchase Pavilion Extension for and on behalf of Pavilion REIT.

(d) USJ ROFR

By a letter of undertaking dated 18 October 2011, Equine Park Country Resort Sdn Bhd ("EPCR"), a wholly-owned subsidiary of Equine Capital Berhad, has undertaken to the Trustee that with effect from the Listing Date to the expiry of:

(i) five years from the date of the letter of undertaking; or
(ii) two years from the date of the issuance of the certificate of practical completion for the proposed development of a 6-storey retail mall to be erected on part of the land with title bearing the details of GRN 43632 Lot 42697, Mukim Pekan Subang Jaya, Daerah Petaling, Negeri Selangor ("USJ Subang Asset"),

whichever is later, and subject to Pavilion REIT remaining listed on Bursa Securities, EPCR shall not dispose USJ Subang Asset without giving the right of first refusal to the Trustee to purchase the USJ Subang Asset for and on behalf of Pavilion REIT.

14.4.2 For the Existing ROFRs, in the event that:

(i) the Trustee fails or does not enter into a binding commitment for the purchase of the Relevant Asset within thirty (30) days (or such other period as may, in the case of a proposed offer of sale by a third party under the General ROFR, be stipulated by the relevant third party or mutually agreed by the Trustee and the third party; or, in the case of a proposed disposal by the respective selling entity under the Existing ROFRs, mutually agreed by the Trustee and the selling entity) from the date of the Trustee's receipt of the written notice together with the relevant transaction documents;

(ii) the Trustee indicates in writing to the Sponsor, the Sponsor Entity or, as the case may be, the selling entity that it shall not be purchasing the Relevant Asset; or

(iii) the proposed acquisition of the Relevant Asset is aborted by the Trustee,
the Trustee shall be deemed to be unable to, or not to have, exercised the ROFR and:

(i) the selling entity shall be entitled to dispose of its interest in the Relevant Asset to a third party at a price higher than or equal to the indicative price set out in the transaction documents and on other terms and conditions no more favourable to the third party than those offered by the Relevant Entity to the Trustee; and

(ii) in relation to the General ROFR only, the Sponsor or the Sponsor Entity shall be entitled to acquire the Relevant Asset on such terms and conditions no more favourable to than to those offered by the third party to the Trustee.

14.4.3 For the purposes of this Section 14.4:

"Controlling Shareholder" means a person who holds directly or indirectly 20.0% or more of the nominal amount of all voting shares of the company.

"Controlling Unitholder" means a person who holds directly or indirectly 20.0% or more of the nominal amount of all issued Units in Pavilion REIT.

"General Asset" refers to real estate used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia. Where such real estate is held through a single purpose company, vehicle or entity (a "SPV") established solely to own such real estate, the term "General Asset" shall refer to the shares or equity interests, as the case may be, in that SPV.

"Sponsor Entity" means any of the Sponsor's existing or future wholly-owned subsidiaries and where such subsidiaries are not wholly-owned by the Sponsor, and whose other shareholder(s) is/are third parties, such subsidiaries will be subject to the ROFR only upon obtaining the consent of such third parties.

"Relevant Asset" refers to the General Asset, fahrenheit88, Pavilion Extension or the USJ Subang Asset, as the case may be.

"related corporation" has the meaning as given to it under Section 6 of the Act.
14.5 CONSENTS

(i) The written consents of the Trustee, the Joint Principal Advisers, the Joint Global Coordinators, the Joint Underwriters, the Joint Bookrunners, the principal bankers, the Issuing House, the solicitors, the Property Manager, the Registrar to the inclusion in this Prospectus of their names in the manner and form in which such names appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

(ii) The written consent of the Auditors/Reporting Accountants to the inclusion in this Prospectus of their letter on Profit Forecasts as well as the letter relating to the Consolidated Pro Forma Statement of Financial Position and their names in the manner, form and context in which they appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

(iii) The written consent of the Tax Consultants to the inclusion in this Prospectus of their letter on taxation of Pavilion REIT and Unitholders and their names in the manner, form and context in which it appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

(iv) The written consent of the Independent Property Valuer to the inclusion in this Prospectus of their Valuation Certificates and their names in the manner, form and context in which it appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

(v) The written consent of the Independent Property Market Consultant to the inclusion in this Prospectus of their Independent Property Market Report and their names in the manner, form and context in which it appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

14.6 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Manager, for a period of 12 months from the date of this Prospectus:

(i) the material contracts referred to in Section 14.2 "Material Contracts" of this Prospectus;

(ii) the Deed;

(iii) the Independent Property Valuation Certificate dated 19 October 2011 as set out in Appendix A of this Prospectus as well as the full valuation report dated 29 June 2011 for the Subject Properties;

(iv) the Independent Property Market Report dated October 2011 set out in Appendix B of this Prospectus;

(v) the Tax Consultant's Letter on Taxation of Pavilion REIT and Unitholders as set out in Appendix C of this Prospectus;

(vi) the Reporting Accountants' Letter on the Consolidated Pro Forma Statement of Financial Position of Pavilion REIT as set out in Appendix D of this Prospectus;
14. ADDITIONAL INFORMATION (Cont'd)

(vii) the Reporting Accountants’ Letter on the Profit Forecasts as set out in Appendix E of this Prospectus;

(viii) the letters of consent referred to in Section 14.5 of this Prospectus; and

(ix) the writ and cause papers in respect of the material litigation of the Trustee as referred to in Section 8.8 “Material Litigation and Arbitration” of this Prospectus, which shall only be made available at the Trustee's registered office.

14.7 RESPONSIBILITY STATEMENTS

(i) This Prospectus has been reviewed and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, there are no false or misleading statements, or omission of other facts which would make any statement in the Prospectus false or misleading. The Directors accept full responsibility for the Profit Forecasts included in this Prospectus and confirm that the Profit Forecasts have been prepared based on the assumptions made.

(ii) The information pertaining to the Trustee and the Property Manager were provided by the management and/or directors of the Trustee and the Property Manager. The responsibility of the Directors is therefore restricted to the accurate reproduction of such relevant information as included in this Prospectus.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
APPENDIX A - VALUATION CERTIFICATE

Knight Frank

PRIVATE & CONFIDENTIAL

Pavilion REIT Management Sdn Bhd
(On behalf of AmTrustee Berhad, as the proposed Trustee of Pavilion REIT)
Suite 802, 8th Floor
Wisma Lim Foo Yong
86, Jalan Raja Chulan
50200 Kuala Lumpur

Date: 19th October 2011

Reference No.: V/11/0118/ohyl/chh

Dear Sir,

VALUATION CERTIFICATE FOR PAVILION KUALA LUMPUR MALL AND OFFICE TOWER
(PROPOSED TO BE NAMED AS PAVILION TOWER)
(HEREINAFTER REFERRED TO AS “THE SUBJECT PROPERTIES”)

We were instructed by Pavilion REIT Management Sdn Bhd, on behalf of AmTrustee Berhad, as the proposed Trustee of Pavilion REIT to conduct a Valuation of the Subject Properties and details of the Valuation are contained in our Valuation Report bearing Reference No. V/11/0118/ohyl/chh dated 29th June 2011.

This Valuation Certificate is prepared for the inclusion in the Prospectus of Pavilion Real Estate Investment Trust to be dated 14 NOV 2011 in relation to the proposed establishment and listing of the units of Pavilion Real Estate Investment Trust on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by Securities Commission and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers and Estate Agents.

The basis of Valuation adopted is the Market Value which is defined as “the estimated amount for which a property should exchange on the date of Valuation between a willing seller and a willing buyer in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Brief summary of the Subject Properties are attached overleaf.
For the purpose of this valuation, we have adopted the Investment and Comparison Methods of Valuation.

i) Investment Method

This approach considers income and expense data relating to the Subject Properties being valued and estimates value through a capitalization process. Capitalization relates 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 capitalization 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.

In undertaking our assessment of value under the capitalization approach, we have generally adopted the current passing rental in their existing tenancy as a means of deriving the income and value for the Subject Properties. Our assessment of the market rent of the Subject Properties under the reversionary term is based on the historical passing rental of the Subject Properties and rental evidences of other comparable properties in the surrounding vicinity.

Under the reversionary term, we have generally allocated 3% and 5% of the gross annual rental for voids, vacancy periods between rent reviews, which include the rent free and fitting out periods.

ii) Comparison Method

This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued (Subject Properties) is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

Reconciliation

Taking into consideration that the Subject Properties are commercial and income generating properties, we have adopted the Market Value as derived from the Investment Method of Valuation as a fair representation of the Subject Properties supported by the Market Value derived from the Comparison Method.

In a valuation of a homogeneous real estate such as vacant lards and residential homes, the Comparison Method is the most appropriate method of valuation as there are less adjustments and analysis on comparables. However, in the case of more complex real estate such as shopping complexes, office buildings and other income generating or investment properties, qualitative and quantitative adjustments are more difficult to compute or gauge to reflect the differences of the comparables and the property being valued. Therefore, we have considered the Investment Method as the most reliable and appropriate method of valuation in our final opinion of Market Value of the Subject Properties.
We wish to draw attention that the Parent Lot No. 374 of the Subject Properties carries a restriction in interest which stipulates that ‘Tanah ini tidak boleh dipindahmilik, dipajak, dicagar atau digadai melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur’. In this regard, our valuation is on the basis that written consent from the State Authority in respect of the aforesaid restriction in interest will not be unreasonably withheld.

INDIVIDUAL BLOCK STRATA TITLES IN RESPECT OF THE SUBJECT PROPERTIES HAVE NOT BEEN ISSUED. OUR VALUATION IS ON THE BASIS / ASSUMPTION THAT INDIVIDUAL BLOCK STRATA TITLES IN RESPECT OF THE SUBJECT PROPERTIES ARE FORTHCOMING AND WHEN ISSUED, WILL BE FREE FROM ALL ENCUMBRANCES AND WILL CONVEY THE APPROVED EXTENDED 99-YEAR LEASEHOLD INTEREST EXPIRING ON 26TH OCTOBER 2109 OVER THE RESPECTIVE FLOOR AREAS.

Having regard to the foregoing, our opinion of the Market Value of the unexpired leasehold interests in the Subject Properties, held under Parent Lot Nos. 374 and 377 with remaining unexpired terms of about 94 years and 88 years respectively, with Certificates of Fitness for Occupation issued, subject to the existing tenancies and the forthcoming individual block strata titles when issued being free from all encumbrances (including the existing charges to Alliance Investment Bank Berhad on the Parent Lots), good, marketable and registrable, as at 1st June 2011 are as follows:-

<table>
<thead>
<tr>
<th>Identification of Property</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pavilion Kuala Lumpur Mall</td>
<td>RM 3,415,000,000</td>
</tr>
<tr>
<td>(Including 2,427 car parking bays)</td>
<td>(Ringgit Malaysia Three Billion And Four Hundred Fifteen Million Only)</td>
</tr>
<tr>
<td>2. Office Tower</td>
<td>RM 128,000,000</td>
</tr>
<tr>
<td>(Proposed to be named as Pavilion Tower)</td>
<td>(Ringgit Malaysia One Hundred And Twenty Eight Million Only)</td>
</tr>
</tbody>
</table>

For and on behalf of
KNIGHT FRANK

OOI YEW HOCK
Registered Valuer, V-273
FISM, MRICS

Date: 29th June 2011
APPENDIX A - VALUATION CERTIFICATE (Cont'd)

Knight Frank

1.0 GENERAL IDENTIFICATION OF THE SUBJECT PROPERTIES

**Interests Valued / Type of Property**
Unexpired leasehold interests in a seven (7)-storey shopping mall [including four (4) split-levels of car parking bays] together with a three (3)-storey retail office block sited atop and annexed with a four (4)-storey retail / entertainment connection block and three (3) levels of basement car parks known as Pavilion Kuala Lumpur Mall and a twenty (20)-storey office building together with six (6) mechanical / electrical levels known as Office Tower (proposed to be named as Pavilion Tower), both forming part of a substantial portion of an integrated mixed-use commercial development known as Pavilion Kuala Lumpur, erected on Parent Lot Nos. 374 and 377, Section 63, held under Master Title Nos. Pajakan Negeri (WP) 45861 and Pajakan Negeri (WP) 43401 respectively, both within Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.

**Name and Address**
Office Tower (proposed to be named as Pavilion Tower), No. 75, Jalan Raja Chulan, 50200 Kuala Lumpur.

**Location**
Strategically located in the heart of the Golden Triangle of Kuala Lumpur, the city's main commercial precinct and located within the popular Bukit Bintang shopping district.

**Title Particulars**
The following table outlines the master title particulars of the Subject Properties.

<table>
<thead>
<tr>
<th>Summary of Master Title Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent Lot Nos. :</td>
</tr>
<tr>
<td>Total Land Area :</td>
</tr>
<tr>
<td>Tenure :</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Registered Proprietors :</td>
</tr>
<tr>
<td>Category of Land Use :</td>
</tr>
</tbody>
</table>

We have been informed by the Client that the Parent Lot Nos. 374 and 377 have been amalgamated to form a new individual parent lot. The new amalgamated parent lot is identified as Lot No. PT 71 Section 53, held under Master Title No. HS(D) 118129, Town and District of Kuala Lumpur conveying 99-year leasehold interest expiring on 26th October 2103.

We further noted that Urusharta Cemerlang Sdn Bhd has irrevocably granted rights and / or easements to Harmoni Perkasa Sdn Bhd and Urusharta Cemerlang (KL) Sdn Bhd vide deeds of grant dated 27th March 2011 and to Lunayan Indah Sdn Bhd vide a deed of grant dated 14th June 2011 with regards to the proposed serviced suites, Pavilion Extension and a proposed overhead bridge to be constructed to connect to Pavilion Kuala Lumpur Mall, respectively.

**Planning Approvals**
The Subject Properties are designated for commercial use and was issued with a Certificate of Fitness for Occupation issued by Kuala Lumpur City Hall dated 30th September 2009.
2.0 PAVILION KUALA LUMPUR MALL

2.1 PROPERTY DESCRIPTION

**Property Description**

Pavilion Kuala Lumpur Mall is a premier seven (7)-storey shopping mall which offers six distinguished shopping precincts and a row of street-front duplexes housing flagship boutiques with approximately 450 retail tenancies (as at 1st June 2011) and approximately 1.34 million square feet of net lettable area (NLA) together with multi-storey and basement parking facilities with more than 2,400 car parking bays.

Since its completion in 2007, Pavilion Kuala Lumpur Mall has been an award winning retail development and remains a prime shopping destination in the Klang Valley. As a whole, the Mall is intended to provide a one stop shopping and entertainment experience featuring a wide variety of dining, fashion, specialty offerings and entertainment, including a 13-hall GSC Cinemas complex.

**Year of Completion**

September 2007.

**Occupancy Status**

About 98% as of 1st June 2011 based on commenced tenancies.

**Gross Floor Area**

| Main Building (Includes Retail, Connection Block and Retail Office Block) | 204,624.23 square metres (2,202,557 square feet) |
| Car Park | 138,129.20 square metres (1,488,810 square feet) |

**Net Lettable Area (NLA)**

124,036.61 square metres (1,335,119 square feet).

(Exclude additional kiosks area measuring approximately 965.91 square metres (10,397 square feet) created along passageways / walkways within Pavilion Kuala Lumpur Mall which does not form part of the delineated lettable areas in the Approved Building Plans).

We were informed by the Client that an application has been submitted to the relevant authority for the proposed amendment to the Development Order bearing Reference No. DBKL/JPR.5084/2001 dated 18th April 2007 for the approval of change of usages, renovations, common and net lettable area extensions and conversions [including the additional kiosks area measuring about 965.91 square metres (10,397 square feet)].

**No. of Car Parks**

2,427 car parking bays (inclusive of 18 bays which are currently being used as car wash area).

(Exclude 150 bays allocated for propose hotel / serviced suites development and 12 bays converted to other usage).
2.1 PROPERTY DESCRIPTION (Cont'd)

Tenancy Profile

As at the date of valuation, Pavilion Kuala Lumpur Mall is almost fully tenanted by various types of retailers such as F&B and entertainment outlets, cinema, specialty shops and fashion, supermarkets and so on.

Specialty anchor and specialty tenants represent approximately 23% and 58% respectively of the overall retail mix of the shopping mall (over occupied net lettable area). Anchor tenant is Parkson whilst the specialty anchor tenants include Food Republic, Forever 21, Golden Screen Cinemas, Red Box Plus, Harvey Norman, Tange, Stadium, Pan-Asia, Mercato, Grand Palace, Times Bookstore, Esprit and Padini Concept Store. Specialty tenants consist of fashion, food and beverages outlets, retail office block, auto gallery and other specialty tenants.

Other specialty tenants comprise of jewellery and timepieces, accessories, beauty and personal care, urban leisure, gifts and souvenirs, IT and digital, shoes, bags and leather, services, home decorations and furnishing and others (about 21% of the occupied net lettable area).

Most tenancies have been agreed for 2-year and 3-year terms, with an option to renew thereafter. Some of the tenancies have a fixed increasing step up rental rates whilst some tenancies have a fixed rental rate throughout. Majority of the tenancies are further subject to sales turnover rent.

The service charges applicable to retail office block tenants is RM2.00 psf per month and retail tenants is RM3.60 psf per month whilst the promotional charges is RM0.40 psf per month with the exception for the anchor and some of the specialty anchor tenants.

The lease expiry profile of the Pavilion Kuala Lumpur Mall is as follows:
2.1 PROPERTY DESCRIPTION (CONT'D)

Property Performance

The following table outlines the historical operating performance of Pavilion Kuala Lumpur Mall as extracted from the proforma income statements provided to us by the Client.

<table>
<thead>
<tr>
<th>Historical Operating Performance, Pavilion Kuala Lumpur Mall (Extracted from the Proforma Income Statements)</th>
<th>FYE 2008</th>
<th>FYE 2009</th>
<th>FYE 2010</th>
<th>Jan – March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Occupancy</td>
<td>98%</td>
<td>99%</td>
<td>97%</td>
<td>98% (as at 1st June 2011)</td>
</tr>
<tr>
<td>(RM'000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Rental Receivable</td>
<td>RM 230,586</td>
<td>RM 242,224</td>
<td>RM 254,821</td>
<td>RM 65,900</td>
</tr>
<tr>
<td>Total Other Income*</td>
<td>RM 15,673</td>
<td>RM 22,675</td>
<td>RM 34,479</td>
<td>RM 8,300</td>
</tr>
<tr>
<td>Total Gross Income</td>
<td>RM 246,259</td>
<td>RM 264,899</td>
<td>RM 289,300</td>
<td>RM 74,200</td>
</tr>
<tr>
<td>Total Outgoings**</td>
<td>(RM 73,640)</td>
<td>(RM 77,999)</td>
<td>(RM 79,800)</td>
<td>(RM 18,700)</td>
</tr>
<tr>
<td>Net Income</td>
<td>RM 172,619</td>
<td>RM 186,900</td>
<td>RM 209,500</td>
<td>RM 55,500</td>
</tr>
</tbody>
</table>

Notes:-
* Other income consists of car park income, income derived from push carts, advertisements, events, sales turnover rent, electricity and water charges less rental rebates.
** Total outgoings includes car park expenses and excludes property manager's fees, depreciation, bad / doubtful debts, tenant fit out expenses and property enhancements.


2.2 MARKET VALUE

Date of Valuation

1st June 2011.

Valuation Methodology

For the purpose of this valuation, we have adopted the Investment and Comparison Methods of Valuation.

Reconciliation of Values

<table>
<thead>
<tr>
<th>Method of Valuation</th>
<th>Derivation of Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Method</td>
<td>RM3,415,000,000</td>
</tr>
<tr>
<td>Comparison Method</td>
<td>RM3,410,000,000</td>
</tr>
</tbody>
</table>

Taking into consideration that Pavilion Kuala Lumpur Mall is a commercial and income generating property, we have adopted the Market Value as derived from the Investment Method of Valuation as a fair representation of the Subject Property supported by the Market Value derived from the Comparison Method.

Market Value

RM3,415,000,000.
2.2 MARKET VALUE (CONT'D)

2.2.1 Investment Method of Valuation

A summary of parameters adopted in the Investment Method of Valuation is scheduled as follows:-

**Term**
- Average Gross Rental: RM16.74 psf per month over prevailing occupied NLA (excluding car park income and other income). This is based on current passing reman receivable by the Mall on contractual basis (unexpired and signed tenancies with commenced rental payment)
- Outgoings: RM4.04 psf per month over occupied NLA (RM4.20 over total NLA)
- Capitalisation Rates: 6.25% - 6.75% adopted for current term; 6.5% - 7.00% for future terms

**Reversionary**
- Average Gross Rental: RM18.54 psf per month on fully leased basis (excluding car park income and other income). The rents are based on rental comparison, tenancy profile, location and existing passing rents of the Mall.
- Void Allowance: 3.0%
- Gross Rental After Void: RM17.98 psf per month (excluding car park income and other income)
- Outgoings: RM4.30 psf per month over total NLA
- Capitalisation Rate: 6.75%

**Car Park Income**
- Term: RM326 per bay per month (based on 2011 estimate, payable by Car Park Operator in the form of gross rental income)
- Reversionary: RM380 per bay per month (based on gross income collection by car park operator)
- Outgoings: Term – 3% of Gross Rental Payable (based on 2011 estimate)
- Reversion – 15% of Gross Income
- Capitalisation Rate: 6.25% under Term and 6.75% for Reversionary period

**Other Income & Rental Rebate**
(includes income derived from promotion kiosks, sales turnover rent, advertisement, events and push carts less rental rebate)
- Gross Income: RM0.77 psf per month based on total NLA
- Outgoings: RM0.06 psf per month based on total NLA for both term and reversionary periods
- Rental Rebate: RM7,300,000 per annum (RM0.46 psf per month over total NLA)
- Capitalisation Rate: 8.00%

**Present Value**

A rate of return of 6.25% is adopted for discounting the future income into the present level for future term and 6.75% under the reversionary period.
### 2.2 MARKET VALUE (CONT'D)

The following table outlines the average rental rates and yield analysis of comparable shopping / retail centre:

<table>
<thead>
<tr>
<th>Property</th>
<th>The Gardens Mall</th>
<th>Sungai Wang Plaza</th>
<th>Sunway Pyramid</th>
<th>Lot 10 Shopping Centre</th>
<th>Starhill Gallery</th>
<th>Suria KLCC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Mid Valley City</td>
<td>Golden Triangle, KL</td>
<td>Bandar Sunway</td>
<td>Golden Triangle, KL</td>
<td>Golden Triangle, KL</td>
<td>Golden Triangle, KL</td>
</tr>
<tr>
<td>NLA</td>
<td>821,887 sf</td>
<td>450,470 sf</td>
<td>1,685,568 sf</td>
<td>256,811 sf</td>
<td>297,354 sf</td>
<td>1,042,858 sf</td>
</tr>
<tr>
<td>Average Gross Rental (psf)</td>
<td>RM9.81 psf</td>
<td>RM10.90 psf</td>
<td>RM10.00 psf</td>
<td>RM12.00 psf (based on master lease)</td>
<td>RM15.00 psf (based on master lease)</td>
<td>Estimated RM323.00 psf (based on revaluation dated March 2011 and estimated yield of 6.5%)</td>
</tr>
<tr>
<td>Consideration / Valuation</td>
<td>RM820,000,000 (based on valuation dated 26th April 2011)</td>
<td>RM724,000,000</td>
<td>RM2,132,025,000</td>
<td>RM401,000,000</td>
<td>RM628,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Net Income (includes car park &amp; other income)</td>
<td>RM56,978,611 (based on outgoings of about RM3.83 psf / month)</td>
<td>RM49,856,000</td>
<td>RM146,000,000</td>
<td>About RM27,250,000</td>
<td>About RM42,800,000</td>
<td>-</td>
</tr>
<tr>
<td>Analyzed Yield</td>
<td>7.19% (based on valuation)</td>
<td>6.90%</td>
<td>6.85%</td>
<td>6.80%</td>
<td>6.80%</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of 100% equity interest in Mid Valley City Gardens Sdn Bhd (MVCG) by Krisasset Holdings Sdn Bhd from I3B Corporation Bhd for a cash consideration of RM215,710,000.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bursa Malaysia Securities Berhad / SGX website / Knight Frank Research

The yields of individual retail centre are dependent on many factors including location, tenant mix, catchment population, occupancy rate and the size of the complexes. From our yield analysis, we have noted that the analyzed yields of shopping complexes transacted over the last two years in Kuala Lumpur are in the region of about 6.80% to 6.90% (excluding The Gardens Mall). We have thus adopted a yield of 6.25% - 7.00% for current and future terms (a range of yields are used to reflect whether the current and future terms are under, over or at market rent) and 6.78% under the reversionary period, to be fair after having taking into consideration of the location, building design and finishes and current tenancy profiles of the Mall.

*Revaluation of Suria KLCC for Accounting purposes pursuant to Amendment to FRS 140: Investment Property. Date of valuation is 1st March 2011.*
2.2.2 Comparison Method of Valuation

We have identified and analyzed the recent transactions of retail centre in Kuala Lumpur and have summarized the details and our valuation approach in the following table. In our analysis and comparison, we have used the recent transactions of Sungai Wang Plaza, Starhill Gallery and Lot 10 Shopping Centre.

<table>
<thead>
<tr>
<th>Sales Comparison and Analysis of Retail Centre in Kuala Lumpur</th>
<th>Comparable 1</th>
<th>Comparable 2</th>
<th>Comparable 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property</strong></td>
<td>Sungai Wang Plaza, Jln Bukit Bintang, Kuala Lumpur</td>
<td>Starhill Gallery, Jalan Bkt Bintang, Kuala Lumpur</td>
<td>Lot 10 Shopping Centre, Jalan Sultan Ismail, Kuala Lumpur</td>
</tr>
<tr>
<td><strong>Tenure</strong></td>
<td>Interest in perpetuity</td>
<td>Interest in perpetuity</td>
<td>Leasehold interest for 99 years expiring on 29th July 2016</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td>About 34 years</td>
<td>About 15 years</td>
<td>About 20 years</td>
</tr>
<tr>
<td><strong>NLA</strong></td>
<td>450,470 sf</td>
<td>297,354 sf</td>
<td>256,811 sf</td>
</tr>
<tr>
<td><strong>Consideration</strong></td>
<td>RM 724,000,000</td>
<td>RM828,000,000</td>
<td>RM401,000,000</td>
</tr>
<tr>
<td><strong>Date</strong></td>
<td>10th June 2010</td>
<td>19th November 2009 / 16th April 2010</td>
<td>19th November 2009 / 16th April 2010</td>
</tr>
<tr>
<td><strong>Vendor</strong></td>
<td>Vest Winners Sdn Bhd</td>
<td>Maybank Trustees Berhad, the trustee of Starhill REIT</td>
<td>Maybank Trustees Berhad, the trustee of Starhill REIT</td>
</tr>
<tr>
<td><strong>Purchaser</strong></td>
<td>AmTrustee Berhad, the trustee of CapitalMalaysia Trust (CMMT)</td>
<td>HSBC Institutional Trust Services (Singapore) Limited, the trustee of Starhill Global REIT</td>
<td>HSBC Institutional Trust Services (Singapore) Limited, the trustee of Starhill Global REIT</td>
</tr>
<tr>
<td><strong>Source</strong></td>
<td>Bursa Malaysia Securities Berhad</td>
<td>Bursa Malaysia Securities Berhad / SGX Announcement</td>
<td>Bursa Malaysia Securities Berhad / SGX Announcement</td>
</tr>
<tr>
<td><strong>Analysis</strong></td>
<td>RM1,607 psf</td>
<td>RM2,115 psf</td>
<td>RM1,561 psf</td>
</tr>
<tr>
<td><strong>Adjustments</strong></td>
<td>Upward adjustment is made for time, exposure, accessibility, tenants mix, building design, age, integrated development and single ownership. Downward adjustment is made for tenure as the subject comparable is freehold.</td>
<td>Upward adjustment is made for time, exposure, accessibility, building design, age and integrated development. Downward adjustment is made for tenure as subject comparable is freehold.</td>
<td>Upward adjustment is made for time, better tenants mix, building design, age and integrated development, tenure and single ownership.</td>
</tr>
<tr>
<td><strong>Effective Adjusted Value</strong></td>
<td>RM2,784 psf</td>
<td>RM2,554 psf</td>
<td>RM2,377 psf</td>
</tr>
</tbody>
</table>

**Valuation Rational**

In regards to size, we have considered making an upward adjustment as the mall is closer to the optimum size for a shopping centre compared to the sale evidences used due to the economies of scale that can be derived. However, this is not reflected in the outgoings of the mall and on the balance we felt that no adjustment were necessary to be made for size. In addition, we have not made any adjustment for master lease arrangement in Comparables 2 and 3 because in our opinion, the expected rental growth for the Pavilion KL Mall is comparable to the fixed rental increases under the master lease arrangement of Comparables 2 and 3. From the abovementioned adjusted values, we note that the adjusted values range from RM2,377 psf to RM2,784 psf. In reconciling our opinion of Market Value, we have placed greater emphasis on Comparable No. 2 (Starhill Gallery) as it has significant similarities after making the necessary adjustments.

As such, a reasonable sum of RM2,554 psf is adopted as a fair representation of the Pavilion Kuala Lumpur Mall which translates to a Market Value of RM3,410,000,000.
3.0 OFFICE TOWER (PROPOSED TO BE NAMED AS PAVILION TOWER)

3.1 PROPERTY DESCRIPTION

**Building Description**
The Office Tower (proposed to be named as Pavilion Tower) is annexed to the Pavilion Kuala Lumpur Mall and strategically located in the Golden Triangle of Kuala Lumpur. The Office Tower is suitable to house corporate headquarters and major multinational corporations in the region.

**Year of Completion**
September 2007.

**Occupancy Status**
About 41% as of 1st June 2011 based on commenced tenancies.

**Gross Floor Area**
22,602.19 square metres (243,288 square feet).

**Net Lettable Area (NLA)**
15,552.62 square metres (167,407 square feet).

**No. of Car Parks**
Without ownership of car parks but car parking facilities are readily available within Pavilion Kuala Lumpur Mall.

**Tenancy Profile**
The Office Tower has a total of 16 committed tenancies as of 1st June 2011. Major tenants include Aker Engineering International Sdn Bhd, Mralis International Sdn Bhd, Clever Eagle Sdn Bhd and Malton Berhad group of companies to name a few.

Most tenancies have been agreed for 3-year terms with fixed rental rate throughout with the exception of one tenancy having fixed increasing step up rental rates.

Oil & Gas is the largest trade sector followed by the development trade sector which is occupying about 36% and 25% respectively. Construction, locomotive technology provider and service office occupy 9% each, investment holding at 7% and lastly sales and marketing consultancy services at 5% of the total occupied area.

*Note:* Aker Engineering Malaysia Sdn Bhd's tenancy will commence on 1st July 2011.
3.1 PROPERTY DESCRIPTION (CONT'D)

Tenant Profile (Cont'd)  The service charge applicable to tenants for the Office Tower is RM1.50 psf per month.

The lease expiry profile of Office Tower is tabulated as follow:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Lease Expiry Profile by NLA (sf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td><img src="chart.png" alt="Lease Expiry Profile Chart" /></td>
</tr>
<tr>
<td>2013</td>
<td><img src="chart.png" alt="Lease Expiry Profile Chart" /></td>
</tr>
<tr>
<td>2014</td>
<td><img src="chart.png" alt="Lease Expiry Profile Chart" /></td>
</tr>
</tbody>
</table>

Property Performance  The following table outlines the historical operating performance of the Office Tower as extracted from the proforma income statements provided to us by the Client.

<table>
<thead>
<tr>
<th>Historical Operating Performance, Office Tower (proposed to be named as Pavilion Tower) (Extracted from the Proforma Income Statements)</th>
<th>FYE 2010**</th>
<th>Jan – March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Occupancy Rate</td>
<td>30%</td>
<td>64%*** (as at 1st June 2011)</td>
</tr>
<tr>
<td>(RM’000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Rental Receivable</td>
<td>RM1,878</td>
<td>RM 820</td>
</tr>
<tr>
<td>Other Income*</td>
<td>RM 2</td>
<td>RM 73</td>
</tr>
<tr>
<td>Total Gross Income</td>
<td>RM1,880</td>
<td>RM 893</td>
</tr>
<tr>
<td>Total Outgoings****</td>
<td>(RM2,317)</td>
<td>(RM 685)</td>
</tr>
<tr>
<td>Net Income</td>
<td>(RM 437)</td>
<td>RM 208</td>
</tr>
</tbody>
</table>

Notes:—
* Other income includes reimbursable electricity charges.
** The Office Tower was purchased by Capital Flagship Sdn Bhd in 2010 and leasing of vacant space commenced in the same year.
*** Occupancy of about 64% based on committed and / or yet to commence tenancies (41% occupancy based on committed and commenced tenancies)
**** Total outgoings excludes property manager’s fees, depreciation and bad / doubtful debts.

Source: Capital Flagship Sdn Bhd
3.2 MARKET VALUE

Date of Valuation  1st June 2011.

Valuation Methodology  For the purpose of this valuation, we have adopted the Investment and Comparison Methods of Valuation.

Reconciliation of Values  

<table>
<thead>
<tr>
<th>Method of Valuation</th>
<th>Derivation of Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Method</td>
<td>RM128,000,000</td>
</tr>
<tr>
<td>Comparison Method</td>
<td>RM124,000,000</td>
</tr>
</tbody>
</table>

Taking into consideration that the Office Tower is a commercial and income generating property, we have adopted the Market Value as derived from the Investment Method of Valuation as a fair representation supported by the Market Value derived from the Comparison Method.

Market Value  RM128,000,000.

3.2.1 Investment Method of Valuation

A summary of parameters adopted in the Investment Method of Valuation is scheduled as follows:-

Term
Average Gross Rental  RM5.77 psf per month over prevailing occupied NLA. This is based on current passing rent receivable by the Office Tower on contractual basis (unexpired and signed tenancies) or RM3.80 psf per month over prevailing occupied NLA (based on unexpired and signed tenancies with commenced rental payment)

Outgoings  RM0.97 psf per month over occupied NLA (RM1.50 over total NLA)
Capitalisation Rates  6.25% - 6.50% adopted for current term

Reversionary
Gross Rental  RM6.00 psf per month on fully leased basis
Void Allowance  5.0%
Gross Rental After Void  RM5.70 psf per month
Outgoings  RM1.50 psf per month over total NLA
Capitalisation Rate  6.50%

Rent Loss Adjustment

Estimated total rental loss amounting to RM1,426,851 based on 5% vacancy absorption rate per month at RM6.00 psf per month for a period of seven months beginning from July 2011 until January 2012.

Present Value

A rate of return of 6.50% is adopted for discounting the future income into the present level for future term and under the reversionary period.
3.2 MARKET VALUE (Cont’d)

Under the reversionary valuation, we have adopted the above rates, which in our opinion to be fair after having taking into consideration of our rental comparison, location and existing current passing rentals.

The following table outlines the average rental rates and yield analysis of comparable of en-bloc offices:

<table>
<thead>
<tr>
<th>Rental Comparison &amp; Yield Analysis of Selected En-Bloc Office Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property</strong></td>
</tr>
<tr>
<td><strong>Location</strong></td>
</tr>
<tr>
<td><strong>NLA</strong></td>
</tr>
<tr>
<td><strong>Average Gross Rental psf</strong></td>
</tr>
<tr>
<td><strong>Consideration</strong></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
</tr>
<tr>
<td>(includes car park &amp; other income)</td>
</tr>
<tr>
<td><strong>Year of Transaction</strong></td>
</tr>
<tr>
<td><strong>Analyzed Yield</strong></td>
</tr>
</tbody>
</table>

Source: Bursa Malaysia Securities Berhad / Knight Frank Research

From our yield analysis, we have noted the yields of prime office buildings in Kuala Lumpur transacted earlier i.e. year 2009 and 2010 at about 6.70% to 6.80% (excluding Menara Citibank). However, we are of the opinion that the current yield of prime office buildings in Kuala Lumpur is lower than the above due to the yield compression situation for all the properties at the current moment. Furthermore, our investigation revealed that recent transacted en-bloc office sales (purchases by N2N Connect Bhd and AmFIRST REIT) after the date of valuation command yields ranging from 5.80% to 6.50%. Hence, for the Office Tower (proposed to be named as Pavilion Tower), we have adopted yields of 6.25% - 6.50% for current term (a range of yields are used to reflect whether the current term is under or at market rent) and 6.50% under the reversionary period, to be fair after having taking into consideration of the tenure, location, condition and size.

3.2.2 Comparison Method of Valuation

We have identified and analyzed the recent transactions of en-bloc offices in Kuala Lumpur and have summarized the details and our valuation approach in the following table. In our analysis and comparison, we have used the recent transactions of Wisma KLH, Sunway Tower and The Icon.

Sales Comparison and Analysis of En-Bloc Offices in Kuala Lumpur

<table>
<thead>
<tr>
<th>Sales Comparison and Analysis of En-Bloc Offices in Kuala Lumpur</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comparable 1</strong></td>
</tr>
<tr>
<td><strong>Property</strong></td>
</tr>
<tr>
<td><strong>Tenure</strong></td>
</tr>
<tr>
<td><strong>Age</strong></td>
</tr>
<tr>
<td><strong>NLA</strong></td>
</tr>
<tr>
<td><strong>No. of Car Parks</strong></td>
</tr>
</tbody>
</table>
3.2 MARKET VALUE (CONT'D)

<table>
<thead>
<tr>
<th>Consideration</th>
<th>RM 48,000,000</th>
<th>RM171,489,000</th>
<th>RM226,514,800</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Car Park Value Per Bay</td>
<td>RM80,000 per bay</td>
<td>RM25,000 per bay</td>
<td>RM60,302 per bay</td>
</tr>
<tr>
<td>Total Estimated Car Park Value</td>
<td>(RM480,000)</td>
<td>(RM7,325,000)</td>
<td>(RM18,151,000) (reported sale)</td>
</tr>
<tr>
<td>Estimated Consideration of the Main Building</td>
<td>RM475,520,000</td>
<td>RM164,164,000</td>
<td>RM206,363,800</td>
</tr>
<tr>
<td>Date</td>
<td>26th October 2010</td>
<td>8th July 2010</td>
<td>24th December 2009</td>
</tr>
<tr>
<td>Vendor</td>
<td>Kuala Lumpur Industries Berhad, a wholly owned subsidiary of Equine Capital Berhad</td>
<td>Sunway Tower 2 Sdn Bhd</td>
<td>Mah Sing Group Berhad</td>
</tr>
<tr>
<td>Purchaser</td>
<td>Wonderful Vantage Sdn Bhd</td>
<td>OSK Trustees Berhad, the trustee of Sunway REIT</td>
<td>T.S.Law Realty Sdn Bhd</td>
</tr>
<tr>
<td>Source</td>
<td>Bursa Malaysia Securities Bhd</td>
<td>Bursa Malaysia Securities Bhd</td>
<td>Bursa Malaysia Securities Bhd</td>
</tr>
<tr>
<td>Analysis</td>
<td>RM661 psf</td>
<td>RM612 psf</td>
<td>RM749 psf</td>
</tr>
<tr>
<td>Adjustments</td>
<td>Upward adjustment is made in terms of building design, age, occupancy and integrated development. Downward adjustment is made for tenure, lack of car park ownership, location and availability of retail component on the ground floor.</td>
<td>Upward adjustment is made in terms of location, accessibility, building design, age and integrated development. Downward adjustment is made for tenure, lack of car park ownership, occupancy and availability of retail component on the ground floor.</td>
<td>Upward adjustment is made in terms of location, accessibility, building design, age and integrated development. Downward adjustment is made for tenure, lack of car park ownership, location and availability of retail component on the ground floor.</td>
</tr>
<tr>
<td>Effective Adjusted Value</td>
<td>RM861 psf</td>
<td>RM706 psf</td>
<td>RM742 psf</td>
</tr>
</tbody>
</table>

**Valuation Rational**

In analyzing and comparing the sale transactions of office buildings against the subject property, we have excluded the car park values before further qualitative adjustments are made. Out of the three comparables, only Comparable 3 (The Icon) reported its sale of car parks for about RM60,302 per bay. For the other two comparables, we have estimated the values of car parks based on readily available information. From our analysis and research, we note that value of car park per bay for Comparable 1 and 2 is about RM60,000 and RM25,000 per bay respectively. The higher value per bay analyzed for Comparable 1 is due to its retail and commercially oriented location of Bukit Bintang.

From the adjusted values, we note that the values derived range from RM706 psf to RM861 psf. In reconciling our opinion of Market Value, we have placed greater emphasis on Comparable 3 (The Icon) as it has significant similarities with the Office Tower after making the necessary adjustments for differences in location, tenure, being part of an integrated development, availability of car park ownership and retail component on the ground floor.

Having regards to the foregoing, we have adopted the analysed value of about RM742 psf in our Valuation as a fair representation which translates to a Market Value of RM124,000,000.
INDEPENDENT PROPERTY MARKET REPORT

October 2011

Prepared for:
Pavilion REIT Management Sdn Bhd
<table>
<thead>
<tr>
<th>NO</th>
<th>TITLE</th>
<th>PAGE NUMBER</th>
</tr>
</thead>
<tbody>
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<td>TERMS OF REFERENCE</td>
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<td>2.3 Tourism Indicators</td>
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<td>2.3.1 Tourist Arrivals and Receipts</td>
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<td></td>
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<td></td>
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<td>13</td>
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<td>3.0</td>
<td>KUALA LUMPUR ECONOMIC OVERVIEW AND OUTLOOK</td>
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<td>3.3 Unemployment Rate</td>
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<td>3.4 Government Initiatives</td>
<td>17</td>
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<td></td>
<td>3.5 Performance of Real Estate Market</td>
<td>18</td>
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<tr>
<td>4.0</td>
<td>KLANG VALLEY RETAIL PROPERTY MARKET</td>
<td>19</td>
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<td></td>
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<td>21</td>
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<td>4.3 Key Retail Operators and Brands</td>
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<td>4.4 Cumulative Supply</td>
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<tr>
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<td>4.5 Population and Retail Space Supply per Capita</td>
<td>26</td>
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<td></td>
<td>4.6 Future Supply of Malls</td>
<td>27</td>
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<td></td>
<td>4.7 Occupancy Rate Trends</td>
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Chapter 1
Terms of Reference

1.0 TERMS OF REFERENCE

CB Richard Ellis ("CBRE") was commissioned by Pavilion REIT Management Sdn Bhd to provide an Independent Property Market Report ("Report") for the purpose of Pavilion REIT Management Sdn Bhd's Initial Public Offering ("IPO") and listing on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

This Report aims to satisfy the following scope of work:

(A) Economic Overview and Outlook: An overview of the Malaysian and Kuala Lumpur economy focusing on macroeconomic indicators will be presented in this section.

(B) Property Market Overview and Outlook: CBRE will carry out an assessment of the retail property market in Klang Valley (i.e. Kuala Lumpur and selected districts of Selangor) and office property market in Kuala Lumpur. This includes an overview of demand and supply as well as outlook of the retail and office property markets in general.

(C) Review on REIT Portfolio and Outlook: This section of the report provides a review on the portfolio under the REIT from the perspectives of location, trade area, and performance analysis, as well as SWOT and comparative analysis. Subsequently, outlook commentary on the assets is also provided based on market findings.

This Report is subject to the following limiting conditions:

- Neither the whole nor any part of this Report or any reference to it may be included in any published document, circular to statement nor published in any way without CBRE's prior written approval of the form and context in which it may appear (other than in respect of any documents / information necessary to facilitate the IPO);
- Where it is stated in the Report that information has been supplied to CBRE by another party, this information is believed to be reliable by CBRE. Other information is derived from sources which we believe to be reliable to the best of our ability. We can accept no responsibility if this should prove not to be so;
- Our Report is made solely for the use of the party to whom it is addressed and to their professional advisors for the specific purpose to which it refers. CBRE disclaims all responsibility and will accept no liability to any other party.
- Any plan or map in this Report is included to assist the reader in visualising the property. We have made no survey of the property and assume no responsibility in connection with such matters.


## 2.0 MALAYSIA ECONOMIC OVERVIEW AND OUTLOOK

### 2.1 Key Economic Indicators

*Table 2.1: Malaysia Economic Data Overview, 2000 – 2012*

<table>
<thead>
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</tr>
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<tr>
<td>Real GDP at Current (2000 Prices) (mil)</td>
<td>256,601</td>
<td>268,741</td>
<td>271,534</td>
<td>277,011</td>
<td>279,518</td>
<td>320,518</td>
<td>348,250</td>
<td>376,326</td>
<td>506,341</td>
<td>530,181</td>
<td>571,069</td>
<td>627,521</td>
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<td>Real GDP Growth (%)</td>
<td>8.8%</td>
<td>0.5%</td>
<td>5.4%</td>
<td>5.8%</td>
<td>6.9%</td>
<td>5.3%</td>
<td>5.8%</td>
<td>4.7%</td>
<td>4.7%</td>
<td>7.2%</td>
<td>5.0%</td>
<td>5.8%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Consumer Price Index (2000 = 100)</td>
<td>100.0</td>
<td>101.4</td>
<td>102.2</td>
<td>104.4</td>
<td>105.9</td>
<td>109.1</td>
<td>113.0</td>
<td>115.3</td>
<td>117.6</td>
<td>123.3</td>
<td>124.4</td>
<td>128.4</td>
<td></td>
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<tr>
<td>Inflation Rate (%)</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.4%</td>
<td>3.0%</td>
<td>2.0%</td>
<td>5.4%</td>
<td>0.6%</td>
<td>1.7%</td>
<td>2.7%</td>
<td>2.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td>MIEC Consumer Sentiment Index</td>
<td>115.6</td>
<td>93.8</td>
<td>112.8</td>
<td>115.5</td>
<td>113.9</td>
<td>116.3</td>
<td>110.8</td>
<td>110.7</td>
<td>71.4</td>
<td>106.6</td>
<td>117.3</td>
<td>125.0</td>
<td></td>
</tr>
<tr>
<td>Overdraft Policy Rate</td>
<td>3.75%</td>
<td>4.25%</td>
<td>4.25%</td>
<td>3.75%</td>
<td>3.75%</td>
<td>3.25%</td>
<td>3.25%</td>
<td>3.75%</td>
<td>3.50%</td>
<td>3.75%</td>
<td>3.25%</td>
<td>3.25%</td>
<td></td>
</tr>
<tr>
<td>Exchange Rate (RM to USD)</td>
<td>0.3512</td>
<td>0.3627</td>
<td>0.3820</td>
<td>0.3932</td>
<td>0.3932</td>
<td>0.3946</td>
<td>0.3932</td>
<td>0.3932</td>
<td>0.3977</td>
<td>0.3970</td>
<td>0.3943</td>
<td>0.3970</td>
<td></td>
</tr>
<tr>
<td>Unemployment</td>
<td>5.3%</td>
<td>5.2%</td>
<td>5.0%</td>
<td>5.2%</td>
<td>4.3%</td>
<td>4.1%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>3.5%</td>
<td>3.2%</td>
<td>3.0%</td>
<td>2.9%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Source: Department of Statistics, Bank Negara Malaysia, JPPH (Ministry of Finance), Malaysia Institute of Economic Research (MIER)

Note - e: estimates; p: preliminary, by Department of Statistics

1. Forecast by Malaysian Government
2. Growth rate based on constant 1987 prices
3. Forecast by International Monetary Fund (IMF)
4. Forecast by Malaysia Institute of Economic Research (MIER)

- The Malaysian economy recorded a compounded annual growth rate (CAGR) of 4.59% over a 10-year period as real GDP grew from RM356,401 million in 2000 to RM538,382 million in 2010 in constant terms.
- In 1H 2011, Malaysian economy registered stable growth of 4.4%.
- The Malaysian government estimates GDP growth in 2011 and 2012 to be at the range of 5.0% to 5.5% and 5.0% to 6.0% respectively, whilst International Monetary Fund (IMF) estimates inflation to be at 3.2% and 2.5% in the same period in view of rising global commodity and energy prices.
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2.2 Income and Spending Trends
2.2.1 Mean Gross Monthly Household Income

Table 2.2a: Malaysia Gross Monthly Household Income, 1999 - 2009

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>2,472</td>
<td>3,249</td>
<td>3,686</td>
<td>4,025</td>
<td>5.00%</td>
</tr>
<tr>
<td>Kuala Lumpur</td>
<td>4,105</td>
<td>5,011</td>
<td>5,322</td>
<td>5,488</td>
<td>2.95%</td>
</tr>
<tr>
<td>Selangor</td>
<td>3,702</td>
<td>5,175</td>
<td>5,580</td>
<td>5,962</td>
<td>4.88%</td>
</tr>
</tbody>
</table>

Source: Economic Planning Unit and Department of Statistics Malaysia, Household Income Survey

- The national mean gross monthly household income increased from RM2,472 in 1999 to RM4,025 in 2009 at a compounded annual growth rate (CAGR) of 5.00%.
- The mean gross monthly household incomes in Kuala Lumpur and Selangor were RM5,488 and RM5,962, respectively, in 2009, both of which were higher than the national average of RM4,025. Kuala Lumpur’s mean gross monthly household income grew by a CAGR of 2.95% from 1999 to 2009, while that of Selangor grew by a CAGR of 4.88% during the same period.

2.2.2 Household Expenditure

Chart 2.2b: Malaysia Composition of Household Expenditure, 1998/99 - 2009

Source: Department of Statistics Malaysia and Bank Negara Malaysia

- Based on the most recent Household Expenditure Survey carried out by the Department of Statistics and reported by Bank Negara Malaysia in 2009, Malaysian households spend, on average, 51.6% of their total expenditure on a few key items, including food and non-alcoholic beverages (21.8%), housing, water, electricity, gas and fuels (16.7%) and transport (13.1%). The total percentage of spending on these core items was reported to
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be lower in this latest survey than in previous surveys (58.2% in 2004/05 and 58.7% in 1998/99).

- Components of expense that have grown in importance as a percentage of total expenditure over the past ten years from 1998/99 to 2009 include communication (+105.6%), miscellaneous goods and services (+95.4%), alcoholic beverages and tobacco (+21.1%), health (+16.7%), recreation (+14.0%) and furnishings, household equipment and maintenance (+2.0%). This is characteristic of income growth in emerging economies. As household income increases, the percentage of expenditure on discretionary items e.g. mobile devices, beauty services, travelling increases while the percentage of expenditure on essential items decreases.

2.2.3 Consumer Spending Behavior and Preference

- Malaysia’s retail industry has matured over the years and is ahead of that in Indonesia, Vietnam and Cambodia in terms of its presentation and retail offers, and is similar to markets in Bangkok and Singapore. Currently, new malls are mainly in under-served suburban locations and are usually of the smaller niche or neighbourhood mall variety.
- A mature retail industry implies segmentation of demographics in terms of incomes and behavioural patterns. Certainly, mini theme parks on roof tops of malls are no longer in vogue both in Bangkok and Kuala Lumpur. in their place, cineplexes are becoming main anchor tenants of malls.
- The food and beverages sector has likewise become a major draw as lifestyles change to the extent where consumers are now eating out more than twice a week, as opposed to cooking at home. This has resulted in food and beverages content surging past 15% of trade mix in most successful malls worldwide and even more so in Kuala Lumpur.
- Fashion has also segmented into different price point categories and major malls now need to have a complete range of these to offer sufficient comparison shopping. Now fashion must include not only department stores but fast fashion (young and trendy streetwear), premium brands and edgy independent boutiques.
- Consumers are now more savvy and discerning as a result of information technology (IT) and new methods of communication such as Facebook™, Apple iPhone™ and BlackBerry™. A recent private survey suggests that online shopping, even in Kuala Lumpur, has increased significantly amongst 20 to 40-year olds, whilst brick-and-mortar shopping by the young and trendy is frequently preceded by research on the internet on a particular brand.
- With such shifts taking place in shopping preferences and behaviour, there are implications for retail destinations. These trends observed on the consumer spending behavior and preference in Malaysia can be summarized as follows:-
  - Shoppers seek to accomplish more in less time;
  - Shopping is evolving into an experience, beyond functionality alone; it now frequently has to be a good / satisfactory experience;
  - Aspirational brands are becoming more important;
  - Food and beverages is a major part of the shopping trip;
  - In larger malls, average time spent is longer at 3½ hours, as shoppers combine meals, groceries, services and households with comparison shopping in one trip;
  - Internet shopping is fast gaining recognition; youths aged 20 to 24 spend an average of 22.3 hours online per week and this could possibly result in greater online spending when they join the work force.
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- There are clearly three price associated trends in the country’s demographics. Like those of most middle income countries, Malaysia’s middle income groups have been affected by rising inflation with purchasing power shrinking as petrol and utility price increases have grown faster than salary growth. This has resulted in price elasticity becoming more pronounced and mainstream and fast fashion brands have been more severely affected in the aftermath of the US subprime crisis, even in Malaysia. Middle income consumers are now driven by value-for-money merchandise. In 2008 particularly, mainstream brands saw more than 30% drops in their gross sales turnover throughout the country. Fine dining was likewise affected. Conversely, the hypermarkets and fast food chains experienced growth in that same period as middle income families shifted their spending a notch downwards to cheaper but quality products. Thirdly, the luxury segment, although slightly affected, continued to thrive throughout the US subprime crisis as the upper income groups were less affected. Regional tourism also increased although fuel prices increased, resulting in better performance for the luxury segment. Going forward the retail industry will witness new fashion influences from the region as Chinese and Korean fashion dominate the region with their competitive pricing and attractive merchandise. This will pander to the middle income bracket even more and will impact on the tenant mix of larger malls in the next decade.

2.2.4 Retail Performance

2.2.4.1 Malaysia Retail Trade Sector Sales Value

Chart 2.2e: Malaysia Retail Trade Sector Sales Value, 2004 – 2010

Source: Department of Statistics Malaysia

- Total retail sales in 2010 was reported to be RM134.66 billion, up 9.9% compared to 2009.
- The retail trade sector has recorded robust growth since 2004, surging by 250% from RM38.44 billion in 2004 to RM134.66 billion in 2010, at a CAGR of 23%.
- The Tenth Malaysia Plan (10MP) targets an annual growth of 8.30% during its five year period (2011-2015) for the distributive trade sector which comprises of the wholesale trade, retail trade and motor vehicles trade.
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2.2.4.2 Malaysia Retailers' Sales Growth

According to Malaysia Retailers Association, which reports the sales performance of retailers under its membership, retail sales growth has achieved a higher growth rate than the national GDP growth rate since 2004.

Retail sales registered 8.4% growth in 2010 while GDP improved by 7.2%. In view of inflationary pressure and continual removal of government subsidies, the Malaysia Retailers Association forecast retail sales growth of 6.0% in 2011.

2.3 Tourism Indicators

2.3.1 Tourist Arrivals and Receipts

Retail Sales Growth vs GDP Growth, 2004 – 2011e

Source: Department of Statistics Malaysia, Bank Negara Malaysia, Malaysia Retailers Association (MRA)

Source: Tourism Malaysia
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- Tourist arrivals and receipts have been generally on an uptrend over the last 10 years, with the exception of 2003, when the SARS outbreak affected Malaysia’s tourism industry.
- The tourism sector, the largest contributor to GDP in the services sector, witnessed rapid growth in 2007 following the success of the ‘Visit Malaysia 2007’ campaign.
- Recovering from the global economic downturn in the 2009, tourist arrivals reached a new record in 2010, at 24.58 million, while tourist receipts were also at an all-time high of RM56.5 billion.
- The targets for 2011 are 25 million tourist arrivals and RM60 billion in tourism receipts.

2.3.2 Component of Tourist Expenditure

Table 2.3b: Breakdown of Tourist Expenditure, 2005 – 2009.

<table>
<thead>
<tr>
<th>Items</th>
<th>2005</th>
<th>%</th>
<th>2006</th>
<th>%</th>
<th>2007</th>
<th>%</th>
<th>2008</th>
<th>%</th>
<th>2009</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td>RM 10,704.6</td>
<td>33.5%</td>
<td>RM 12,840.2</td>
<td>35.4%</td>
<td>RM 14,935.6</td>
<td>30.9%</td>
<td>RM 15,463.1</td>
<td>31.2%</td>
<td>RM 16,573.8</td>
<td>31.0%</td>
</tr>
<tr>
<td>Shopping</td>
<td>RM 6,646.5</td>
<td>20.8%</td>
<td>RM 9,321.8</td>
<td>25.7%</td>
<td>RM 12,254.6</td>
<td>25.6%</td>
<td>RM 13,282.4</td>
<td>26.8%</td>
<td>RM 15,103.1</td>
<td>28.3%</td>
</tr>
<tr>
<td>Food &amp; Beverages</td>
<td>RM 6,358.9</td>
<td>19.9%</td>
<td>RM 6,782.8</td>
<td>18.1%</td>
<td>RM 8,338.7</td>
<td>18.1%</td>
<td>RM 8,772.3</td>
<td>17.7%</td>
<td>RM 9,290.5</td>
<td>17.4%</td>
</tr>
<tr>
<td>Local Transportation</td>
<td>RM 3,706.7</td>
<td>11.6%</td>
<td>RM 3,663.4</td>
<td>10.1%</td>
<td>RM 4,607.0</td>
<td>10.0%</td>
<td>RM 5,154.4</td>
<td>10.4%</td>
<td>RM 5,253.1</td>
<td>9.8%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>RM 1,278.2</td>
<td>4.0%</td>
<td>RM 1,342.1</td>
<td>3.7%</td>
<td>RM 1,428.2</td>
<td>3.1%</td>
<td>RM 1,468.8</td>
<td>3.0%</td>
<td>RM 1,594.0</td>
<td>3.0%</td>
</tr>
<tr>
<td>Domestic Airlines</td>
<td>RM 1,246.2</td>
<td>3.9%</td>
<td>RM 1,124.5</td>
<td>3.1%</td>
<td>RM 2,257.4</td>
<td>4.9%</td>
<td>RM 2,428.3</td>
<td>4.9%</td>
<td>RM 2,274.7</td>
<td>4.3%</td>
</tr>
<tr>
<td>Organised Tour</td>
<td>RM 1,022.5</td>
<td>3.2%</td>
<td>RM 725.4</td>
<td>2.0%</td>
<td>RM 2,027.1</td>
<td>4.4%</td>
<td>RM 2,032.0</td>
<td>4.1%</td>
<td>RM 2,271.0</td>
<td>4.3%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>RM 990.5</td>
<td>3.1%</td>
<td>RM 471.9</td>
<td>1.3%</td>
<td>RM 921.4</td>
<td>2.0%</td>
<td>RM 941.7</td>
<td>1.9%</td>
<td>RM 1,007.5</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>RM 31,954.1</strong></td>
<td><strong>31.0%</strong></td>
<td><strong>RM 36,271.7</strong></td>
<td><strong>28.3%</strong></td>
<td><strong>RM 46,570.0</strong></td>
<td><strong>28.3%</strong></td>
<td><strong>RM 49,561.2</strong></td>
<td><strong>28.3%</strong></td>
<td><strong>RM 55,367.7</strong></td>
<td><strong>28.4%</strong></td>
</tr>
</tbody>
</table>

Source: Tourism Malaysia

- Tourist expenditure in 2009 was mainly focused on Accommodation (31.0%), Shopping (28.3%) and Food & Beverages (17.4%).
- High-growth components include the Shopping and Organised Tour components, which recorded double digit growth of 13.7% and 11.8%, respectively, in 2009, followed by Accommodation (+7.2%), Entertainment (+7.2%), Miscellaneous (+7.0%), Food & Beverages (+5.9%) and Local Transportation (+1.9%).
- Shopping has become increasingly significant in terms of total expenditure by tourists and increased from 21% of total tourist expenditure in 2005 to 28% in 2009.

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2.3.3 Tourist Arrivals by Country of Origin

Chart 2.3c: Malaysia Tourist Arrivals by Country of Origin, 2000 - 2010

- Key international source markets for Malaysia have traditionally been Australia, Japan, Korea and Europe, in particular United Kingdom, France and Germany.
- Within the ASEAN region, Singapore - by virtue of its historical links with Malaysia and its physical proximity - has been the primary source of tourists to Malaysia with a share of more than 50% of total tourist arrivals over the 10-year period. Indonesia, on the other hand, accounts for approximately 10% of total tourist arrivals in 2010.
- However, changing trends and increasing globalisation and travel have opened up some new key markets, most notably China, India and the Middle East.
- The map below shows the selected major tourist markets of Malaysia in 2010 with arrival statistics.

Map 2.3d: Selected Major Tourist Markets of Malaysia and Arrivals Statistics 2010

Source: CBRE Research, Tourism Malaysia
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2.4 Federal Government Initiatives

- 2009 marked significant changes in the history of Malaysia’s economic development with the government’s unveiling of a comprehensive package of economic liberalisation measures. The new policies are wide in scope and will have a significant impact on the real estate sector as they have removed a large number of restrictions on the purchase of properties by foreign investors. Other measures will widen and diversify the base of the nation’s economy by encouraging the growth of the service and financial sectors whilst also creating new opportunities for international investment.

- Repeal of the Foreign Investment Committee (FIC) Guidelines: Effective 30 June 2009, the former Foreign Investment Committee (FIC) guidelines were repealed, resulting in the abolition of a large number of restrictions on the purchase of properties by foreign investors. Previously under the FIC all property acquisitions by a foreign investor were subject to FIC approval. Some minor restrictions remain however; approval from the Economic Planning Unit (EPU) is required where a direct or indirect property transaction involves the dilution of Bumiputera (indigenous and ethnic Malay) or government interest for properties valued at RM20 million and above, while foreign investors are only allowed to purchase properties priced above RM500,000 per unit. These measures are designed to increase the volume of transactions by attracting more foreign investors who are considering entering the Malaysian real estate market for the first time or further expanding their existing foothold.

- Liberalisation Measures on Services and Financial Sector: Other measures have focused on the service and financial sectors. The government aims to increase the service sector’s contribution to Malaysia’s GDP from 55% to 60% and intends to achieve this by progressively liberalising various service sub-sectors. Its first step has been to remove the 30% Bumiputera equity condition in 27 sub-sectors of the service sector including business services, computer and related services, health and social services, sporting and other recreational services, tourism services and transport services. The financial liberalisation measures which were and will be implemented over the period from 2009 to 2012, include the issuance of Islamic and commercial banking licences to allow more foreign companies to operate in the Malaysian financial services sector, a step which should provide the impetus to create new demand in the office sector as economic conditions improve. By 2012, seven new foreign banks, including two mega-Islamic institutions, will be permitted to commence operations. In addition to the removal of the former FIC guidelines covering property acquisition by foreigners, those relating to the acquisition of equity stakes, mergers and takeovers were also repealed, meaning that, with a few exceptions, there will no longer be a general 30% Bumiputera equity condition imposed by the FIC, although regulators of certain strategic sectors will still be able to continue to impose equity conditions on companies operating within them. The new measures are expected to have a positive medium term impact and spur interest on the part of foreign and local institutional property funds and REITs in entering the Malaysian real estate market. The removal of the 30% Bumiputera equity condition in certain sectors of the economy is particularly significant; the existence of this regulation had formerly deterred many foreign institutional investors from investing in Malaysia but its repeal puts the country’s policies on an even footing with those found in Hong Kong and Singapore and sets Malaysia apart from some of the still emerging economies elsewhere in Southeast Asia.
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- Multimedia Super Corridor (MSC) Status Office Buildings: MSC Status office buildings were first introduced in 1996, being designated physical areas and environments that catalyse and support the growth of information communication technology (ICT) industries. Among such MSC status office buildings in Klang Valley include Technology Park Malaysia (TPM), UPM-MTDC Technology Centre at UPM, KLCC Tower 2; Plaza Sentral; Quill 7 and 1 Sentral at KL Sentral; Menara TM, The Gardens at Mid Valley (North & South Tower), CityPark at 1-City; IBM & KPMG Tower, 1 Tech Park, and 1 First Avenue at Bandar Utama; The Horizon in Bangsar South City, and GTower. These, as well as multimedia faculties located in institutions of higher learning outside the cybercities, are eligible for the following incentives/facilities and benefits:

  - Pioneer Status with income tax exemption of 100% of statutory income for a period of ten years or an Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years to be offset against 100% of statutory income for each year of assessment
  - Eligibility for research and development grants (for majority Malaysian-owned MSC status companies)
  - Duty-free import of multimedia equipment
  - Intellectual property protection and a comprehensive framework of cyberlaws
  - No censorship of the internet
  - World-class physical and IT infrastructure
  - Globally competitive telecommunication tariffs and services
  - Consultancy and assistance by the Multimedia Development Corporation to companies within the MSC status buildings
  - High quality, planned urban development
  - Excellent research and development facilities
  - Green and protected environment
  - Import duty, excise duty and sales tax exemption on machinery, equipment and materials

- Incentives for Green Building Development: The launch of Malaysia's green building rating system, The Green Building Index (GBI), in May 2009 has been heralded as a major step towards promoting the construction of environmentally-friendly buildings in the country. The GBI rates buildings according to six key criteria: energy efficiency; indoor environmental quality; sustainable site planning and management; material and resources; water efficiency; and innovation. According to the GBI assessment framework, achieving points in these categories will mean that the building is likely to be more environmentally-friendly than those that do not address such issues. The GBI methodology involves an assessment at the design stage leading to the award of the provisional GBI rating. The final award is not issued until one year after the building is first occupied. The scheme requires buildings to be re-assessed every three years in order to maintain their GBI rating so as to ensure they are properly managed and well-maintained. Buildings are awarded Platinum, Gold, Silver or Certified ratings depending on the results they attain in the six categories. The Malaysian government has swung its weight behind the drive towards green buildings and green technology and its Budget 2010 was the first one ever to give priority to the procurement of goods and services that are environmentally friendly. The budget contained the pledge to create a fund of no less than RM1.50 billion to be given as soft loans to companies that supply and utilise green technology. The scheme commenced on 1 January 2010 and is expected to benefit 140 companies. The government has also granted tax breaks and stamp duty exemptions respectively to building owners obtaining GBI certificates and buyers purchasing buildings with GBI certificates. Building owners obtaining GBI certificates between 24 October 2009 and 31 December 2014 are entitled to income tax exemption equivalent to the additional capital expenditure incurred in obtaining the certificates, while buyers purchasing buildings with GBI Certificates from developers are entitled to be given stamp duty exemption on instruments of transfer of ownership. The exemption amount will be equivalent to the additional cost incurred in obtaining the GBI certificates, and is given to buyers who successfully execute sales and
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purchase agreements from 24 October 2009 until 31 December 2014. The GBI has already gained significant momentum in the months since its introduction and the development industry in Malaysia has responded rapidly and favourably to the call for more environmentally-friendly buildings.

- New Economic Model (NEM): The first quarter of 2010 ended on a positive note with the announcement by Malaysia’s Prime Minister on the NEM, a framework that is expected to set the course for Malaysia’s path towards becoming a high-income economy by the year 2020. One of the key strategies targeted under NEM to improve the financial services sector is promoting the country as a hub for integrated financial services. The Malaysian government has recently unveiled its plans to build an international financial district in the capital city known as the Kuala Lumpur International Financial District (KLIFD).

- Tenth Malaysia Plan (10MP): The Prime Minister tabled the 10MP for the period of 2011 to 2015, which highlights the country’s approaches towards becoming a high income and high productivity economy. Among the property-related highlights of the 10MP includes:
  - Redevelopment of pockets of land in Kuala Lumpur, which includes land in the vicinity of Kampung Baru and Sungai Besi airport, the latter of which will be a mixed development known as Bandar Malaysia and has been entrusted to a consortium of companies which includes 1Malaysia Development Berhad (1MDB), Lembaga Tabung Angkatan Tentera (LTAT) and Qatar Investment Authority;
  - The development of the RM26 billion KLIFD via a joint venture between 1MDB and Mubadala Development Company (an Abu Dhabi government investment vehicle); and
  - The creation of a Facilitation Fund worth RM20 billion to help the private sector finance projects such as land reclamation in Westport, Port Klang, the Malaysia Truly Asia Tourism Centre in Kuala Lumpur and Senai High Technology Park in Iskandar Malaysia, Johor.

- Malaysia Budget 2012: The 54th budget of Malaysia was tabled by the Prime Minister on 7th October 2011 which include real estate related policies as below:-
  - Implementation of the Second Rolling Plan (RP2) of the 10th Malaysia Plan with total allocation of RM98.4 billion for 2012 and 2013. The main projects to be implemented are the Gemas-Johor Bahru double-tracking rail project; the Jabor-Kuala Terengganu stretch of the East Coast Expressway; the Bentong-Taiping West Coast Expressway; the Segamat-Tangkak Expressway; the Central Spine Expressway; the Kota Marudu-Ranau Road; and redevelopment of the Sungai Besi Kuala Lumpur Air Base.
  - Tax incentives to companies in order to boost the development of KLIFD: Among the incentives include 100% income tax exemption for a period of 10 years and stamp duty exemption on loan and service agreements to KLIFD Status companies; industrial building allowance and accelerated capital allowance to KLIFD Marquee Status companies; and 70% income tax exemption for five years to KLIFD developers.
  - Incentives for first-time home buyers:-
    - My First House Scheme (Skim Rumah Pertamaku) which was introduced in Malaysia Budget 2011 to allow first-time home buyers to obtain 100% financing with guarantee from Cagamas Berhad will see the ceiling price to be raised to RM400,000 from RM220,000.
    - Introduction of PR1MA (Perumahan Rakyat 1Malaysia) to act as an individual agency to develop and maintain affordable housing to cater for middle income earners. The government has identified the Sungai Besi Kuala Lumpur Air Base and the Sungai
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Buloh Rubber Research Institute as the sites for development of affordable housing priced of RM300,000 and below.

- Full stamp duty exemption for loan agreement instruments to finance purchasers of affordable housing under the PR1MA scheme for Sales and Purchase Agreements executed between 1 January 2012 and 31 December 2016.

- Extension of the withholding tax rate of 10% on dividend received from Real Estate Investment Trusts (REIT’s) on individual and non-corporate institutional investors up to 31 December 2016.

- Real Property Gains Tax (RPGT) to be raised to 10% for residential and commercial properties disposed within two years from their purchase. The rate will remain at the current rate of 5% for disposals within three to five years of purchase. Properties disposed of after five years of purchase will be exempted.

Abolishment of import duty on tourism products: It was announced in the Malaysia Budget 2011 that with the initiative to further boost the tourism industry and to render Malaysia as the leading shopping destination, it is proposed by the Malaysia government that import duty on the following goods that are preferred by tourists and locals will be abolished. These items include:

- Handbags, wallets, suitcases, briefcases, apparel, footwear and hats (with duty of between 5% and 20%);
- Jewellery, costume jewellery and ornaments (with duty of between 5% and 20%); and
- Toys such as dolls and small scale recreational models (with duty of between 5% and 20%).

The net result of this will be increased retail sales turnover in the short term, not only from increased domestic consumer spending on these items but also from increased tourist spending on these items.

Overall, the federal government’s initiatives have caused direct or spillover effects onto both the retail and office property sectors in the nation. The redevelopment of 4 main locations in the Klang Valley (i.e. the proposed KLIFD, Bandar Malaysia, the Malaysian Rubber Research Institute Land in Sungai Buloh as well as the Cochrane mixed development site which is anticipated to house Malaysia’s 2nd IKEA furniture store) bodes well for the retail sector as the catchment area will augment with increased population, thereby creating potential demand for retail goods and services. Improved infrastructure works such as the proposed MRT is also anticipated to enlarge retail catchment areas due to increased mobility of the population (e.g. future residents in Sungai Buloh may easily take a train to the Bukit Bintang shopping belt for shopping trips).
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Malaysia Economic Overview and Outlook

2.5 Performance of the Real Estate Market

Chart 2.5: Malaysia Property Transaction Volume and Value, 2000 - 2010

- A total of 376,583 property transactions, for a total value of RM107.44 billion, were recorded in Malaysia in 2010. Both the volume and value of property transactions in 2010 represent all-time highs and are considerably higher than the 338,089 transactions, for a total value of RM81.02 billion, recorded in 2009.
- 39,798 transactions (+19.4% y-o-y) worth RM23.84 billion (+45.5% y-o-y) involving commercial properties were concluded in 2010, again at historic highs. Total transaction values for commercial properties had never exceeded RM20.00 billion in any year before 2010.
- The encouraging growth recorded in 2010 was mainly due to the recovering economy further supported by the stimulus packages by the federal government, as reported by the Valuation and Property Services Department. This was in spite of the re-introduction of the Real Property Gains Tax that came into effect on 1st January 2010.
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3.0 KUALA LUMPUR ECONOMIC OVERVIEW AND OUTLOOK

3.1 Gross Domestic Product (GDP)

Source: Department of Statistics Malaysia

• Kuala Lumpur was the second largest contributor after Selangor state to the national GDP with 14.8% share in 2009. The economy recorded modest growth of 3.8% in 2009 due to the economic slowdown as compared to 6.5% in 2008 and 9.9% in 2007.

• Being the capital city of Malaysia, Kuala Lumpur is a service-based economy, where 88.9% of its GDP is contributed by the services sector. This is primarily formed by the finance, insurance, real estate and business services (37.0% of total GDP) and wholesale and retail trade, accommodation and restaurants (26.9% of total GDP) sub-sectors.

3.2 Population and Demographics in Kuala Lumpur
Table 3.2a: Kuala Lumpur Population, Household Number and Size, 2000 and 2010

<table>
<thead>
<tr>
<th>Description</th>
<th>Census 2000</th>
<th>Census 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in Kuala Lumpur</td>
<td>1,305,792</td>
<td>1,627,172</td>
</tr>
<tr>
<td>Male</td>
<td>659,163</td>
<td>824,600</td>
</tr>
<tr>
<td>Female</td>
<td>646,629</td>
<td>802,572</td>
</tr>
<tr>
<td>Household No</td>
<td>308,006</td>
<td>436,865</td>
</tr>
<tr>
<td>Average Household Size</td>
<td>4.24</td>
<td>3.72</td>
</tr>
</tbody>
</table>

Source: Population and Housing Census of Malaysia Preliminary Count Report 2010, Department of Statistics Malaysia
Chapter 3
Kuala Lumpur Economic Overview and Outlook

Map 3.2b: Kuala Lumpur (KL), Golden Triangle (GT) and Central Business District (CBD)

Notes:
1. The Golden Triangle is generally defined as the area between Jalan Tun Razak, Jalan Conlay – Raja Chulan, Jalan Sultan Ismail and Jalan Ampang which includes the popular Bukit Bintang and Kuala Lumpur City Centre areas. The Golden Triangle is essentially Kuala Lumpur’s main commercial and tourist hub as well as the prime retail shopping district in the country.
2. The CBD makes up the older commercial area in the heart of Kuala Lumpur city. This area was historically the financial district of Kuala Lumpur and is still home to a number of banks and financial institutions.
Chapter 3
Kuala Lumpur Economic Overview and Outlook

- Total Population: The population in Kuala Lumpur grew at an average rate of 2.20% annually over 2000 to 2010, slightly higher than the national average at 2.17%. The capital city forms 5.90% of the national population with a population of 1,627,172, and is the most densely populated city in Malaysia with an average of 6,696 persons per sq km.
- Gender Segregation: Kuala Lumpur’s male and female population ratio is almost equal with 50.7% male and 49.3% female in 2010, compared to 50.5% male and 49.5% female in 2000.
- Average Household Size: The average population per household in the country is 4.31 according to the Census 2010 Preliminary Count Report from the Department of Statistics Malaysia. Kuala Lumpur has an average population per household of 3.72 whilst Selangor has an average of 3.93 persons per household.

Chart 3.2c: Kuala Lumpur Population by Age Group, 2000 and 2010

- Population by Age Group: The composition of the Malaysian population by age group has been consistent over the past ten years. As at 2010, about 65% of the Malaysian total population age below 35 years. About 27% are between 35 to 60 years whilst only 8% are at 60 years and above. These figures are almost similar to the Kuala Lumpur and Selangor population by age group, where 62%-66% are aged below 35 years, 28%-30% are between 35 to 60 years, and 6%-8% are at 60 years and above.
- Median Age: Malaysia has a very young population with the median age of 26.2 years. Kuala Lumpur, a serviced-based economy, has a population with median age of 28.6 years which is the second highest among other states in the country after Penang (29.6 years).
- Urbanisation: Kuala Lumpur as the capital city is defined as a fully urbanized city in Malaysia by Department of Statistics in 2010, whilst Selangor is 91.4% urbanized by population.
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3.3 Unemployment Rate

Table 3.3: Kuala Lumpur Labour Force and Unemployment Rate, 2000 – 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour Force (1000 person)</td>
<td>680.4</td>
<td>723.2</td>
<td>816.9</td>
<td>740.3</td>
<td>691.6</td>
<td>691.4</td>
<td>696.1</td>
<td>702.4</td>
<td>701.0</td>
<td>698.3</td>
<td>717.4</td>
</tr>
<tr>
<td>Employed (1000 person)</td>
<td>655.8</td>
<td>703.7</td>
<td>794.1</td>
<td>715.1</td>
<td>671.7</td>
<td>675.2</td>
<td>676.6</td>
<td>682.1</td>
<td>682.2</td>
<td>678.1</td>
<td>698.1</td>
</tr>
<tr>
<td>Unemployed (1000 person)</td>
<td>14.6</td>
<td>19.5</td>
<td>22.7</td>
<td>25.2</td>
<td>19.9</td>
<td>16.1</td>
<td>19.5</td>
<td>20.3</td>
<td>18.8</td>
<td>20.2</td>
<td>19.3</td>
</tr>
<tr>
<td>Unemployment Rates (%)</td>
<td>2.6%</td>
<td>2.7%</td>
<td>2.8%</td>
<td>3.4%</td>
<td>2.9%</td>
<td>2.3%</td>
<td>2.8%</td>
<td>2.7%</td>
<td>2.7%</td>
<td>2.7%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Source: Department of Statistics Malaysia

- Labour force in Kuala Lumpur contributes 5.9% to the national aggregate in 2010, with the unemployment rate lower than the national level (3.2%) at 2.7%.

3.4 Government Initiatives

- The government announced the Economic Transformation Programme (ETP) in 2010, which covers 12 National Key Economic Areas (NKEAs) including the Greater Kuala Lumpur/Klang Valley, which envisions to grow annual Gross National Income contribution from RM258 billion to RM650 billion per year, to increase total employment from 2.5 million in 2010 to 4.2 million by 2020, to lift gross national income per capita from RM40,000 to RM70,000 per year, to grow the population from 6 to 10 million and other similar aspirations. A total of 9 entry point projects (EPP) have been identified in respect of the Greater Kuala Lumpur / Klang Valley area:

Table 3.4: Greater Kuala Lumpur (KL)/Klang Valley (KV), Economic Transformation Programme

<table>
<thead>
<tr>
<th>Greater Kuala Lumpur/Klang Valley</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EPP 1: Attracting 100 of the world’s most dynamic firms within priority sectors</strong></td>
</tr>
<tr>
<td>i. Establish an attractive incentive package for multinational corporations (MNC) headquarters</td>
</tr>
<tr>
<td>ii. Proactively market Greater Kuala Lumpur/Klang Valley to priority headquarters</td>
</tr>
<tr>
<td>iii. Strengthen the local talent base with an emphasis on up-skilling and re-skilling</td>
</tr>
<tr>
<td>iv. Reduce the cost of doing business</td>
</tr>
<tr>
<td><strong>EPP 2: Attracting the right mix of internal and external talent</strong></td>
</tr>
<tr>
<td>i. Establish Malaysia Hubs</td>
</tr>
<tr>
<td>ii. Leverage leading personalities in Malaysia</td>
</tr>
<tr>
<td>iii. Track and engage with the top 5,000 most interesting Malaysian diaspora individuals</td>
</tr>
<tr>
<td>iv. Upgrade consular services in priority cities</td>
</tr>
<tr>
<td>v. Establish awards to recognise world-class Malaysians</td>
</tr>
<tr>
<td>vi. Establish an on-line job search engine</td>
</tr>
<tr>
<td>vii. Leverage top universities to reinvigorate alumni relations</td>
</tr>
<tr>
<td>viii. Extend Permanent Resident status</td>
</tr>
<tr>
<td>ix. Extend foreign graduate student visas</td>
</tr>
<tr>
<td><strong>EPP 3: Connecting to Singapore via a high speed rail system</strong></td>
</tr>
<tr>
<td><strong>EPP 4: Building an integrated urban mass rapid transit system</strong></td>
</tr>
<tr>
<td>i. Mass Rapid Transit system spanning 141 kilometres with three major routes, estimated to carry up to 2 million riders by 2020.</td>
</tr>
<tr>
<td><strong>EPP 5: Revitalising the Klang River into a heritage and commercial centre for Greater KL/KV</strong></td>
</tr>
<tr>
<td>i. Upgrade existing sewage systems to reduce pollutants from entering into the river</td>
</tr>
<tr>
<td>ii. Enforce the zero squatting policy through local authorities to prevent squatting waste</td>
</tr>
<tr>
<td>iii. Upgrade drainage systems to prevent flooding and maintain water quantity</td>
</tr>
<tr>
<td>iv. Enforce water waste guidelines for residents, factories and commercial outlets through local authorities</td>
</tr>
<tr>
<td><strong>EPP 6: Greening Greater KL/KV to ensure every resident enjoys sufficient green space</strong></td>
</tr>
<tr>
<td>i. Adopt a green-focused development policy</td>
</tr>
<tr>
<td>ii. Employ creative landscaping methods</td>
</tr>
</tbody>
</table>
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EPP 7: Creating iconic places and attractions
i. Heritage triangle walking museum
ii. Central Market building will be transformed and redesigned into a complex with live art studios.
iii. Pudu Jail to be transformed into a mixed development of residential, office and retail components, lined with cultural and recreational attractions.

EPP 8: Creating a comprehensive pedestrian network
i. Approximately 2km priority walkways for the near term
ii. Approximately 42km comprehensive walkways for the long term

EPP 9: Developing an Efficient Solid Waste Management Ecosystem
i. Revamp solid waste management fees
ii. Increase implementation of reduce, reuse and recycle (3R)
iii. Explore options for solid waste treatment
iv. Ensure performance of waste management and public cleansing concessionaires

3.5 Performance of Real Estate Market
Chart 3.5: Kuala Lumpur Property Transaction Volume and Value, 2000 – 2010

Source: Valuation and Property Services Department, Ministry of Finance Malaysia

- The Kuala Lumpur property market rebounded in 2010 with 27,373 transactions worth RM20.03 billion, this set a new historical record in terms of total transactions value and volume. The growth was mainly driven by the recovering economy and several federal government initiatives to stimulate the economy.
- The residential sector remained the biggest component in 2010 with 21,265 housing units transacted at RM10.39 billion.
- The commercial sector was also active with 5,507 transactions worth RM6,434 million, which was an improvement of 59.9% in terms of total transaction value compared with 2009 (RM4,025 million).
Chapter 4
Klang Valley Retail Property Market

4.0 KLANG VALLEY RETAIL PROPERTY MARKET

4.1 Retail Formats

- Over the last 4 decades, the retail industry in Malaysia has caught up fast with global fashion trends. Because of globalization and the presence of most brands here, plus the internet and social dynamics, what comes out of Milan’s runways can be out in the Malaysian streets in a matter of a few short weeks. In the past this would have taken 6 months as the trends slowly filtered down from Hong Kong via Singapore.

- In a similar way, developers have been fast to adopt new trends in mall formats. This has compressed the evolution of mall concepts and formats into a very short span of time. In less than 2 decades, at least 4 new generations of mall concepts have been spawned.

- From the early days of the first generation arcades of Ampang Park, the industry is now witnessing the 6th generation open-air retail parks like the Curve and Desa Park City’s Waterfront. In that period, sizes have increased as well.

- Ampang Park and its generation of malls were on 2 or 3 acres of land and later models became larger at about 5 acres. The mega malls of today are on at least 15 acres. First generation malls were only 200,000 sq ft net lettable area in size, whilst today’s mega malls are at least a million sq ft in size.

- During this period, stand alone retail attractions like the emporiums of the 70’s were replaced by malls, which specialize in both the fashion category as well as food. Today, there are thousands more retail brands than there were 30 years ago. As a result, the number of shops has also increased rapidly. There are now at least 500 Grade A (international, regional and top quality local retail chains) and more than 4,000 other grades of retail brands in Malaysia malls. Malaysia now has approximately 60% of most international and regional brands in the world represented in its malls.

- Another trend has been the entry of bulk retail into the country, while Carrefour introduced the hypermarket to Malaysia. These stand alone formats are also significant in that combined, the hypermarkets take up about 10% of the market share of trade across all categories. They affect the viability of supermarkets in the country and in the cities.

- Today, as a result of the intense competition of malls in the Klang Valley, malls have themselves had to specialize and this is done by differentiation in merchandise mix and in concepts.

- For the purpose of this review, we have differentiated different types of mall as follows:
  - Premium fashion malls
  - Mass market malls

4.1.1 Premium Fashion Malls

- As the country’s capital, Kuala Lumpur is often associated with a shopping and dining experience and as such, premium fashion malls have developed to meet the needs of its affluent population and tourists from across the globe. Premium fashion malls are positioned at the upper mid to upper income level. There is a significant presence of international designer labels like Gucci, Prada, Burberry, Hermes and the like. Example of malls within this category includes Pavilion Kuala Lumpur Mall, Suria KLCC, Starhill Gallery and The Gardens.
Chapter 4
Klang Valley Retail Property Market

4.1.2 Mass Market Malls
- Mass market malls are positioned squarely in the middle income band and offer a wide range of brands and variety of merchandise. There is a predominance of established local brands, including local household and family trades, in its mix. Mid Valley Megamall, One Utama, Sungei Wang Plaza, Berjaya Times Square are examples of malls within this category.

- Under the major categories as mentioned above, there are sub-categories that are defined as follows:
  - Regional malls
  - Neighbourhood malls
  - Lifestyle or niche malls

4.1.3 Regional Malls
- These are usually in the range of 500,000 to 700,000 sq ft in size and capture cross catchment targets due to their size. Regional malls are mainly positioned for the middle to lower middle market depending on their location. Their typical trade mix is similar to mass market malls but variety is less as a result of their smaller size.

4.1.4 Neighbourhood Malls
- Neighbourhood malls are increasingly dominating the suburbs as the Klang Valley grows. These serve a smaller, 10 minute drive catchment, are usually limited in their range of merchandise offer, and are mainly anchored by supermarkets, or in some cases, hypermarkets.

4.1.5 Lifestyle or niche malls
- As a result of the increased competition for shoppers’ pockets, lifestyle malls are the new generation of malls to expect in the country. Many are hybrids of shophouses and the conventional enclosed malls. Most are open air like the Curve and most have a strong skew towards food & beverage offers and entertainment activities.
Chapter 4
Klang Valley Retail Property Market

4.2 Key Retail Areas

Map 4.2: Key Retail Areas in Klang Valley

4.2.1 KLCC-Bukit Bintang

This is located within the Golden Triangle and is the prime retail axis in the country. This is where city centre retail occurs, where fashion and entertainment dominate and where flagship stores vie for market presence or dominance. Bukit Bintang has been the historical shopping and entertainment destination of Kuala Lumpur since the 50's. Today some of the more popular malls including Pavilion Kuala Lumpur Mall, Suria KLCC, Sungei Wang Plaza, Lot 10, Starhill Gallery and Berjaya Times Square can be found in the KLCC-Bukit Bintang area. Bukit Bintang addresses a catchment area across the whole of the Klang Valley.
Chapter 4
Klang Valley Retail Property Market

4.2.2 Mid Valley
- This area is at the midpoint between the city and the suburbs. Although traditionally
  locations like these suffer from the lack of neither the pull of the city nor the proximity
  of the catchments in the suburbs, the Mid Valley area is strategically located next to the
  Federal Highway, which is the main arterial road into and out of the city. Its good
  network of links into the highway allows the location to benefit from the large volume
  of daily traffic coming from all of the Klang Valley. Major malls situated within this
  locality include Mid Valley Megamall and The Gardens. It attracts Bangsar, Petaling
  Jaya and Cheras shoppers, i.e., shoppers from some of the more affluent suburbs.

4.2.3 Bangsar-Damansara Heights-Mont’ Kiara
- This is the most affluent suburban in the country and has the highest concentration of
  expatriates as well. The area has many international schools and good amenities plus
  proximity to railway stations highways and the city centre itself. It is served by a few
  neighbourhood malls such as Bangsar Shopping Centre, Bangsar Village and 1 Mont’
  Kiara. The area is generally popular for its gourmet grocery stores, its food and
  beverage offerings and its lifestyle and street retail.

4.2.4 Petaling Jaya-Damansara
- Petaling Jaya-Damansara area is the largest and second most affluent suburb in the
  Klang Valley. Major malls located within this area include One Utama, The Curve, IPC
  Shopping Centre, IKEA, Tropicana City Mall and SSTwo Mall.

4.2.5 Sunway-Subang-Puchong
- This is a very large region south of the Federal Highway and represents the other half
  of the Klang Valley’s suburbs. Its massive catchment supports some very successful
  malls. Sunway-Subang area houses the Sunway Pyramid, IOI Mall, Subang Parade and
  Empire Subang. This is a mature area but is still expanding as major developments
  stretch this area further outwards towards the south and west. The area has a
  substantial content of upper middle income groups and benefits from a good network
  of roads and highways that allow cross catchment shopping.

4.3 Key Retail Operators and Brands
4.3.1 Department Stores
- Department stores are usually the anchor tenants in malls in Malaysia. Key department
  store operators include Parkson, Metrojaya, C K TANGS, Isetan, Robinsons,
  Debenhams, Marks & Spencer and Jaya Jusco.

4.3.2 Fashion
- The fashion trade is synonymous with shopping. Local brands have to contend not just
  with premium brands but also with the fast fashion new entries like Uniqlo, Cotton On,
  Mango, Zara, Pull and Bear, Esprit and Forever 21.

4.3.3 Food and Beverages
- The growth of the hospitality industry in Asia in the recent past has created a new layer
  of professional chefs and back of house logistics that were almost nonexistent 20 years
  ago. This has allowed not only specialization in the fashion trades but also the growth
of several new but powerful regional and local brands that have taken major market share from the coffee and fast food players. Whereas in the past, fast food names were almost compulsory in a trade mix plan, today they are no longer must haves and maintaining variety of food and beverage outlets is key for malls.

- The content of food and beverages sector in a typical trade mix has therefore grown and specialized malls like the Curve have at least 30% of shops in this category. A good critical mass is at least 50 food and beverages outlets these days.
- From the Madam Kwan, Delicious and Papparich to the Dragon-i, Malaysia is witnessing a renaissance in this trade in terms of quality chains. The entry of regional and international names like Il Divo, Din Tai Fung and Food Republic is adding another dimension and depth to this otherwise secondary category of trade in a mall.

4.4 Cumulative Supply

- CBRE Research reports 131 significant malls in the Klang Valley. Of this total, 58 malls are located in Kuala Lumpur, while the rest are in Selangor. This amount of space suggests market maturity and some areas with a high concentration of malls are facing intense competition especially in the groceries category. However, performing malls are dominant and continue to grow in terms of total sales turnover and rental values.
- Of the 43.33 million sq ft of retail space in the Klang Valley as at 1H 2011, 3.38 million sq ft are attributable to premium fashion malls, which include Pavilion Kuala Lumpur Mall, Starhill Gallery, Suria KLCC and The Gardens.
- The nine malls that are under development in Klang Valley and scheduled to be completed by end-2011 are estimated to account for another 4.00 million sq ft, although none of these, with the exception of the small extension to Suria KLCC being built, can be considered additional supply to the premium fashion mall segment and this is the only additional supply expected in the prime KLCC-Bukit Bintang area through 2014.
- The sudden increase in the supply of premium fashion malls seen in 2007 was due to the opening of Pavilion Kuala Lumpur Mall and The Gardens.

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Chart 4.4: Retail Space Supply in Klang Valley, 2000 – 2014e

Note: Premium fashion malls are defined by Pavilion Kuala Lumpur Mall, Suria KLCC, Starhill Gallery and The Gardens.
- Estimation
* - Underperforming malls were taken out from database in 2007
Source: CBRE Research

4.4.1 Selected Major Malls

- Suria KLCC. Opened in 1998 and located within the KLCC development, Suria KLCC has in excess of one million sq ft of net lettable area spanning across six levels of retail floor.

- Berjaya Time Square. Berjaya Time Square is by far the largest mall in the Klang Valley region with 2.1 million sq ft of net lettable area. It is located along Jalan Imbi and is a landmark retail development by Berjaya Group and is partly strata-titled.

- Mid Valley Megamall. Mid Valley Megamall is the first retail component in the Mid Valley City development and was first opened in 1999. This mass market mall is sizeable at 1.65 million sq ft of net lettable area and is linked to The Gardens, which is a premium fashion mall.

- The Gardens. The Gardens is located within Mid Valley City and is linked to Mid Valley Megamall. It was opened in 2007 with over 800,000 sq ft of net lettable area over six levels of retail floors.

- One Utama. One Utama Phase 1 development was initially opened in 1995. Subsequently in 2003, the mall was expanded to 1.55 million sq ft after the completion of Phase 2 development. This large-sized mass market mall is located in the more residential area of Petaling Jaya-Damansara belt to cater to the suburban population.

- Sunway Pyramid. Sunway Pyramid is a two-phase retail development located in Bandar Sunway, a suburban city in Klang Valley. It is a mass market mall with 1.41 million sq ft of net lettable area with an Egyptian theme.
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4.5 Population and Retail Space Supply per Capita  


Note:  
- Population and Retail Space Supply per Capita estimated based on 3.1% average growth rate for Kuala Lumpur, Petaling, district of Gombak, district of Petaling, district of Klang and district of Ulu Langat.  
- Source: Department of Statistics Malaysia & CBRE Research  
- For the purpose of this review, CBRE Research defines Klang Valley as the combined area of Kuala Lumpur, Petaling, district of Gombak, district of Petaling, district of Klang and district of Ulu Langat.  
- The Klang Valley population has grown at an annual average of 3.1% since 2000. Assuming the same growth rate, the population in Klang Valley is projected to reach 6.99 million in 2014.  
- The Klang Valley retail space per capita in 2011 is expected to reach 7.35 sq ft by end-2011 and is estimated to remain at around 7.32 sq ft to 7.77 sq ft per person until 2014.  
- Regionally, selected markets’ retail space per capita are as follows:  
  - Hong Kong – 16.36 sq ft per capita (gross)  
  - Tokyo – 9.85 sq ft per capita (net)  
  - Sydney – 9.69 sq ft per capita (net)  
  - Singapore – 7.23 sq ft per capita (net)  
  - Bangkok – 5.34 sq ft per capita (net)  
- The Klang Valley market suggests a mature market and ranks the Klang Valley on par with Singapore. In some ways it reflects the overall segmentation of the market in that there are many malls here but only a few performing malls. Retail is about drawing shoppers into a domain, about attracting via merchandise, activity and lifestyle offers. Not all the 43.33 million sq ft in the Klang Valley does this job effectively. In most cases the malls themselves are ill-conceived or poorly located and retail trade is not significant in these venues.  
- In fact only 49 malls and hypermarkets, including Pavilion Kuala Lumpur Mall, are performing according to CBRE Research, representing less than 60% of total retail space supply or approximately 4.00 sq ft per capita. Many of the rest are either underperforming or in decline. Although there is dilution in the sector, performing malls nevertheless continue to draw crowds by virtue of their size, merchandise offer and quality of ambience.
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4.6 Future Supply of Malls

- A total of nine malls with a total net lettable area of 4.73 million sq ft are scheduled to be opened in Kuala Lumpur from now until 2014. Of this total, Suria KLCC Phase 2 (140,000 sq ft) is expected to be the only additional supply to the premium fashion malls segment while the remainder will be mass market malls.

- Four other malls, while not likely to be premium, will be significant in terms of size at over 500,000 sq ft each - Kenanga Wholesale City (500,000 sq ft), Nu Sentral (650,000 sq ft), Sunway Velocity Lifestyle Mall (850,000 sq ft) and Bouxend Retail @ Jalan Cochrane (1,200,000 sq ft).

- Of the nine malls, only Suria KLCC Phase 2 and Kenanga Wholesale City, a one-stop wholesale centre of mainly fashion and accessories, are within or close to the Golden Triangle.

- Selangor will see the completion of at least 11 mass market malls from now until 2014, with an estimation of another 6.22 million sq ft added to the market.

Table 4.6: Future Malls in Klang Valley, 2011-2014

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Mall</th>
<th>Location</th>
<th>Category</th>
<th>Net Lettable Area (sq ft)</th>
<th>Expected Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 Shihamin</td>
<td>Cheras</td>
<td>Mass</td>
<td>420,000</td>
<td>2011</td>
</tr>
<tr>
<td>2</td>
<td>Kenanga Wholesale City</td>
<td>Pudu</td>
<td>Mass</td>
<td>500,000</td>
<td>2011</td>
</tr>
<tr>
<td>3</td>
<td>Kuala Lumpur Festival City</td>
<td>Setapak</td>
<td>Mass</td>
<td>450,000</td>
<td>2011</td>
</tr>
<tr>
<td>4</td>
<td>Publika @ Solaris Dutamas</td>
<td>Hartamas</td>
<td>Mass</td>
<td>335,000</td>
<td>2011</td>
</tr>
<tr>
<td>5</td>
<td>Suria KLCC Phase 2 (Lot C)</td>
<td>KLCC</td>
<td>Premium</td>
<td>140,000</td>
<td>2011</td>
</tr>
<tr>
<td>6</td>
<td>Nu Sentral</td>
<td>KL Sentral</td>
<td>Mass</td>
<td>650,000</td>
<td>2012</td>
</tr>
<tr>
<td>7</td>
<td>Damansara City Mall</td>
<td>Damansara Heights</td>
<td>Mass</td>
<td>188,000</td>
<td>2013</td>
</tr>
<tr>
<td>8</td>
<td>Sunway Velocity Shopping Mall</td>
<td>Cheras</td>
<td>Mass</td>
<td>850,000</td>
<td>2014</td>
</tr>
<tr>
<td>9</td>
<td>Bouxend Retail Development</td>
<td>Jalan Cochrane</td>
<td>Mass</td>
<td>1,200,000</td>
<td>2014</td>
</tr>
</tbody>
</table>

Source: CBRE Research
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4.7 Occupancy Rate Trends
Chart 4.7: Occupancy Rate for Klang Valley Malls, 2000-1H 2011

- The average occupancy rate of malls in Klang Valley was estimated at 95.4% as at 1H 2011, which is an improvement against 2008 and 2009, although it must be noted that occupancy rates have generally been high.

- Premium fashion malls in general outperformed mass market malls in terms of occupancy, as evidenced by the former’s average occupancy rates of over 95% since 2000, with the exception of 2007 (94.5%). Currently, the average occupancy rate for premium fashion malls is 96.3%.

- The slight drop in premium fashion malls’ occupancy rate in 1H 2011 against 2010 (97.2%) was due to the transition period of Suria KLCC to make way for the expansion at Lot C, and closure of Home precinct in Pavilion Kuala Lumpur Mall for the new retail area of Tokyo Street.
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4.7.1 Factors Influencing Retail Demand

- Population growth in Greater Kuala Lumpur/ Klang Valley. Under the ETP, population in the Greater Kuala Lumpur/ Klang Valley region* is expected to expand to 10 million by 2020, from approximately 6 million in 2010. This will be the biggest driver for retail demand in the next 10 years.

- Economic factors. Consumer confidence, a critical factor in retail spending, generally moves in tandem with economic conditions, growth in nominal GDP per capita of 6.8% annually from 2004 to 2009 and average household monthly income from RM3,249 in 2004 to RM4,025 in 2009 has created higher household disposable income, which in turn has led to growth in retail spending.

- Government policies – tax / import duties. The abolishment of duties and other tariffs allows products to reach final consumers at a lower price, thereby creating higher demand. However, cost savings are not always passed on in their entirety to end purchasers, as seen with the recent abolishment of import duties on 300 retail products (where it appears that some of the savings is being kept by retailers to bolster their margins).

- Ease of credit. As reported by Bank Negara Malaysia, credit disbursed for consumption, which consists of loans for personal uses, credit card spending and the purchase of consumer durable goods, expanded by 20.5% annually between 2000 and 2009. In the same period private consumption rose accordingly.

- Tourism. Some of the major malls in the city can have 30% of their footfall from the tourist sector.

- Infrastructural development. Easy access to malls creates convenience for shoppers. Projects such as the proposed Mass Rapid Transit (MRT) system will benefit malls located near stations by the higher resultant footfall.

- Development facilities. In the absence of good public transportation facilities, the availability of car park space will go a long way towards determining footfall of the mall. In general, the average number of occupants per car is three, and a greater number of turns per car park space invariably increases footfall.

Note: * - Greater Kuala Lumpur/Klang Valley's boundary is defined under the Economic Transformation Program as the area covered by 10 municipalities, each governed by local authorities: Dewan Bandaraya Kuala Lumpur (DBKL), Perbandaran Petaling, MB Shah Alam (MBSA), MB Petaling Jaya (MBPJ), MP Klang (MPK), MP Klang, MP Subang Jaya (MPSJ), MP Selangor, MB Ampang Jaya (MPAJ), and MB Sepang.
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4.8 Rents
- The top performing malls in the city centre and Golden Triangle are the market leaders in the Klang Valley in terms of rentals for ground floor shops, ranging as high as from RM60-100 per sq ft per month in some cases. In older malls with strata-titled units, rents for similar space have exceeded RM200 per sq ft per month in a few instances. Outside of the city centre, the highest rents being achieved for ground floor shops range from RM30-80 per sq ft per month.
- The prime rental index for a basket of 11 prime malls in Klang Valley is shown in the following chart and table.

4.8.1 Prime Retail Rental Index

Chart 4.8a: Klang Valley Prime Retail Rental Index, 1995-1H 2011

Source: CBRE Research

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### Table 4.8b: Average Prime Retail Rents of Selected Malls in the Klang Valley

<table>
<thead>
<tr>
<th>Year</th>
<th>Rental Index (Q4 1995 = 100)</th>
<th>Average Prime Rent (RM per sq ft)</th>
<th>Change (y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>100</td>
<td>15.03</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>112</td>
<td>16.29</td>
<td>14.82%</td>
</tr>
<tr>
<td>1997</td>
<td>148</td>
<td>22.24</td>
<td>32.46%</td>
</tr>
<tr>
<td>1998</td>
<td>115</td>
<td>17.34</td>
<td>-22.04%</td>
</tr>
<tr>
<td>1999</td>
<td>106</td>
<td>15.93</td>
<td>-8.17%</td>
</tr>
<tr>
<td>2000</td>
<td>123</td>
<td>18.43</td>
<td>15.09%</td>
</tr>
<tr>
<td>2001</td>
<td>125</td>
<td>18.72</td>
<td>1.59%</td>
</tr>
<tr>
<td>2002</td>
<td>127</td>
<td>19.03</td>
<td>1.64%</td>
</tr>
<tr>
<td>2003</td>
<td>140</td>
<td>21.11</td>
<td>10.94%</td>
</tr>
<tr>
<td>2004</td>
<td>146</td>
<td>22.02</td>
<td>4.32%</td>
</tr>
<tr>
<td>2005</td>
<td>164</td>
<td>24.61</td>
<td>11.77%</td>
</tr>
<tr>
<td>2006</td>
<td>174</td>
<td>26.08</td>
<td>5.98%</td>
</tr>
<tr>
<td>2007</td>
<td>224</td>
<td>33.73</td>
<td>29.31%</td>
</tr>
<tr>
<td>2008</td>
<td>222</td>
<td>33.42</td>
<td>-0.91%</td>
</tr>
<tr>
<td>2009</td>
<td>231</td>
<td>34.71</td>
<td>3.86%</td>
</tr>
<tr>
<td>2010</td>
<td>260</td>
<td>39.11</td>
<td>12.69%</td>
</tr>
<tr>
<td>1H 2011</td>
<td>261</td>
<td>39.23</td>
<td>1.60%</td>
</tr>
</tbody>
</table>

**Note:** Quarterly on quarter basis

**Source:** CBRE Research

- Prime rent is defined as the rental rate for retail lots located on the ground or concourse floor, receiving the highest level of traffic within the mall.
- Average prime rents have been on the rise since 2000. In 2007, average prime rents breached RM30 per sq ft per month to a high of RM33.73 per sq ft per month.
- Average prime rents have remained steady at around RM33.40 per sq ft since 4Q 2008 throughout the global financial crisis primarily because there were fewer rent reviews during that period.
- By 2Q 2009, average prime rents rose to RM34.10 per sq ft as rent reviews in some leading malls began around the same time and consumer sentiment, measured by the Malaysian Institute of Economic Research's (MIER) Consumer Sentiment Index, improved significantly, rising by 26.9 points to 105.8 points in the first half of 2009. The economy also began to recover, as GDP growth registered 4.5% in 4Q 2009 after three consecutive quarters of retraction.
- In 2010, average prime rents increased to RM39.11 per sq ft, accompanied by a further increase in consumer sentiments during the period.
- While it can be argued that the market has sizeable supply purely in terms of total floor space and number of malls (101) and hypermarkets (30) in the Klang Valley, the fact remains that retail is an industry predicated on the ability to distinguish one mall from another, and there are 35-40 malls and hypermarkets in the Klang Valley that have strong sustainability in terms of turnover and rents.
- In fact, whilst underperforming older malls and some new ones are experiencing rental pressures, successful malls have enjoyed rental increases from the late 90's until now. The last rent review in 2010 witnessed rents for a few select shops breaching the RM100 per sq ft barrier in the best performing malls. In contrast, the poorer malls have not seen rental increases at reviews, which suggest that with an increasing population, salary increases, inflation, increased tourist arrivals and the requisite feel-good factor, the better malls will continue to enjoy rental escalation for the foreseeable future.
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4.9 Major Retail Property Transactions in Klang Valley

Table 4.9: Major Retail Property Transactions in Klang Valley, 2008 – 1H 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Buildings</th>
<th>Location</th>
<th>NLA (sq ft)</th>
<th>Consideration</th>
<th>Buyer</th>
<th>Seller</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>City</td>
<td>Ara Damansara</td>
<td>424,000</td>
<td>280</td>
<td>270</td>
<td>SEB Asset Management</td>
</tr>
<tr>
<td>2008</td>
<td>Part of Sg Wang Plaza</td>
<td>Jalan Sultan Ismail</td>
<td>510,418</td>
<td>595</td>
<td>124</td>
<td>Capitaland Ltd</td>
</tr>
<tr>
<td></td>
<td>Lot 10</td>
<td>Jalan Sultan Ismail</td>
<td>256,811</td>
<td>401</td>
<td>1,561</td>
<td>Starhill Global REIT</td>
</tr>
<tr>
<td>2009</td>
<td>Starhill Gallery</td>
<td>Jalan Bukit Bintang</td>
<td>297,354</td>
<td>629</td>
<td>2,115</td>
<td>Starhill Global REIT</td>
</tr>
<tr>
<td></td>
<td>Saloma Mall</td>
<td>Saloma</td>
<td>GFA: 861,530</td>
<td>128</td>
<td>Amanahraya REIT</td>
<td>Kumpulan Wang Bersama</td>
</tr>
<tr>
<td></td>
<td>Sunway Pyramid</td>
<td>Bandar Sunway</td>
<td>1,685,560</td>
<td>2,132</td>
<td>1,265</td>
<td>Sunway REIT</td>
</tr>
<tr>
<td></td>
<td>Part of Sg Wang Plaza</td>
<td>Jalan Sultan Ismail</td>
<td>450,470</td>
<td>724</td>
<td>1,657</td>
<td>CMHT REIT</td>
</tr>
<tr>
<td>2010</td>
<td>Mines Shopping Fair</td>
<td>Seri Kembangan</td>
<td>719,563</td>
<td>530</td>
<td>737</td>
<td>CMHT REIT</td>
</tr>
<tr>
<td></td>
<td>SACC Mall</td>
<td>Shah Alam</td>
<td>185,176</td>
<td>90</td>
<td>486</td>
<td>Amanahraya REIT</td>
</tr>
<tr>
<td></td>
<td>1 Mont Kiara (Office/Retail)</td>
<td>Mont Kiara</td>
<td>Retail only: 255,920</td>
<td>333</td>
<td>ARA Asia Dragon Fund</td>
<td>Astana Properties Ltd</td>
</tr>
<tr>
<td>1H 2011</td>
<td>Putra Place (Office/Retail)</td>
<td>Jalan Putra</td>
<td>Retail only: 501,000</td>
<td>514</td>
<td>Sunway REIT</td>
<td>Public Auction</td>
</tr>
</tbody>
</table>

Notes:
1. Sunway Pyramid sales consist of 1,542,101 sq ft retail space and 143,467 sq ft convention centre.
2. The 1 Mont' Kiara properties were sold for RM532 million, consisting of a 20-storey office tower block (185,405 sq ft) and a 5-storey retail mall, inclusive of carpark.
3. The sale of Putra Place consist of The Mall (retail), 100 Putra Place (office), The Legend Hotel (hotel) and 1,323 car parking bays.

Source: CBRE Research

- There were a total of 11 transactions of major retail properties in Kuala Lumpur over the last three years.
- In 2008, Singapore-based CapitaLand Ltd purchased part of Sg Wang Plaza for RM595 million, which was later injected into CapitaMalls Malaysia Trust (CMMT) in 2010 for RM724 million, together with The Mines Shopping Fair for RM350 million.
- In an exercise to reposition itself as a hospitality REIT, Starhill REIT sold its two retail properties in Kuala Lumpur in 2009, Lot 10 (RM401 million) and Starhill Gallery (RM629 million) to Starhill Global REIT, which owns retail properties in Singapore, Malaysia, China, Australia and Japan.
- Sunway Pyramid was also injected into Sunway REIT in 2010, for the consideration of RM2,132 million.
- In 2010, 1 Mont’ Kiara was sold to ARA Asia Dragon Fund for RM333 million. The 1 Mont’ Kiara transaction consists of a 20-storey office tower and the 1 Mont’ Kiara mall.
- The most recent transaction was the purchase of The Mall at Jalan Putra in an auction by Sunway REIT for RM513.9 million. The price includes retail, office and hotel properties.
- Another notable equity transaction involving retail properties in 2011 was the proposal by KrisAssets Holding Berhad to acquire 100% equity in Mid Valley City Gardens Sdn Bhd for
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RM215.7 million. Mid Valley City Gardens Sdn Bhd is the owner and operator of The Gardens, which carries a market value of RM820 million based on a recent valuation exercise.

4.10 Klang Valley Retail Market Snapshot and Outlook

- CBRE Research defines Klang Valley as the combined area of Kuala Lumpur, Petrajaya, district of Petaling, district of Gombak, district of Klang and district of Ulu Langat. This provides a total of 6.15 million population which can be considered as the Klang Valley's total catchment for retail.
- As at 1H 2011, the cumulative supply of retail space in Klang Valley stands at 43.33 million sq ft.
- Two malls located in Kuala Lumpur, both being mass market malls, were completed in 2010: Axis Atrium opened in the first quarter with 218,000 sq ft, whilst 1 Mont’ Kiara mall opened later in the first quarter with 225,920 sq ft. In 1H 2011, Viva Mall (660,000sq ft) and CIIT Mall (424,467sq ft) opened in Kuala Lumpur and Selangor respectively.
- 5 new malls are expected to open by end-2011 in Kuala Lumpur with an estimated combined net lettable area of 1.85 million sq ft, namely 1 Shamelin, Kuala Lumpur Festival City, Kenanga Wholesale City, Suria KLCC Phase 2 and Publika, with the extension to Suria KLCC being the only additional supply to premium fashion mall and also the only additional supply in the Golden Triangle.
- The overall occupancy rate of retail space in Klang Valley remained stable at 95.4% as at 1H 2011.
- Average prime rents continued its uptrend in 2010, with an increase of 12.69% at selected prime malls in Klang Valley. As at 1H 2011, average prime rents increased by 1.60% on quarter-on-quarter basis to RM39.23 per sq ft per month.
- With the growth of REITs in the country, the focus on malls is now shifting towards sustained performance. The result will be higher standards and perhaps more competitive developments.
- However, the pressure on rents and the yield compression that we are witnessing right now will affect the overall market performance. Good malls will now have to consider a compromise between good tenancy covenants / tenant mix and high rents.
- 1H 2011 has been softer than expected and this has been attributed to the shorter festive season in the quarter. Overall year 2011 is expected to garner 5% growth in the retail industry, which is in line with the GDP growth.
- It is foreseeable that with the improvement in public transport, that the Bukit Bintang area will be the ultimate beneficiary of the proposed Mass Rapid Transit when it comes into operation. At the moment, most retail demand in the area is from the east, south and the north-eastern side of the Klang Valley; and the Mass Rapid Transit is expected to contribute higher turnover performance thereby higher rents and market share to malls in Bukit Bintang.
- The next rent review for most malls will be in 2013 and there appears to be room for growth in all the malls where rents have still not reached their peak, save for the exception of some shops in some strata-titled buildings. Currently fashion is segmented between luxury, fast fashion and price-driven boutique merchandise. Most brands in these categories have yet to reach their top level performance on a per sq ft basis because of the limitations in the public transport in the area. We anticipate that fashion will be a top performer when the Mass Rapid Transit is completed.
- Currently yields are already compressed to below 6% in some cases and it is possible that for prime assets, retail yields can drop to below 6% in the Bukit Bintang area as funds continue to acquire such assets.
Chapter 4
Klang Valley Retail Property Market

- Based on the current performance benchmarks and on the potential build-up in demand in the next 10 years, there is room for yet more retail development in the Klang Valley. However, this will have to be well-conceived and top quality malls will have to be competitive and well positioned.
- Although 2008 was undoubtedly a bad year, the retail landscape has increasingly become very active in the region because of the growth of the Asian economies in total. This has resulted in more European and American brands seeking to expand into Asia. One of the major beneficiaries of this new trend is Kuala Lumpur. Brands like H&M and Pret-a-Manger are already making forays into the market, with preference towards higher volume malls in KLCC-Bukit Bintang area. It is foreseeable that this will impact in terms of both total demand as well as segmentation in the market for years to come. Some of the fast retailing brands are also changing retail formats in terms of size and again will impact on how malls work in the future in that they may become the true anchor tenants of the future for fashion malls. Such retailers are also crowd pullers along street frontages and this would also result in new opportunities for malls along high street levels.

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5.0 KUALA LUMPUR OFFICE PROPERTY MARKET

5.1 Cumulative Supply


Source: CBRE Research

- Key office locations in Kuala Lumpur include the Golden Triangle (GT), Central Business District (CBD), and Suburban Areas (which refers to Kuala Lumpur city fringe areas such as Damansara Heights, Bangsar, KL Sentral/Brickfields, Mid Valley, Pantai/Kerinchi, Mont Kiara and KL North). The term Kuala Lumpur city centre (KLC) refers to the GT and CBD combined.
- Since 2005 there has been a steady increase in the supply of office space in Kuala Lumpur at an annual average of 2.3 million sq ft of net lettable area. As at 1H 2011, there are a total of 231 purpose-built office developments in Kuala Lumpur, together offering a cumulative supply of approximately 64.46 million sq ft of net lettable office space, of which 26.36 million sq ft (41% of the total) is located within 93 developments in the Golden Triangle (GT). 85 developments in Suburban Areas account for 24.12 million sq ft (37% of the total), with the remaining 13.98 million sq ft (22% of the total) being located within 53 developments in the CBD.
- Since the start of 2010, four buildings have been completed in the city centre. These are Quill 6 and Cap Square Office Tower 2 in the CBD, Hampshire Place and Menara Bank I from in GT, which are the most recent addition to total supply, having been completed in 1H 2011.
Chapter 5  
Kuala Lumpur Office Property Market

5.2 Future Supply

Chart 5.2a: Future Supply of Office Space in Kuala Lumpur, 2H 2011e - 2013e

- Based on current future supply projections, as much as 4.01 million sq ft of office space in 10 projects may be added to the Kuala Lumpur office market by end-2011, equal to a further 6.2% supply growth. Of this total new supply, 46.3% will be located in Golden Triangle, 12.2% in CBD and 41.5% in Suburban Areas. Among the larger projects scheduled for completion this year are Menara 3 Petronas (840,000 sq ft), the newest addition to the Petronas Twin Towers, and The Horizon Phase 2 Block 7 - 10 (747,200 sq ft) of UOA Bangsar South.

- In 2012, nine projects, totaling 4.90 million sq ft, are scheduled to be completed, thereby increasing total office supply by 7.3%. 39.6% of this additional supply is located in Golden Triangle, with the remainder in Suburban Areas. Benchmark developments set to be completed in 2012 include Integra Tower (736,000 sq ft) and Menara Felda (689,000 sq ft) in Golden Triangle, and 4 office developments totaling 2.26 million sq ft at the KL Sentral integrated development in Suburban Areas.

- 2013 is scheduled to see the completion of 1.13 million sq ft of office space, the bulk (75.6%) of which will be located in Suburban Areas, including the latest office tower (600,000 sq ft) at Mid Valley City. Menara Hap Seng (275,000 sq ft) is scheduled for completion in Golden Triangle during the period.

- Although it is anticipated that the office market may tip into oversupply at the end of the year, the government’s efforts in the Economic Transformation Programme and the various Entry Point Projects to attract multinational corporations to set up regional offices in the country is expected to create new demand for office space in the capital city.
## Table 5.2b: Breakdown of Future Supply of Office Space in Kuala Lumpur, 2011e – 2013e

<table>
<thead>
<tr>
<th>No.</th>
<th>Project Name</th>
<th>Location</th>
<th>Estimated NLA (sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Kuala Lumpur City Centre (KLC) – GT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Menara 3 Petronas</td>
<td>KLCC</td>
<td>840,000</td>
</tr>
<tr>
<td>2</td>
<td>Menara Worldwide</td>
<td>Jalan Bukit Bintang</td>
<td>273,000</td>
</tr>
<tr>
<td>3</td>
<td>Menara Binjai</td>
<td>Jalan Binjai</td>
<td>330,000</td>
</tr>
<tr>
<td>4</td>
<td>Menara Darussalam</td>
<td>Jalan Pinang</td>
<td>266,000</td>
</tr>
<tr>
<td>5</td>
<td>Dijaya Plaza</td>
<td>Jalan Tun Razak</td>
<td>149,987</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>GT – Subtotal</strong></td>
<td><strong>1,858,987</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Kuala Lumpur City Centre (KLC) – CBD</strong></td>
<td>Off Jalan Sultan Ismail</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>The Crest</td>
<td>Jalan Tuanku Abdul Rahman</td>
<td>190,430</td>
</tr>
<tr>
<td>7</td>
<td>Persada Putra</td>
<td>CBD – Subtotal</td>
<td>490,430</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>KLC – Total</strong></td>
<td><strong>2,349,417</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Suburban Areas (SA)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>KL Sentral Park</td>
<td>KL Sentral</td>
<td>487,124</td>
</tr>
<tr>
<td>9</td>
<td>The Horizon Phase 2 Block 7-10</td>
<td>Bangsar South City</td>
<td>747,200</td>
</tr>
<tr>
<td>10</td>
<td>Dua Sentral Office Tower</td>
<td>Jalan Tun Sambathan</td>
<td>430,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>SA – Total</strong></td>
<td><strong>1,664,324</strong></td>
</tr>
<tr>
<td><strong>2012</strong></td>
<td></td>
<td><strong>By end-2011 Total</strong></td>
<td><strong>4,013,741 sq ft</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Kuala Lumpur City Centre (KLC) – GT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Glomac Tower</td>
<td>Jalan Pinang</td>
<td>515,000</td>
</tr>
<tr>
<td>2</td>
<td>Integro Tower</td>
<td>Jalan Tun Perak</td>
<td>736,000</td>
</tr>
<tr>
<td>3</td>
<td>Menara Felida@Platinum Park</td>
<td>KLCC</td>
<td>689,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>GT – Subtotal</strong></td>
<td><strong>1,940,000</strong></td>
</tr>
<tr>
<td></td>
<td><strong>KLC – Total</strong></td>
<td></td>
<td><strong>1,940,000</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Suburban Areas (SA)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Oval Damansara</td>
<td>Jalan Damansara</td>
<td>450,000</td>
</tr>
<tr>
<td>5</td>
<td>Glomac Damansara Tower D</td>
<td>Jalan Damansara</td>
<td>254,000</td>
</tr>
<tr>
<td>6</td>
<td>CIMB Headquarters</td>
<td>KL Sentral</td>
<td>600,000</td>
</tr>
<tr>
<td>7</td>
<td>348 Sentral</td>
<td>KL Sentral</td>
<td>538,617</td>
</tr>
<tr>
<td>8</td>
<td>KL Sentral – Parcel B, Lot G</td>
<td>KL Sentral</td>
<td>440,000</td>
</tr>
<tr>
<td>9</td>
<td>KL Sentral – Parcel C, Lot G</td>
<td>KL Sentral</td>
<td>676,800</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>SA – Total</strong></td>
<td><strong>2,959,417</strong></td>
</tr>
<tr>
<td><strong>2012 Total</strong></td>
<td></td>
<td><strong>2012 Total</strong></td>
<td><strong>4,899,417 sq ft</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Kuala Lumpur City Centre (KLC) – GT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Menara Hap Seng</td>
<td>Jalan Sultan Ismail</td>
<td>275,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>GT – Subtotal</strong></td>
<td><strong>275,000</strong></td>
</tr>
<tr>
<td></td>
<td><strong>KLC – Total</strong></td>
<td></td>
<td><strong>275,000</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Suburban Areas (SA)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Sentral Vista</td>
<td>Brickfield</td>
<td>250,000</td>
</tr>
<tr>
<td>3</td>
<td>Mid Valley City Office Tower</td>
<td>Mid Valley City</td>
<td>600,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>SA – Total</strong></td>
<td><strong>850,000</strong></td>
</tr>
<tr>
<td><strong>2013 Total</strong></td>
<td></td>
<td><strong>2013 Total</strong></td>
<td><strong>1,125,000 sq ft</strong></td>
</tr>
</tbody>
</table>

Source: CBRE Research
Chapter 5  
Kuala Lumpur Office Property Market

5.3 Vacancy Rates and Absorption Rate

Chart 5.3a: Vacancy Rates of High-grade Office Space in Kuala Lumpur, 2005 – 1H 2011

- Since the start of 2011, vacancy rates for Kuala Lumpur have declined to 12.0% from 13.3% in 2010, driven mainly by improved occupancy levels in suburban buildings. Vacancy rates in the city centre have generally remained unchanged during this period.
- Average vacancy rates of high-grade office space in Kuala Lumpur trended downwards as the economic recovery from the 1997/98 Asian crisis took hold, falling to as low as 7.0% in 4Q 2008.
- Thereafter, in 2009, the completion of a number of new buildings combined with weaker demand resulting from the global economic downturn, raised vacancy rates in the Golden Triangle to 13.4%; although vacancy rates in the CBD, where the supply of office space is limited compared to the GT, declined to as low as 5.6% in 2010. For the most part, vacancy rates have remained stable over the past year and are in line with historical trends.
- Absorption of office space in Kuala Lumpur and Selangor averaged at slightly less than two million sq ft annually for the past five years.
- Based on CBRE in-house research, the total additional office space (in private purpose-built office buildings) in Kuala Lumpur from 2006 to 2010 was about 11.56 million sq ft. The statistics from Valuation and Property Services Department showed a reasonably good absorption rate of about 63.35% during the same period, which is equivalent to a total of about 7.33 million sq ft. The table below shows the new supply and absorption of office space in the Kuala Lumpur.

Table 5.3b: Absorption of Office Space in Kuala Lumpur, 2006-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>New Supply (sq ft)</th>
<th>Absorption (sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1,735,268</td>
<td>562,347</td>
</tr>
<tr>
<td>2007</td>
<td>1,663,843</td>
<td>1,525,554</td>
</tr>
<tr>
<td>2008</td>
<td>1,407,641</td>
<td>1,141,851</td>
</tr>
<tr>
<td>2009</td>
<td>4,743,000</td>
<td>2,923,229</td>
</tr>
<tr>
<td>2010</td>
<td>2,014,379</td>
<td>1,173,283</td>
</tr>
<tr>
<td>Total</td>
<td>11,544,131</td>
<td>7,326,265</td>
</tr>
</tbody>
</table>

Source: CBRE Research, Valuation and Property Services Department, Ministry of Finance Malaysia
Chapter 5
Kuala Lumpur Office Property Market

5.3.1 Factors Influencing Office Demand
- The Kuala Lumpur economy is heavily service-based, with 88.9% of GDP contributed by the services sector, primarily formed of the finance, insurance, real estate and business services sub-sectors.
- As such, overall demand for office space is largely influenced by business sentiment, economic conditions and future prospects.
- Towards this end, the government has unveiled a series of plans, most notably the Economic Transformation Plan (ETP) and Government Transformation Plan (GTP), designed to carry Malaysia to middle-income nation status by 2020. The first initiatives and projects from these plans are already underway.
- Malaysia’s demographics are also very positive, as the country boasts a young population that has one of the highest rates of English language fluency in the region, making it ideally suited to accommodate business demand resulting from economic growth.

5.4 Rents
Chart 5.4: Average Rents for Office Space in Kuala Lumpur, 2005 – 2010

Average rents for selected office buildings in Kuala Lumpur stood at RM6.05 and RM3.76 per sq ft per month respectively for grade A and B office space in 2010. Grade A office average rents reduced slightly by 0.3% compared to the previous year (2009: RM6.07 per sq ft per month) whilst grade B office average rents increased by 2.5% (2009: RM3.67 per sq ft per month) on the back of improved, but not exceptional demand, and the office market remains a tenants’ market at the moment with the exception of a few selected buildings.
- Grade A office average rents trended steadily upwards between 2002 – 2007 before rising sharply in 2008 at the height of the economic boom. Since 2009, rents have generally remained flat.

5.5 Property Investment Deals
- Since 2006, the Klang Valley has been witnessing a high level of interest from local and overseas investors for good quality office investments, partly due to the following reasons:

Source: Valuation and Property Services Department, Ministry of Finance Malaysia
Chapter 5
Kuala Lumpur Office Property Market

- A complete revision of the Securities Commission (SC) guidelines for the establishment of REITs in 2005. This almost immediately led to strong demand for investment property from those wishing to set up REITs under the new liberalised tax regime.
- A shift in policy whereby government institutions such as the Employees Provident Fund (EPF), the civil servants pension/cooperative fund and others decided to invest in commercial property. Interest from these funds has been constant even in slower market conditions, such as those seen in 2009.
- Increased global liquidity, which led to increased demand from overseas REITs and opportunistic funds.

Significant office building transactions in the Klang Valley have risen substantially over the last decade, from two buildings with an aggregate value of RM285 million in 2000 to a peak of 15 buildings totaling RM5 billion in 2008. Office buildings transacted in Kuala Lumpur during 2009 recorded a total of RM1.26 billion, while those transacted during 2010 totaled RM 1.04 billion.

- Some of the major office building transactions in Kuala Lumpur since 2008 are shown in the following table.

<table>
<thead>
<tr>
<th>Year</th>
<th>Buildings</th>
<th>Location</th>
<th>NLA (sq ft)</th>
<th>Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>RM mil</td>
</tr>
<tr>
<td>2008</td>
<td>Capital Square Office Tower 2</td>
<td>Jalan Musaiah Abdullah</td>
<td>690,000</td>
<td>539.00</td>
</tr>
<tr>
<td></td>
<td>Menara YNH</td>
<td>Jalan Sultan Ismail</td>
<td>1,200,000</td>
<td>920.00</td>
</tr>
<tr>
<td></td>
<td>Menara Felda at Platinum Park</td>
<td>Jalan Sultan Ismail</td>
<td>690,000</td>
<td>441.00</td>
</tr>
<tr>
<td></td>
<td>Wisma Angkasa Raya</td>
<td>Jalan Ampang</td>
<td>162,728</td>
<td>179.00</td>
</tr>
<tr>
<td></td>
<td>Menara TM, Wisma TM, Menara Telcom, and Cyberjaya Complex</td>
<td>Kuala Lumpur, Cyberjaya</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Menara Standard Chartered</td>
<td>Jalan Sultan Ismail</td>
<td>345,000</td>
<td>298.00</td>
</tr>
<tr>
<td></td>
<td>Menara Citibank (50% equity)</td>
<td>Jalan Ampang</td>
<td>731,945</td>
<td>303.50</td>
</tr>
<tr>
<td></td>
<td>Southgate Corporate Office Tower*</td>
<td>Jalan Sungei Besi</td>
<td>-</td>
<td>226.00</td>
</tr>
<tr>
<td>2009</td>
<td>Darul Takaful</td>
<td>Jalan Sultan Ismail</td>
<td>99,021</td>
<td>63.00</td>
</tr>
<tr>
<td></td>
<td>Tower D Glomac Damansara</td>
<td>Jalan Damansara</td>
<td>254,000</td>
<td>170.73</td>
</tr>
<tr>
<td></td>
<td>The Icon @ Jalan Tun Razak – East Wing</td>
<td>Jalan Tun Razak</td>
<td>278,182</td>
<td>226.51</td>
</tr>
<tr>
<td></td>
<td>Wisma Genting (100% of equity interest)</td>
<td>Jalan Sultan Ismail</td>
<td>409,033</td>
<td>212.71</td>
</tr>
<tr>
<td></td>
<td>Southgate – Apex Tower*</td>
<td>Jalan Sungei Besi</td>
<td>-</td>
<td>63.09</td>
</tr>
<tr>
<td></td>
<td>Menara UOA Bangsar</td>
<td>Jalan Bangsar Utama</td>
<td>312,298</td>
<td>289.00</td>
</tr>
<tr>
<td></td>
<td>Wisma UOA Damansara II</td>
<td>Jalan Charingai Semantan</td>
<td>296,850</td>
<td>211.00</td>
</tr>
<tr>
<td></td>
<td>Wisma Time</td>
<td>Jalan Tun Razak</td>
<td>171,611</td>
<td>78.00</td>
</tr>
<tr>
<td>2010</td>
<td>Menara Olympic</td>
<td>Jalan Rozai Chulan</td>
<td>454,828</td>
<td>309.00</td>
</tr>
<tr>
<td></td>
<td>Menara Pan Global Office/Hotel Complex</td>
<td>Loring P. Ramlee</td>
<td>250,000</td>
<td>160.00</td>
</tr>
<tr>
<td></td>
<td>Wisma Volkswagen</td>
<td>Off Jalan Bangsar</td>
<td>45,743</td>
<td>40.00</td>
</tr>
<tr>
<td></td>
<td>Wisma KUH</td>
<td>Jln Bualu Besar</td>
<td>55,200</td>
<td>58.00</td>
</tr>
<tr>
<td>1H</td>
<td>Dua Sentral Office Tower*</td>
<td>Jalan Tun Sambathan</td>
<td>430,000</td>
<td>232.00</td>
</tr>
<tr>
<td>2011</td>
<td>100 Puter Flce*</td>
<td>Jalan Puter</td>
<td>311,000</td>
<td>513.95</td>
</tr>
<tr>
<td></td>
<td>Block B, The Horizon (Phase 1), Bangsar South</td>
<td>Bangsar South</td>
<td>46,100</td>
<td>36.00</td>
</tr>
<tr>
<td></td>
<td>Wisma Gold Hill</td>
<td>Jalan Rozai Chulan</td>
<td>266,750</td>
<td>174.50</td>
</tr>
</tbody>
</table>

Note: Transaction includes other components such as land, retail, hotel and carpark bays
Source: CBRE Research
Chapter 5
Kuala Lumpur Office Property Market

5.6 Kuala Lumpur Office Market Snapshot and Outlook

- The cumulative supply of office space in Kuala Lumpur as at 1H 2011 stood at approximately 64.46 million sq ft. In the period between 2010 – 1H 2011, 11 office developments with a combined net lettable area (NLA) of 3.2 million sq ft were completed in Kuala Lumpur.
- Our most recent projections show that another 4.01 million sq ft of office space is scheduled to be completed in Kuala Lumpur by end-2011, with five developments (1.86 million sq ft) in the Golden Triangle, two developments in Central Business District (0.49 million sq ft) and three developments (1.66 million sq ft) in Suburban Areas. We estimate another 4.90 million sq ft of Kuala Lumpur office space to be completed in 2012, of which 1.94 million sq ft (40% of total) is within three developments in the Golden Triangle.
- The overall office vacancy in Kuala Lumpur has remained stable in 1H 2011 at 12.0%. This includes levels of 9.8% in the Central Business District and 12.1% in the Golden Triangle.
- As at 2010, average gross rents for grade A and grade B office space stood at RM6.05 and RM3.76 per sq ft per month, respectively.
- The office market in Kuala Lumpur has shown its resiliency in overcoming the weak rental demand and considerable supply growth seen in 2009. Occupancy rates in the city centre are improved from a year ago, with most of the top buildings boasting occupancy levels of over 90%. This is reinforced by the fact that it is difficult to find large, continuous space for new tenants; companies with these types of requirements have to wait for the completion of buildings still under development.
- The government has pushed ahead with a number of strategic projects intended to generate both domestic and foreign demand and most economists project GDP growth of between 5.0-5.5% for full-year 2011, following on from 7.2% GDP growth in 2010. The first wave of programs under the Economic Transformation Programme (ETP) and Government Transformation Programme (GTP) has already begun, and the expected increase in economic growth and foreign investment bodes well for the office market.
- While as much as 2.35 million sq ft of office space is scheduled to be completed in second half this year in the Golden Triangle and Central Business District, the most significant completions, such as Menara 3 Petronas, are expected to have healthy pre-commitment levels by the time they are completed, thereby reducing stress on the overall tenancy market.
- Rents have remained flat for some time and will likely continue to do so. With the exception of a few buildings, landlords do not appear to have substantial leverage to increase rents significantly. At the same time, office rents in Kuala Lumpur are among the lowest in the Asia region, suggesting that rental rates are not a major factor in the decisions of most multinational corporation (MNC) tenants to move to newer premises.
- Unlike Singapore and Hong Kong, Kuala Lumpur’s office market is not primarily reliant on the financial services industry. Demand from the oil & gas industry (O&G) and government sector are significant support factors for the local office market, and there is unlikely to be any reduction in demand from these sectors. Investor confidence in the local office market can be seen by the level of investor interest when good quality assets become available. Office property yields in Kuala Lumpur are generally higher than those in Singapore, Hong Kong and many other regional cities, and the foreign ownership liberalization policies put into place in mid-2009 have drawn the interest of a number of foreign funds in addition to the domestics REITs and funds who drove the investment market during the economic downturn.
Chapter 6
Review On REIT Portfolio

6.0 REVIEW ON REIT PORTFOLIO

6.1 Pavilion Kuala Lumpur Mall

6.1.1 Description

- Pavilion Kuala Lumpur Mall is the largest premium fashion mall in Malaysia. It has set new standards for fashion retailing and lifestyle in Kuala Lumpur and is on par with the best retail malls in the region, if not the world. Besides playing host to many international luxury brands such as Bentley, Jaguar, Versace, Burberry, Hermes, Prada and Marc by Marc Jacobs, the mall supports approximately 450 retail tenants with Parkson as anchor tenant and Food Republic, Forever 21, Golden Screen Cinemas, Red Box Plus, Harvey Norman, Tangs, Times Bookstore and Padini Concept Store as specialty anchor tenants.

- Located strategically at the heart of Jalan Bukit Bintang – Malaysia’s prime retail street equivalent to the likes of Singapore’s Orchard Road, Hong Kong’s Central, Tokyo’s Ginza and New York’s Fifth Avenue – Pavilion Kuala Lumpur Mall is primely sited in Malaysia’s shopping paradise and is arguably the most successful mall along Jalan Bukit Bintang. This is evident from its ability to record improved performance despite the economic impact from the recent global financial crisis, a period in which Pavilion Kuala Lumpur Mall has managed to increase its rents as well as register higher turnover for its tenants. This is due to the fact that the mall not only caters to tourists, but also to local shoppers with strong purchasing power.

- Pavilion Kuala Lumpur Mall benefits from dual frontages onto both Jalan Bukit Bintang and Jalan Raja Chulan, as well as constant pedestrian and car traffic exposure. Together with Starhill Gallery and fahrenheit88 it draws at least 2.5 million visitors to the area each month.

- The mall is part of an integrated mixed development consisting of the Office Tower (proposed to be named as Pavilion Tower) and Pavilion Residences. The retail component is amongst the largest in the country and in the region, providing 1,255,217 sq ft of net lettable area (exclusive of retail office block and storage space) spanning across a seven (7) storeys retail podium (including four (4) levels of car parks) with three (3) levels of basement car parks and a four (4) levels connection block annexed to it.

- Pavilion Kuala Lumpur Mall is an award winning retail development and has received a respectable number of awards both locally and internationally.
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**Accolades & Awards**

2011 Awards:
- ‘2011 VIVA Best-of-the-Best Award Honoree (Design and Development)’ by International Council Shopping Centre VIVA Best-of-the-Best Awards
- ‘Award for Outstanding Achievement (Shopping Mall Category)’ by Kuala Lumpur Mayor’s Tourism Awards 2011

2010 Awards:
- ‘Retail Merchant of the Year’ by MasterCard Worldwide for MasterCard Hall of Fame Awards 2010
- ‘Marketing’ by International Council of Shopping Centres in Asia Shopping Centre Awards 2010
- ‘Innovative Design & Development of a New Retail Project’ by International Council of Shopping Centres in Asia Shopping Centre Awards 2010
- ‘Best Thematic Decoration’ by Tourism Malaysia Shopping Centre Awards for Malaysia Mega Sale Carnival 2010
- ‘Best Promotions and Events’ by Tourism Malaysia Shopping Centre Awards for Malaysia Mega Sale Carnival 2010
- ‘The Architecture Award (Retail) – Asia Pacific’ by International Property Awards in association with Bloomberg Television 2010
- ‘The Architecture Award (Retail) – Malaysia’ by International Property Awards in association with Bloomberg Television 2010
- ‘Best Retail Development – Malaysia’ by International Property Awards in association with Bloomberg Television 2010
- ‘Best Indoor Fun’ by Expatriate Lifestyle Awards 2010

2009 Awards:
- ‘Best Thematic Decoration’ by Tourism Malaysia Shopping Centre Awards for Malaysia Year End Sale Carnival 2009
- ‘Innovative Shopping Complex’ by Malaysia Tourism Awards 2008/2009
- ‘Best Shopping Mall’ by LIBUR Tourism Awards 2009
- ‘Best Indoor Fun’ by Expatriate Lifestyle Awards 2009
- ‘World Best Retail Centre’ by International Real Estate Federation (FIABCI) Prix d’Excellence Awards 2009

2008 Awards:
- ‘Best Thematic Decoration’ by Tourism Malaysia Shopping Centre Awards for Malaysia Mega Sale Carnival 2008
- ‘Best Retail Development’ by International Real Estate Federation (FIABCI) Malaysia Property Awards 2008
- ‘Premier Retail Centre’ by Brand Laureate Awards 2008
- ‘Best Shopping Mall’ by LIBUR Tourism Awards 2008
- ‘Silver Awards, Favorite Shopping Complex’, Diplomatic Tourism Awards 2008

2007 Award:
- ‘Most Magical Mall Award’ by Ministry of Tourism Malaysia 2007
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6.1.2 Location Analysis
6.1.2.1 Macro analysis

- Regionally, the Jalan Bukit Bintang area is a major shopping destination for shoppers from neighbouring ASEAN countries such as Singapore, Indonesia, Thailand, Vietnam, Brunei and the Philippines as well as Hong Kong. Undoubtedly, this means that Pavilion Kuala Lumpur Mall will be able to capture a sizeable share of shoppers travelling to Kuala Lumpur as it is strategically sited along the shopper’s paradise of Jalan Bukit Bintang. The following are among the various reasons Kuala Lumpur is a shopping destination for tourists:
  - Being neighbouring countries, Singaporeans like to shop in Kuala Lumpur due to the favourable exchange rates.
  - Thais, Bruneians, Indonesians, Vietnamese, Philippines and Cambodians shop in Kuala Lumpur as the city offers a huge variety of choices and good quality goods. Additionally, Kuala Lumpur offers better purchasing power for their money in terms of accommodation and food, if compared to Singapore and Hong Kong.
  - The same applies for Hong Kong shoppers, for which Kuala Lumpur offers good quality products at cheap prices and an overall better holiday experience due to cheaper hotels and food.

6.1.2.2 Micro analysis

- Pavilion Kuala Lumpur Mall is strategically located at the heart of Jalan Bukit Bintang, the premier retail axis and entertainment district of Kuala Lumpur. The Bukit Bintang area is dotted with many hotels, retail centres, al-fresco cafés and commercial buildings. This area is popular with tourists as well as locals. Within the 500 meters radius from Pavilion Kuala Lumpur Mall, there are a total of twelve 4- and 5-star hotels including Grand Millennium Hotel, JW Marriot, Ritz Carlton, Westin Kuala Lumpur, Royale Chulan Hotel, Piccolo Hotel, Coramonde Hotel, Hotel Istana, Novotel, Crowne Plaza, Park Royal and Prince Hotel & Residence. Established malls in the ‘Bintang Walk’ vicinity include fahrenheit88, Starhill Gallery, Berjaya Times Square, Lot 10 and Sungei Wang Plaza. Map 6.1a below shows the location of Pavilion Kuala Lumpur in relation to the office buildings, hotels and malls in Kuala Lumpur city centre.

- Pavilion Kuala Lumpur Mall is linked to the KLCC and other commercial buildings along the way via a covered walkway known as the ‘Pavilion skybridge’. This allows pedestrian friendly access for shoppers in the busy thoroughfare and will improve shopper traffic between the very popular Suria KLCC and Pavilion Kuala Lumpur Mall. This will create a cluster effect for both malls, thereby increasing shopper traffic between them.

- Although the Bukit Bintang area suffers from Kuala Lumpur’s heavy traffic and jams, it is accessible to the entire Klang Valley through the latter’s good network of highways. Pavilion Kuala Lumpur benefits from being in the centre of the commercial precinct and indirect access via SMART (Stormwater Management And Road Tunnel), Ampang-Kuala Lumpur Elevated Highway (AKLEH), North-South Expressway (NSE) & Central Link, Sprint Expressway.
comprising the Damansara, Kerinchi and Penchala Links, New Pantai Expressway (NPE), Middle Ring Roads I & II (MRR I & II), Duta-Ulu Klang Expressway (DUKE) and Federal Highway.

- There is adequate public transport in terms of bus and taxi services in the area. Pavilion Kuala Lumpur Mall also benefits from its proximity to the KL Monorail Stations at Jalan Bukit Bintang and Jalan Raja Chulan which are a short walking distance away. Another notable major infrastructural development that will have direct influence on Pavilion Kuala Lumpur Mall will be the proposed Mass Rapid Transit (MRT) system, in which a proposed station known as Bukit Bintang Central is expected to be situated along Jalan Bukit Bintang close to Pavilion Kuala Lumpur. Map 6.1b below illustrates the Light Rapid Transit (LRT), Monorail line and the proposed MRT line in relation to Pavilion Kuala Lumpur.

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Source: CBRE Research
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6.1.3 Trade Area Analysis

Table 6.1c: Trade Area Analysis - Residential

<table>
<thead>
<tr>
<th>Area</th>
<th>Census 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary - Kuala Lumpur</td>
<td>1,627,172</td>
</tr>
<tr>
<td>Secondary -</td>
<td></td>
</tr>
<tr>
<td>Putrajaya</td>
<td>67,964</td>
</tr>
<tr>
<td>District of Petaling</td>
<td>1,782,375</td>
</tr>
<tr>
<td>District of Gombak</td>
<td>682,996</td>
</tr>
<tr>
<td>District of Klang</td>
<td>848,149</td>
</tr>
<tr>
<td>District of Ulu Langat</td>
<td>1,141,880</td>
</tr>
<tr>
<td>Klang Valley Total</td>
<td>6,150,536</td>
</tr>
</tbody>
</table>

Source: Department of Statistics

- Although most suburban and niche malls would have well defined catchments that sit within a drive time distance of 10 to 15 minutes, city centre malls tend to attract all and sundry and from a wider drive distance. Customer exit studies will show that most of Bukit Bintang’s customers come from the east to south east and the north. The distance from the west and the heavy traffic in the city centre discourage regular visits from Petaling Jaya and the western part of the Klang Valley.

- The fact that some of the regional malls and suburban megamalls also offer a good selection of merchandise means that Bukit Bintang is not the ideal location for shopping on a regular basis.

- Thus, although Pavilion Kuala Lumpur Mall could potentially capture a wide catchment traversing the entire Klang Valley, it is currently appealing to only a portion of the population in Petaling Jaya and western part of the Klang Valley.

- Kuala Lumpur has a total population of 1,627,172, and the secondary area as defined above has a total of 4,573,364, in combination the total potential catchment is around 6.15 million.

- Pavilion Kuala Lumpur Mall would possibly capture about 40% of that, or 2.46 million a month as shoppers.

- This is large, considering that the population within a 10-minute drive from some popular suburban malls would not exceed 500,000 people.

- In the longer term this means however that the latent potential of Pavilion Kuala Lumpur Mall is excellent as the MRT will bring a large portion of the affluent west Klang Valley population directly into Bukit Bintang as well as the rest of the affluent Cheras crowd, which is not well served by the present LRT system.

Table 6.1d: Trade Area Analysis - Office Population

<table>
<thead>
<tr>
<th>Location</th>
<th>NLA (sq ft)</th>
<th>Occupied Space, 1H 2011 (sq ft)</th>
<th>Estimated Office Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Triangle</td>
<td>26.4 million</td>
<td>23.2 million (88%)</td>
<td>154,438*</td>
</tr>
<tr>
<td>Central Business District</td>
<td>14.0 million</td>
<td>12.6 million (90%)</td>
<td>84,051*</td>
</tr>
<tr>
<td></td>
<td>40.4 million</td>
<td>35.8 million</td>
<td>238,489*</td>
</tr>
</tbody>
</table>

Source: CBRE Research

Note: Assuming one (1) office worker in every 150 sq ft occupied office space

- Pavilion Kuala Lumpur Mall is also close to many commercial or office buildings in the Golden Triangle.

- As at 1H 2011, the total net lettable area of office buildings in the Golden Triangle and the Central Business District is 40.4 million sq ft, of which 35.8 million is currently occupied. There is hence a large pool of office workers that could potentially form Pavilion Kuala Lumpur Mall’s day crowd.
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Map 6.1e: Klang Valley's boundaries and various radius lines from Pavilion Kuala Lumpur

Source: CBRE Research
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#### 6.1.4 Performance Analysis

##### 6.1.4.1 Key Tenants

- The table below tabulates Pavilion Kuala Lumpur Mall’s top 10 tenants for 2010 and as at 1 June 2011.

**Table 6.1f: Pavilion Kuala Lumpur Mall’s Top 10 Tenants By Area and Rental Income**

<table>
<thead>
<tr>
<th>By Alphabetical Order</th>
<th>As at 1 June 2011</th>
<th>Top 10 by Area</th>
<th>Top 10 by Rental Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Forever 21</td>
<td></td>
<td>Esprit</td>
</tr>
<tr>
<td>2</td>
<td>Golden Screen Cinema</td>
<td></td>
<td>Food Republic</td>
</tr>
<tr>
<td>3</td>
<td>Harvey Norman</td>
<td></td>
<td>Forever 21</td>
</tr>
<tr>
<td>4</td>
<td>Mercato</td>
<td></td>
<td>Golden Screen Cinema</td>
</tr>
<tr>
<td>5</td>
<td>Padini</td>
<td></td>
<td>Padini</td>
</tr>
<tr>
<td>6</td>
<td>Pan Asia</td>
<td></td>
<td>Parkson</td>
</tr>
<tr>
<td>7</td>
<td>Parkson</td>
<td></td>
<td>Royal Selangor</td>
</tr>
<tr>
<td>8</td>
<td>Red Box Plus</td>
<td></td>
<td>TANGS Fashion Lifestyle Store</td>
</tr>
<tr>
<td>9</td>
<td>TANGS Fashion Lifestyle Store</td>
<td></td>
<td>Topshop and Topman</td>
</tr>
<tr>
<td>10</td>
<td>The Nomad Office</td>
<td></td>
<td>Zara</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By Alphabetical Order</th>
<th>2010</th>
<th>Top 10 by Area</th>
<th>Top 10 by Rental Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Forever 21</td>
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<td>2</td>
<td>Golden Screen Cinema</td>
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</tr>
<tr>
<td>3</td>
<td>Harvey Norman</td>
<td></td>
<td>Forever 21</td>
</tr>
<tr>
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</tr>
<tr>
<td>6</td>
<td>Pan Asia</td>
<td></td>
<td>Parkson</td>
</tr>
<tr>
<td>7</td>
<td>Parkson</td>
<td></td>
<td>Royal Selangor</td>
</tr>
<tr>
<td>8</td>
<td>TANGS Fashion Lifestyle Store</td>
<td></td>
<td>TANGS Fashion Lifestyle Store</td>
</tr>
<tr>
<td>9</td>
<td>The Nomad Office</td>
<td></td>
<td>Topshop and Topman</td>
</tr>
<tr>
<td>10</td>
<td>True Fitness</td>
<td></td>
<td>Zara</td>
</tr>
</tbody>
</table>

Source: Unshara Camerlang Sdn Bhd & CBRE Research

- As at 1 June 2011, the top 10 largest tenants in Pavilion Kuala Lumpur Mall occupy 38% (2010: 39%) of total available area in the mall, with rental incomes from these tenants accounting for 18% (2010: 20%) of the total annual rental income.
- On the other hand, the top 10 highest-paying tenants contribute to 24% (2010: 23%) of rental income and occupy 34% (2010: 35%) of net lettable area in the mall.

##### 6.1.4.2 Trade Mix

- Pavilion Kuala Lumpur Mall is a premium fashion mall and the dominant trade is fashion followed by the food & beverages trade. Fashion stores take up 26.9% of total occupied retail space while department stores take up another 26.2%. Food & beverage outlets occupy 18.7% of total area.
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The mall provides a wide variety of luxury brands and mainstream merchandise as well as a good potpourri of food & beverages and entertainment outlets. The target market is at the affluent and trendy shoppers and tourists. The chart below provides a snap shot of the trade mix of Pavilion Kuala Lumpur Mall.

Chart 6.1g: Pavilion Kuala Lumpur Mall Trade Mix Analysis

- **Fashion and Fashion Accessories**: 26.9%
- **Food & Beverages**: 15.7%
- **Department Store/Supermarket**: 7.8%
- **IT & Digital**: 2.7%
- **Jewellery, Timepieces & Writing**: 3.3%
- **Beauty & Personal Care**: 4.4%
- **Shoes, Bags & Leather**: 2.5%
- **Others**: 8.1%

Source: Utmost Cemerlang Sdn Bhd & CBRE Research

Note: *Trade mix analysis is by occupied and sales reporting net lettable area only, and exclusive of the retail office block and storage space.*

- The trade and tenant mix is well planned and laid out within six distinct precincts, each with its own special offerings of shopping experience. These precincts are elaborated below:-
  - **Couture Pavilion**: Home to luxury and premium boutiques with its array of fashion and designer brands for the fashion conscious such as Bottega Veneta, Bvlgari and Bulgari, Celine, Chopard, Diane Von Furstenberg, Ermenegildo Zegna, Giuseppe Zanotti, Gucci, Hermès, Loewe, MaxMara, Miu Miu, Mont Blanc, Prada, Rolex, Tod’s, Versace and Yves Saint Laurent. 19 double-storey duplexes have the benefit of occupying prime street front space in a modern arresting box architecture.
  - **Centre Court**: The focal point of Pavilion Kuala Lumpur Mall together with its famous Spanish Steps, where activities and functions are regularly held. Brands like British India, DKNY, Guess, Marc by Marc Jacobs, MAC Cosmetics, TUMI, Van Laack and Vertu are present in this precinct.
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- Connection: A strong mix of al fresco restaurants, coffee bars, bistros, karaoke and cinema for urban leisure activities.
- Gourmet Emporium: Features cuisine of local and international flavor from all over the world with groceries offered in Mercato supermarket.
- Tokyo Street: Newest precinct at Pavilion Kuala Lumpur Mall, blending the traditional elements and modern facets of Japan’s dynamic culture and ambience.
- Seventh Heaven: One stop destination offering a plethora of rejuvenation and relaxation boutiques.

- On top of the luxury brands mentioned above, Pavilion Kuala Lumpur Mall also hosts the Jaguar and Bentley auto gallery, Canali, Coach, Juicy Couture, Harvey Norman, Hugo Boss, Omega, Patek Philippe, Paris Hilton, Royal Selangor, Tiffany & Co. and many more.

### 6.1.4.3 Occupancy Rate

**Chart 6.1h: Pavilion Kuala Lumpur Mall’s Occupancy Rates vs Premium Fashion Mall’s Average**

![Occupancy Rate Chart]

Source: Unoffset Cemerkang Sdn Bhd & CBRE Research

Note: - ‘Occupancy rate for Pavilion Kuala Lumpur Mall is as at 1 June 2011.
- Occupancy rates are as at end of year/period.
- Premium fashion malls are defined by Pavilion Kuala Lumpur Mall, Suria KLCC, Starhill Gallery and The Gardens.

- Pavilion Kuala Lumpur Mall generally outperformed the average occupancy rate of premium fashion malls in the Klang Valley from 2008.
- It achieved occupancy rates of 98.5%, 98.7%, 96.5% and 97.7% in 2008, 2009, 2010 and as at 1 June 2011, respectively. This is higher than the average for the basket of premium fashion malls which achieved 97.0%, 95.2%, 97.0% and 94.0% in average over the comparative period of time.
- The drop of Pavilion Kuala Lumpur Mall’s occupancy rate in 2010 was mainly due to the closure of the former Home precinct to make way for the new retail area of Tokyo Street.
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6.1.4.4 Rents
- As at 1 June 2011, Pavilion Kuala Lumpur Mall achieved average rental per sq ft of RM17.30 per month, with an average prime rent of RM38.40 per sq ft per month.
- This is on par with CBRE Research’s Klang Valley Prime Retail Rental Index of RM39.23 per sq ft per month as at 1H 2011.

6.1.4.5 Shopper Traffic
Chart 6.11: Pavilion Kuala Lumpur Mall’s Shopper Traffic

<table>
<thead>
<tr>
<th>Year</th>
<th>Shopper Traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>23 million</td>
</tr>
<tr>
<td>2009</td>
<td>25 million</td>
</tr>
<tr>
<td>2010</td>
<td>31 million</td>
</tr>
</tbody>
</table>

*Source: Urunarta Cemerlang Sdn Bhd & CBRE Research*

- During its first full year of operation, Pavilion Kuala Lumpur Mall received shopper traffic of 23 million. Subsequently, it improved to 25 million in 2009. In 2010, shopper traffic increased by 24% to 31 million.

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6.1.5 SWOT Analysis

Strengths

- Strategic location: Located along a very long stretch of the Golden Triangle within busy Jalan Bukit Bintang.
- Tourist spot: Surrounded by prominent hotels like JW Marriott, Ritz-Carlton, The Westin, Piccolo Hotel, Dorsett Regency and Grand Millennium, with high exposure to tourists.
- Strong luxury offers and good tenant mix: Pavilion Kuala Lumpur Mall has most of the best fashion brands in the retail industry from around the world and attracts trendy affluent Malaysians and tourists.
- It has an award winning architecture and ambience with its high ceilings and wide walkways, Spanish Steps and often very exciting promotions and events.
- It has a well planned tenant mix and a good and efficient layout.
- Its 450 tenants provide sufficient critical mass and merchandise range for a strong pull throughout the Klang Valley.

Weaknesses

- Traffic congestion along Jalan Bukit Bintang.
- The day crowd is weak as many office buildings are not within walking distance.

Opportunities

- MRT line: The MRT project under Economic Transformation Program will have the Bukit Bintang Central station located close to Pavilion Kuala Lumpur. This is expected to bring more footfalls to the mall.
- Urbanisation: With the Klang Valley expected to house 10 million people by 2020, the continuing trend of urbanisation will bring more shoppers to Pavilion Kuala Lumpur Mall.
- Growing tourism: Malaysia is expected to attract 36 million tourists by 2020 and RM168 billion in tourist receipts. This will benefit Pavilion Kuala Lumpur Mall.

Threats

- New malls: With 9 malls (1 premium fashion mall and 8 mass market malls) totalling 4.73 million sq ft of net lettable area under construction and scheduled to open by 2014 in Kuala Lumpur, there is a potential dilution of retail market share.
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#### 6.1.6 Comparative Analysis

<table>
<thead>
<tr>
<th>Description</th>
<th>Pavilion Kuala Lumpur Mall</th>
<th>Starhill Gallery</th>
<th>The Gardens Mall</th>
<th>Suria KLCC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Lettable Area (sq ft)</td>
<td>1,255,217^1</td>
<td>Approximately 300,000</td>
<td>Approximately 800,000</td>
<td>Approximately 1,000,000</td>
</tr>
<tr>
<td>Location</td>
<td>Jalan Bukit Bintang</td>
<td>Jalan Bukit Bintang</td>
<td>Mid Valley City</td>
<td>KLCC</td>
</tr>
<tr>
<td>Est. Occupancy Rate (1H 2011)</td>
<td>97.6%^1</td>
<td>About 88%</td>
<td>About 97%</td>
<td>About 94%</td>
</tr>
<tr>
<td>Date of Completion</td>
<td>2007</td>
<td>1996</td>
<td>2007</td>
<td>1998</td>
</tr>
</tbody>
</table>

**Property Component**
- Integrated mixed development on 12.6 acres land located along Jalan Bukit Bintang consisting Pavilion Kuala Lumpur Mall (retail), Pavilion Tower (office) and Pavilion Residences (residential)
- Connected to JW Marriott Kuala Lumpur (hotel) and linked to Ritz Carlton Hotel (hotel).
- Integrated mixed development on 9.7 acres land within Mid Valley City consisting two 3-storey office towers (office), Gardens Hotel (hotel), The Gardens Residences (Residential) and The Gardens Mall (retail).
- Integrated mixed development on 85 acres land which consists of Petronas Twin Towers (office), Suria KLCC (retail), Menara Maxis (office), Menara EpsonMobil (office), Mandarin Oriental (hotel), The Binjai On The Park (residential) and Kuala Lumpur Convention Centre (commercial).

| No. of Floors (excl basement) | 7 | 7 | 9 | 6 |
| Levels of Retail              | 7 | 7 | 6 | 6 |
| Levels of Car Park            | 7 | 3 | 10 | 4 |
| No. of Car Park Bays          | 2,427 | 673 | 3,800 | More than 5,000 |
| Catchment Area                | Regional | Regional | Regional | Regional |
| Ownership                     | Ushahtra Ceramantang Sdn Bhd | Starhill Global REIT | IGB Corp | KLCC Property Holdings Bhd |
| Positioning                   | Upper-middle to upper income level | Upper income level | Upper-middle to upper income level | Middle to upper income level |
| Target Market                 | Affluent families and tourists | High networth shoppers and tourists | Affluent suburban families | Affluent families and tourists |
| Remarks                       | Pavilion Kuala Lumpur Mall is located within the prime shopping district of KLCC-Bukit Bintang area and is positioned at upper-middle to upper income level shoppers. This mall hosts a large number of luxury/premium brand along its signature Couture Pavilion preccint. | Starhill is now a niche mall anchored by Louis Vuitton and the fine dining food & beverage outlets. It is specialised in timepieces and is a collectors’ destination and benefits from its connectivity with the boutique JW Marriott Hotel. | The Gardens Mall is positioned at upper level targeting the affluent suburban shopper. It is gaining traction since opening in 2007 with its new key brands and its good food offers. It benefits from the integration with Mid Valley Megamall although the latters’ shoppers are not its direct targets. | The KLCC development is the best-known location for tourists and Suria KLCC enjoys the highest footfall. This mall has a wide range of tenants ranging from luxury and premium designer brands to fast food. With the connection to Kuala Lumpur Convention Centre and Petronas Twin Towers, Suria KLCC is a tourist’s shopping destination. |

Source: CBRE Research

Note: ^ As at 1 June 2011 and comprises of committed tenants and exclusive of retail office block and storage space.
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6.1.6.1 Comparative Assessment

- Out of the total supply of 43.33 million sq ft retail space in the Klang Valley, premium fashion malls contribute a mere 7.8% of total supply as at 1H 2011, with Pavilion Kuala Lumpur Mall taking up the majority.
- Suria KLCC has always enjoyed the highest occupancy rate among these malls, until it recently went into a transition period to position for the opening of the extension. With the extension of the mall (Suria KLCC Phase 2) scheduled to complete by end-2011, it will continue to be the second largest premium fashion mall in Klang Valley after Pavilion Kuala Lumpur Mall.
- Tenants from the fashion and fashion accessories trade form approximately 30% of total tenants in Suria KLCC, whilst food and beverages tenants total another 20%. This is similar to Pavilion Kuala Lumpur Mall’s trade mix of 26.9% for fashion and fashion accessories and 18.7% for food and beverages.
- The Gardens Mall has a higher food and beverage content with approximately 30% of its tenants from this category, and close to 20% of the tenants from the fashion and fashion accessories trade.
- Starhill Gallery is dedicated to luxury timepieces, but it is also supported by the Feast Village, making it a destination for dining.
- Despite its close proximity to Starhill Gallery, Pavilion Kuala Lumpur Mall does not compete directly with the former as the overlap in merchandise and brands is minimal. In fact, the 2 malls complement each other as they both act together to provide not only a cluster but a wider range of luxury brand offers not available elsewhere.
- Up to perhaps a decade ago, it would have been difficult to foresee a large affluent shopper base in Kuala Lumpur which could support not only a wide range of premium and luxury brands but even more importantly, accretive growth from more than one store for some of the strongest names in the retail business.
- Pavilion Kuala Lumpur Mall has proven that Kuala Lumpur is big enough to accommodate at least 2 stores within 1 km of each other, much like Orchard Road in Singapore. Now The Gardens is demonstrating that there is room for a 3rd outlet for these brands, albeit with some cannibalisation.
- At the same time, earlier fears of cannibalisation overall in the city centre with 2 very large malls offering a lot of overlaps has proven unfounded as the catchments for both Suria KLCC and Pavilion Kuala Lumpur Mall are not identical.
- In the longer term, both will fine tune further their respective offers and differentiation will be in the overall mix rather than the individual brands and the target market segments that each serve.
- As far as downtown shopping is concerned for the affluent population in the east and south east of Klang Valley, Pavilion Kuala Lumpur Mall has pole position. Its vibrant environment is one important facet of Kuala Lumpur’s exciting offer to the affluent families and tourists in the Klang Valley.
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6.1.7 Outlook for Pavilion Kuala Lumpur Mall

- The Bukit Bintang area has been the traditional shopping district of Kuala Lumpur and it continues to draw shoppers with its varied offerings. Starhill Gallery opened along Jalan Bukit Bintang in the mid 90’s with a set of new tenants from Lot 10, positioning itself as the premier fashion mall of Kuala Lumpur with premium brands and styles. Amongst its initial tenants was Malaysia’s first CK Tang department store. The Bukit Bintang area witnessed a change when the YTL group acquired Starhill Gallery, after which renovations were carried out immediately to bring life to the area via a street concept known as “Bintang Walk”.

- In the late 90’s however the shine was taken off from the area as it faced intense competition from Suria KLCC, which had better accessibility, the iconic twin towers, a friendlier environment in terms of amenities like the park and connectivity to the office buildings and also a more modern well planned mall.

- Pavilion Kuala Lumpur Mall consolidated Bukit Bintang’s strength. It brought not only a larger format mall but also a much better ambience with its large central atrium and its Spanish Steps. It also provides a new array of luxury brands with very exciting store fronts visible from the road. In short, it set new standards and has made shopping especially for fashion labels similar to what is expected of the best retail destinations in the region. It also introduced some new brands not seen in the Malaysia market before.

- Despite its first years of settling in, fashion has made its mark and Pavilion Kuala Lumpur Mall is now differentiated by its superior offers in its brand selection and range.

- Whilst previously it was difficult to think Kuala Lumpur could afford such luxury brands, Pavilion Kuala Lumpur Mall has proved not only that this is possible but also that cannibalization of existing malls is minimal. In its trade mix analysis, Pavilion Kuala Lumpur Mall has also shown that luxury fashion has a sustainable support in Kuala Lumpur.

- On a macro level, the retail market is getting more competitive but at the same time more robust as a result of the fast changing fashion trends brought about by the convergence of European and Asian styles. The market may be more diluted but the total industry size has nevertheless increased exponentially over the last 15 years and retailers are reporting healthy growth. And for the consumers, there is also a better quality and variety of retail merchandise now than before.

- Apart from the eastern and western fashion convergence, there is also a convergence of lifestyles and retail. Whereas in the past malls could only showcase a handful of luxury brands mixed with Grade B local names, today the industry has become much more appealing both in terms of its look and feel and in its breadth of offer. It has become not just about browsing or comparison shopping alone either. It has grown together with consumerism to blur the lines with entertainment and lifestyles. Today shopping almost always includes a dining experience or invariably combined trips to the spa or cinemas.

- Where this is most exciting of course is always in city locales where it is most vibrant, and invariably the trendy set will seek out the city lights and the bustling life it offers. In Malaysia, such a venue is Jalan Bukit Bintang, and Pavilion Kuala Lumpur Mall is where everything seems to be converging at this precinct. Its façade is a sight to behold and is also one that parades the pinnacle of consumerism and branding. The best to
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offer in food variety is also here, along with the vibrant night scene - offering a place to see and be seen. This area is now about style and about the best in shopping experience.

- Pavilion Kuala Lumpur Mall’s strength therefore is in its focus in the latest and best in styles, brands, food and trends. This is coupled with its incomparable location in the centre of the retail belt in Kuala Lumpur and its proximity to the commercial precinct that exists there.

- The market is also in agreement that the trade level is yet to peak as well. At least up to the medium term, despite new supply coming into the market, Pavilion Kuala Lumpur Mall will represent the flagship stores of many brands and will thus see traction in its gross sales turnover for all its categories.

- Going forward, the area will be even more vibrant and is expected to continue to be the nucleus of retail excitement in the city. In the mid to long term, the MRT and economic growth of Kuala Lumpur will bring increased traffic in Jalan Bukit Bintang. This will mean higher trade turnover and invariably rental growth.

- In Kuala Lumpur, retail is about the total offer and Pavilion Kuala Lumpur Mall, like the other top 5 successful malls in the Klang Valley will have major market share in terms of the retail business simply because there is hardly any other mall that can offer the same scale of brands and variety of trades as this 1.255 million sq ft mall.

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6.2 Pavilion Tower

6.2.1 Description

- The Office Tower (proposed to be named as Pavilion Tower, and henceforth identified as such for the purpose of this report) is part of an integrated mixed development consisting of Pavilion Kuala Lumpur Mall and Pavilion Residences. Located in the heart of the Golden Triangle, the city’s commercial hub, Pavilion Tower is one of Kuala Lumpur’s premier business addresses. The office tower is medium in size with a typical floor plate of 9,914 sq ft. Its 167,407 sq ft of net lettable area spans 20 floors.

- Pavilion Tower is equipped with modern office facilities such as a Building Automation System (BAS), a centralized air-conditioning system, turnstile security system, a fire protection system and a double ceiling height lobby. Despite being a modern office building located in a strategic location, features such as a large floor plate (more than 10,000 sq ft), a column-free floor layout and a spacious lobby area which constitute a full-fledged grade A office space are not available in Pavilion Tower.

6.2.1.1 Building Size

- The 167,407 sq ft net lettable area of Pavilion Tower makes up 0.64% of the total existing office space in the Golden Triangle. The current building layout allows for a typical net floor plate of 9,914 sq ft.

- A large number of existing prime office buildings located in the immediate vicinity of Pavilion Tower were completed prior to year 2000 and as a result might not be as competitive as the newer office towers in the vicinity. A select few office buildings that would be comparable in size to Pavilion Tower include Menara Standard Chartered (344,000 sq ft), Menara Djin (299,990 sq ft), Menara Hup Seng (345,564 sq ft) and Kenanga International (278,643 sq ft).

- The Golden Triangle area will continue to see a steady increase in the supply of future office space. Major projects scheduled for completion by end-2012 include Menara 3 Petronas (840,000 sq ft), Integra Tower (736,000 sq ft), Menara Felda (699,654 sq ft), Menara Worldwide (273,000 sq ft) and Menara Binjai (330,000 sq ft) which would add a total of 2,878,654 sq ft of office space to the Golden Triangle office market.

6.2.2 Performance Analysis

6.2.2.1 Occupancy Rate Analysis

- Pavilion Tower achieved an occupancy rate of 30% as at 31 December 2010 and improved further to about 64% (including leases entered into and currently undergoing renovation, exclusion of such leases results to occupancy rate of 41%) as at 1 June 2011. At present, the occupancy rate of Pavilion Tower is still low compared to the average occupancy rate of high-grade office space in Golden Triangle at 87.9%. However, it should be noted that Pavilion Tower has only just recently been released into the market for leasing and will require time to achieve optimal occupancy. Chart 5.3a highlights the vacancy rates of high-grade office space in Kuala Lumpur.
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- The tenants in Pavilion Tower are strongly represented from the Oil & Gas (29%) and Development (28%) sectors. The table below tabulates the Trade Sector Summary as at 1 June 2011.

Table 6.2: Trade Sector Summary – Pavilion Tower

<table>
<thead>
<tr>
<th>Trade Sector</th>
<th>Share over total committed area</th>
<th>Share over total gross rental income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Development</td>
<td>25%</td>
<td>26%</td>
</tr>
<tr>
<td>Locomotive Technology Provider</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Investment Holding</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>36%</td>
<td>34%</td>
</tr>
<tr>
<td>Sales &amp; Marketing Consultancy Service</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Service Office</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Unusharto Cemerlang Sdn Bhd & CBRE Research

6.2.2.2 Rent Analysis
- Pavilion Tower achieved an average gross rent of RM5.77 per sq ft (including leases entered into and currently undergoing renovation, exclusion of such leases results to average gross rent of RM5.92 per sq ft) per month as at 1 June 2011.
- Within the immediate areas of Pavilion Tower, selected grade A office buildings are asking for an average gross rent of RM6.18 per sq ft per month, and generally ranging from RM5.00 to RM7.50 per sq ft per month. Whilst grade B office buildings asks for an average gross rent of RM4.32 per sq ft per month, ranging from RM3.50 to RM5.00 per sq ft per month.
- Although Pavilion Tower is not equipped with full-fledged grade A office building specifications, notwithstanding its strategic location, the average gross rent of RM5.77 per sq ft per month that it achieved is fairly reasonable.

6.2.3 SWOT Analysis

Strength
- Distinguished location. Located in the Golden Triangle, Pavilion Tower is at a premier corporate and business address in the country. In addition, the KLCC development is located a short walking distance due north, further increasing the attractiveness of its location.
- Good infrastructure. New building, regular shaped floor plan, modern facilities, and competitively designed finishes.
- Excellent amenities. Located along ‘Bintang Walk’ and being a part of the Pavilion development, white collar workers in Pavilion Tower have a variety of amenities at their ‘door step’.
- Comprehensive security system. Pavilion Tower incorporates a comprehensive security system with turnstile access at the main lobby, CCTV surveillance at strategic locations as well as security guards round the clock.
- Commanding views. Pavilion Tower offers partial views of the Petronas Twin Towers and KL Tower, as well as a 270-degree view of the Kuala Lumpur city skyline.
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Weakness
- Traffic congestion. The volume of traffic can be high during peak hours, causing difficulty in ingress and egress to the building.

Opportunities
- Improving business environment. In the World Bank’s global Doing Business 2011 report, Malaysia moved up 2 spots from 23 to 21. This indicates that the federal government is taking the right initiatives to promote business.
- Competitive leasing environment. New office supply will continue to make for a highly competitive leasing environment. With that, companies could see the Golden Triangle as a favoured business address.
- Government initiative to attract MNCs. Under the Economic Transformation Program, the government aims to attract 100 multinational companies (MNCs) to set up their regional headquarters in the country by 2020 in an effort to lure further investment and economic growth. This will lead to more tenants looking for quality office premises.
- Mass Rapid Transit. The Mass Rapid Transit project under Economic Transformation Program is proposed to have a station known as Bukit Bintang Central close to Pavilion Kuala Lumpur. This will increase accessibility and shorten employees commute time, making Pavilion Tower a more desirable work location.

Threats
- New office buildings. Competition from new office supply with 4.01 million sq ft and 4.90 million sq ft of office space scheduled to be completed in Kuala Lumpur by end-2011 and 2012 respectively.
- Macroeconomic threats. Factors including political uncertainties; the country’s human capital flight problem, commonly known as “brain drain” and potential reduced Foreign Direct Investments could negatively affect the demand for office space.

6.2.4 Outlook for Pavilion Tower
- Pavilion Tower is a modern building with modern facilities and security system which are viewed as critical requirements from a tenant’s perspective. Located within the integrated Pavilion development with its signature Pavilion Kuala Lumpur Mall, the business address of Pavilion Tower is premier with access to amenities nearby.
- The balance of uncommitted space in Pavilion Tower is deemed to be manageable by comparing with the total office space of 64.46 million sq ft in the Kuala Lumpur office market. Being located within an integrated development also makes this office property competitive. On the whole, Pavilion Tower is viewed as a competitive office building in the overall Kuala Lumpur office market and is well-positioned to serve the needs of office tenants in the current market.
Private and confidential
The Board of Directors
Pavilion REIT Management Sdn Bhd
Level 10 Pavilion Kuala Lumpur
168 Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia

18 October 2011

Dear Sirs

Re: Taxation of the Pavilion Real Estate Investment Trust ("Pavilion REIT") and Unit Holders

This letter has been prepared at the request of Pavilion REIT Management Sdn Bhd (hereinafter referred to as "the Manager") for inclusion in the Prospectus for Pavilion REIT dated 14 November 2011 to be issued in connection with the offer of units in Pavilion REIT.

The purpose of this letter is to provide prospective purchasers of units in Pavilion REIT with an overview of the Malaysian tax consequences of acquisition, ownership and disposal of these units as well as key tax provisions applicable to Pavilion REIT. This letter principally addresses unit holders who hold the units as long term investment assets. Unit holders who hold or acquire the units for dealing and/or trading purposes should consult their own professional advisers concerning the tax consequences of their particular situations.

The Malaysian tax position is based on the interpretation of the Malaysian tax laws and provisions as they stand at present. Please note that these interpretations of the Malaysian tax laws and provisions may be subject to change, possibly with a retrospective effect.

Regardless of the above, all prospective investors should not treat the contents of this letter as advice relating to taxation matters and are advised to consult their own professional advisers concerning their respective investments. Particularly, prospective purchasers that are not Malaysian tax residents should take into account the tax laws of their respective countries of residence, the existence of any tax treaty which their country of residence may have with Malaysia and the provisions of the applicable tax treaty.
Taxation of Pavilion REIT

Income Tax

Pavilion REIT is treated as a unit trust for Malaysian tax purposes. The taxation of Pavilion REIT is therefore governed principally by Sections 61, 61A and 63C of the Malaysian Income Tax Act, 1967 ("the Act").

Income of Pavilion REIT, where subject to income tax, will be subject to tax at the prevailing tax rate of 25% with effect from Year of Assessment ("YA") 2009 onwards.

Currently, income of Pavilion REIT for a YA will be exempted from tax pursuant to Section 61A of the Act, 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 YA. Note however that based on the Guidelines on REITs or Property Trust Funds issued by the Inland Revenue Board ("IRB"), the IRB has given a concession for such distribution of the REIT's total income to be made within two months after the close of the financial year which forms the basis period for a YA of the REIT to be exempt under Section 61A of the Act.

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's financial year which forms the basis period for a YA of Pavilion REIT, 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 unit holders.

Taxable dividend income received by Pavilion REIT (if any) would have suffered a tax deduction at source at the prevailing rate. The tax deducted may be available for set off either wholly or partly against the tax liability of Pavilion REIT. Any excess of the tax deducted over the tax liability will be refundable to Pavilion REIT.

As Pavilion REIT is an unit trust, gains from the realisation of investments (including but not limited to sale of properties) by Pavilion REIT will not be subject to income tax pursuant to Section 61(1)(b) of the Act.

The interest or discount earned by Pavilion REIT (which is considered to be an unit trust) from the following investments is exempt from tax pursuant to Paragraph 35 of Schedule 6 of the Act:-

- Securities or bonds issued or guaranteed by the Government; or
- Debentures or Islamic Securities, other than convertible loan stocks, approved by the Securities Commission ("SC"); or
- Bon Simpanan Malaysia issued by the Central Bank of Malaysia.

In addition to the above, the following interest received by the Pavilion REIT is also exempted from Malaysian income tax:-
• Interest paid or credited in respect of Islamic securities originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved by the SC or the Labuan Offshore Financial Services Authority under Paragraph 33B of Schedule 6 of the Act;

• Interest derived from Malaysia and paid or credited by any bank or financial institution licensed under the Banking and Financial Institution Act 1989 or the Islamic Banking Act 1983 under Paragraph 35A of Schedule 6 of the Act;

• Interest received in respect of bonds and securities issued by Pengurusan Danaharta Nasional Berhad within and outside Malaysia under the Income Tax (Exemption) (No. 5) Order 2001; and

Pavilion REIT may receive dividends, interest, profits and other income from investments outside Malaysia. Income received by Pavilion REIT from sources outside Malaysia will be exempt from tax. However, such income may be subject to tax in the country from which the income is derived.

*Real Property Gains Tax ("RPGT")*

There is no capital gains tax in Malaysia except for RPGT. With effect from 1 January 2010, RPGT is charged at an effective rate of 5% in respect of chargeable gains from any disposal of interests in Malaysian real property or shares in Real Property Companies ("RPCs"), where the holding period of the chargeable asset is 5 years or less [the Real Property Gains Tax (Exemption) Order 2009 refers]. It was proposed in the 2012 Budget tabled in the Parliament on 7 October 2011 that gains arising from the disposal of residential and commercial properties be subject to RPGT at the rate of 10% for disposals within 2 years of acquisition (the proposed change in legislation has yet to be gazetted).

For the purpose of RPGT, a "RPC" means:

a) A controlled company which, as at 21 October 1988, owns real property or shares or both, the defined value of which is not less than 75% of the value of its total tangible assets; or

b) A controlled company to which subparagraph (a) is not applicable, but which, at any date after 21 October 1988, acquires real property or shares or both whereby the defined value of real property or shares or both owned at that date is not less than 75% of the value of its total tangible assets.

Pursuant to the Real Property Gains Tax (Exemption)(No. 4) Order 2003 – PU (A) 451, any chargeable gains accruing on the disposal of any chargeable asset to a REIT which is approved by the SC is exempted from RPGT. However, the disposal of a chargeable asset by a REIT may be subject to RPGT except where specifically exempted (for example where disposal of chargeable asset is made to another REIT or holding period of the chargeable asset is more than 5 years).
Stamp Duty

Pursuant to the Stamp Duty (Exemption) (No. 4) Order 2004 – PU (A) 21, all instruments of transfer of real property to a REIT or Property Trust Fund ("PTF") approved by the SC are exempted from stamp duty. In addition, all instruments of deed of assignment executed between a REIT approved by the SC and the disposer relating to the purchase of real property are also exempted from stamp duty under the Stamp Duty (Exemption) (No. 27) Order 2005.

Based on the above Orders, where Pavilion REIT (as a REIT approved by the SC) acquires real property, Pavilion REIT will be exempted from stamp duty in respect of all instruments of transfer of real property to the Pavilion REIT.

Taxation of Unit Holders

Income of Pavilion REIT distributed to unit holders in the basis period for a YA

With effect from 1 January 2009, the applicable final withholding tax on distributions of income which is exempt pursuant to Section 61A of the Act from a REIT to unit holders may be summarised as follows:

<table>
<thead>
<tr>
<th>Unit Holders</th>
<th>Current withholding Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-corporate investor (including but not limited</td>
<td>10**</td>
</tr>
<tr>
<td>or non-resident individuals and Malaysian unit</td>
<td></td>
</tr>
<tr>
<td>trusts)</td>
<td></td>
</tr>
<tr>
<td>Non-resident company (i.e. a body corporate and</td>
<td>25 *</td>
</tr>
<tr>
<td>includes any body of persons established with a</td>
<td></td>
</tr>
<tr>
<td>separate legal identity by or under the laws of</td>
<td></td>
</tr>
<tr>
<td>territory outside Malaysia which is not a</td>
<td></td>
</tr>
<tr>
<td>Malaysian tax resident)</td>
<td></td>
</tr>
<tr>
<td>Foreign institutional investor ^ (including but</td>
<td>10**</td>
</tr>
<tr>
<td>not limited to foreign unit trusts)</td>
<td></td>
</tr>
<tr>
<td>Resident company #</td>
<td>N/A</td>
</tr>
</tbody>
</table>

** Effective from 1 January 2009 to 31 December 2011. It was proposed in the 2012 Budget tabled in the Parliament on 7 October 2011 that the tax rate be extended to 31 December 2016 (the proposed change in legislation has yet to be gazetted).

* The prevailing corporate tax rate is applicable for distributions to a non-resident corporate unit holder. The prevailing corporate tax rate is 25% from YA 2009 onwards.

^ Institutional investor means "a pension fund, collective investment scheme or such other person approved by the Minister".

Note: Generally, where the unit holders have been subject to withholding tax on distributions by Pavilion REIT, there will be no further Malaysian tax imposed on the same income.
Corporate unit holders, who are tax resident in Malaysia, would be taxed at the prevailing corporate tax rate of 25% on taxable REIT distributions.

Resident corporate unit holders with a paid-up capital in the form of ordinary shares of RM2.5 million and below at the beginning of a the basis period for a year of assessment will be subject to a tax rate of 20% on chargeable income of up to RM500,000. However, the said rate is not applicable if:

(i) more than 50% of the paid up capital in the form of ordinary shares of the resident corporate unit holder is directly or indirectly owned by a related company;
(ii) the resident corporate unit holder directly or indirectly owns more than 50% of the paid up capital in the form of ordinary shares of the related company; or
(iii) more than 50% of the paid up capital in the form of ordinary shares of the resident corporate unit holder and related company is directly or indirectly owned by another company,

where the “related company” means a company which has a paid up capital of more than RM2.5 million at the beginning of the basis period for a YA.

For chargeable income in excess of RM500,000, the prevailing corporate tax rate is applicable.

Non-resident unit holders may also be subject to tax in their respective jurisdictions and depending on the provisions of the relevant tax legislation and any double tax treaties with Malaysia, the Malaysian tax suffered may be creditable in the foreign tax jurisdictions.

**Income of Pavilion REIT which has been subject to income tax at Pavilion REIT’s level**

**Resident and Non-Resident Unit holders**

As mentioned above, where less than 90% of the total income is distributed by Pavilion REIT or the 90% distribution is not made within two months after the close of Pavilion REIT’s financial year which forms the basis period for a YA of Pavilion REIT, the total income of Pavilion REIT will be subject to tax at Pavilion REIT level.

Where the income distributed has been subjected to income tax at Pavilion REIT level at the rate of 25% from YA 2009 onwards, the income distribution from Pavilion REIT will carry with it a tax credit proportionate to each unit holder’s share of the distribution from total taxable income in respect of the tax paid by Pavilion REIT.

Unit holders may be subject to income tax at the appropriate income tax rates and unit holders will be entitled to utilise the tax credit as a set-off against the Malaysian tax payable by them, if any.
No withholding tax will be imposed on the income distribution of Pavilion REIT which has been subjected to income tax at Pavilion REIT’s level.

**Tax Exempt Income and Capital Gain**

The distribution of tax-exempt income (such as tax exempt dividends and dividends declared under the Single-Tier System) and capital gains received by Pavilion REIT (other than income exempted at Pavilion REIT level due to distributions of profits in the same basis period) will not be subject to tax in the hands of the unit holders.

Any gains realised by the unit holders (other than financial institutions, insurance companies and those dealing in securities) from the transfers or redemptions of the units are generally treated as capital gains which are not subject to income tax in Malaysia. However, certain unit holders may be subject to tax in Malaysia on such gains, due to specific circumstances of the unit holders.

**Stamp Duty**

The transfer of units of a unit trust is exempt from stamp duty pursuant to Item 32 Exemption Para (c), First Schedule of the Stamp Act 1949.

Yours faithfully

Peggy Then
*Executive Director*
APPENDIX D - REPORTING ACCOUNTANTS’ LETTER ON THE CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION

The Board of Directors
Pavilion REIT Management Sdn Bhd
Level 10 Pavilion Kuala Lumpur
168 Jalan Bukit Bintang
55100 Kuala Lumpur

18 October 2011

Dear Sirs

Pavilion Real Estate Investment Trust (“Pavilion REIT”) Reporting accountants’ letter on the consolidated pro forma statement of financial position as at the date of listing of Pavilion REIT on the Main Market of Bursa Malaysia Securities Berhad

We report on the presentation of the consolidated pro forma statement of financial position of Pavilion REIT, as set out in the attachment (which we have stamped for the purpose of identification) for inclusion in the prospectus in connection with the proposed establishment and listing of Pavilion REIT on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”). The basis of compilation is described in the notes to the consolidated pro forma statement of financial position. The consolidated pro forma statement of financial position has been compiled for illustrative purposes only, to provide information about how the transactions might have affected the financial position of Pavilion REIT if they have taken place as at the date of its establishment. The consolidated pro forma statement of financial position has been presented using the accounting policies to be adopted by Pavilion REIT in preparing the financial statements for the period ending 31 December 2011. Because of its nature, the consolidated pro forma statement of financial position addresses hypothetical situations and therefore does not represent Pavilion REIT’s actual financial position or results had the transactions (or events) occurred at the date of establishment of Pavilion REIT.

The consolidated pro forma statement of financial position, together with the notes thereon incorporates the acquisition of properties together with their related assets and initial public offering as disclosed in Note 2 of Appendix A.

Directors’ Responsibilities

The Directors of Pavilion REIT Management Sdn Bhd (“the Manager”) are responsible for the compilation of the consolidated pro forma statement of financial position in accordance with the “Prospectus Guidelines for Collective Investment Schemes”, issued by the Securities Commission (the “Guidelines”).
Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion as required by the Guidelines as to the proper compilation of the consolidated pro forma statement of financial position. In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the consolidated pro forma statement of financial position.

We conducted our work in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The work that we performed for the purpose of issuing this report, which involved no independent audit or review of any of the underlying financial information, nor of the pro forma assumptions stated in the pro forma notes, consisted primarily of comparing the unadjusted financial information with the source documents, obtaining evidence regarding the pro forma adjustments, recomputing the calculation of the consolidated pro forma statement of financial position, discussing the consolidated pro forma statement of financial position with the Manager, and evaluating the overall presentation and disclosure of the consolidated pro forma financial information. We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the consolidated pro forma statement of financial position has been properly compiled on the basis stated.

Opinion

In our opinion,

(a) the Pavilion REIT’s consolidated pro forma statement of financial position has been properly compiled on the basis stated in the notes to the consolidated pro forma statement of financial position and in a manner consistent with the format of the statement of financial position and accounting policies to be adopted by Pavilion REIT.

(b) material adjustments made to the financial information used in the preparation of the consolidated pro forma statement of financial position are appropriate.

Other Matters

The consolidated pro forma statement of financial position has been prepared for inclusion in the prospectus in connection with the proposed establishment and listing of Pavilion REIT on the Main Market of Bursa Securities and should not be relied upon for any other purposes.

Yours faithfully

KPMG
Firm No. AF 0758
Chartered Accountants
Pavilion Real Estate Investment Trust ("Pavilion REIT")
Consolidated pro forma statement of financial position as at the date of listing of Pavilion REIT on the Main Market of Bursa Malaysia Securities Berhad

The consolidated pro forma statement of financial position of Pavilion REIT as set out below are provided for illustrative purpose only and to show the effects of the transactions referred to in the notes. As at the date of establishment, Pavilion REIT does not have any assets and liabilities.

<table>
<thead>
<tr>
<th>Note</th>
<th>(unaudited) RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>3</td>
</tr>
<tr>
<td>Investment properties</td>
<td>4</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>5</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
</tr>
<tr>
<td>Unitholders' fund</td>
<td>6</td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>7</td>
</tr>
<tr>
<td>Other payables</td>
<td>8</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>8</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td></td>
</tr>
</tbody>
</table>

Net asset value ("NAV") (1)  2,827,200
Units in issue ('000)  3,000,000
Net asset value per unit (RM)  0.94

(1) Net asset value ("NAV") - the value of Pavilion REIT's all assets less all liabilities.
Pavilion Real Estate Investment Trust ("Pavilion REIT")

Notes to the consolidated pro forma statement of financial position at the date of listing of Pavilion REIT on the Main Market of Bursa Malaysia Securities Berhad

The consolidated pro forma statement of financial position has been prepared for inclusion in the prospectus in connection with the proposed establishment and listing of Pavilion REIT on the Main Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes.

1. Basis of preparation

The consolidated pro forma statement of financial position comprises Pavilion REIT and its wholly-owned special purpose vehicle, Pavilion REIT Venture Capital Sdn Bhd.

The consolidated pro forma statement of financial position is prepared for illustrative purposes and on a basis consistent with the following accounting policies that will be adopted by Pavilion REIT for the financial period ending 31 December 2011:

(i) Basis of measurement

The financial statements of Pavilion REIT will be prepared on the historical cost basis unless otherwise described below, and in compliance with the provisions of the Trust Deed, Financial Reporting Standards issued by the Malaysian Accounting Standards Board and generally accepted accounting principles in Malaysia.

(ii) Functional and presentation currency

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

(iii) Use of estimates and judgements

The preparation of financial statements 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 year in which the estimate is revised and in any future years affected.
Financial instruments

Financial instruments are categorised and measured using accounting policies as mentioned below.

(a) Initial recognition and 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 instrument is recognised initially, at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(b) Financial instrument categories and subsequent measurement

Financial assets

Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(c) 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity 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 or cancelled or expires. 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.
APPENDIX D - REPORTING ACCOUNTANTS’ LETTER ON THE CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

Appendix A

(v) Property, plant and equipment

(a) Recognition and measurement

Items of property, 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.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” or “other expenses” respectively in profit or loss.

(b) Subsequent costs

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

(c) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

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

- Furniture and fittings 10 years
- IT equipment & software 3 years
- Office equipment 5 years
- Tools and equipment 5 years
- Signage 10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.
Investment properties

Investment properties are properties which are owned or held under a leasehold interest 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 are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. For investment properties acquired under equity-settled share-based payment transactions, the investment properties are initially measured at fair value, with corresponding increase in equity.

An investment property is derecognised on its disposal or when the investment property 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 period in which the item is derecognised.

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Pavilion REIT’s investment properties portfolio at least once every three years.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market’s general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between Pavilion REIT and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and, where appropriate, counter-notices have been served validly and within the appropriate time.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in terms of which Pavilion REIT assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases, where Pavilion REIT does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under an operating lease, the leased assets are not recognised on Pavilion REIT’s statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.
(viii) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

(ix) Impairment

(a) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(b) 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 reporting period 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 groups of assets (the “cash-generating unit”).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

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

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.
(x) 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 the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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.

(xi) Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not re-measured subsequently.

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

(xii) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is 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 on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous 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 apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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 reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
2. Consolidated pro forma statement of financial position

The consolidated pro forma statement of financial position illustrates the effects of the acquisitions of the properties, namely Pavilion Kuala Lumpur Mall and Pavilion Tower ("the Subject Properties") and their related assets including plant and equipment and inventories ("Related Assets").

(i) In accordance with the proposed Sale and Purchase Agreements ("SPAs"), Pavilion REIT (via its Trustee) will acquire the Subject Properties and Related Assets for a total purchase consideration of RM3,323,401,000 ("Proposed Acquisitions"): 

<table>
<thead>
<tr>
<th>Assets</th>
<th>Purchase consideration RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acquired from Urusharta Cemerlang Sdn Bhd (&quot;UCSB&quot;)</strong></td>
<td></td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall</td>
<td>3,190,300</td>
</tr>
<tr>
<td>Related plant and equipment</td>
<td>7,826</td>
</tr>
<tr>
<td>Related inventories</td>
<td>980</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,199,106</td>
</tr>
</tbody>
</table>

| Acquired from Capital Flagship Sdn Bhd ("CFSB") |                              |
| Pavilion Tower                                    | 123,500                      |
| Related plant and equipment                        | 774                          |
| Related inventories                                | 21                           |
| **Total**                                         | 124,295                      |

| **Total**                                         | 3,323,401                    |

The acquisition of the Subject Properties and Related Assets will be financed through:

(a) the issuance of 2,210,000,000 new units in Pavilion REIT ("Units") at an issue price of RM0.88 per Unit ("Consideration Units"); and

(b) cash consideration of RM1,378,601,000, which will be funded through the proceeds from the issuance of Units as part of the proposed initial public offering of Pavilion REIT and bank borrowings.
APPENDIX D - REPORTING ACCOUNTANTS’ LETTER ON THE CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION (Cont’d)

Appendix A

The purchase consideration in respect of Related Assets is based on the estimated carrying value in the books of UCSB and CFSB at the completion date of the SPAs (“Completion Date”).

Upon the Completion Date, the following assets and liabilities based on their respective carrying values in the books of UCSB and CFSB related to the Subject Properties will be transferred to Pavilion REIT.

<table>
<thead>
<tr>
<th>Assets</th>
<th>RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments and deposits</td>
<td>754</td>
</tr>
<tr>
<td>Cash and cash equivalent from tenants’ deposits</td>
<td>73,861(1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>74,615</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other payables – tenants’ deposits</td>
<td>(74,615)</td>
</tr>
</tbody>
</table>

(1) Cash and cash equivalents from tenants’ deposits will be transferred to Pavilion REIT by UCSB and CFSB after netting off the deposits and prepayments to be reimbursed to UCSB and CFSB, by Pavilion REIT.

The values of the assets and liabilities, for the purpose of the preparation of the consolidated pro forma statement of financial position, have been set out based on their respective carrying value in the management accounts of UCSB and CFSB as at 30 June 2011, which were prepared in accordance with approved accounting standards in Malaysia.

In the preparation of this consolidated pro forma statement of financial position, it is assumed that no adjustments will be made to the purchase consideration of the Proposed Acquisitions and the carrying values of the assets and liabilities to be transferred.

(ii) Proposed Initial Public Offering (“Proposed IPO”) units in Pavilion REIT of 790,000,000 units in Pavilion REIT which comprise the following:

(a) Retail offering

35,000,000 new Units to the Malaysia Public, the directors of the Manager, the eligible employees of the Manager, UCSB, CFSB, Kuala Lumpur Pavilion Sdn Bhd and eligible tenants of the Subject Properties.

(b) Institutional offering

755,000,000 new Units to the Malaysian and foreign institutional and selected investors at the institutional price (other than Cornerstone investors) to be determined by way of bookbuilding.

In the preparation of this consolidated pro forma statement of financial position, it is assumed that the retail offering and institutional offering price is at RM0.88 per unit.

(iii) Credit facilities (“REIT Financing”)

Pavilion REIT will obtain five (5) years credit facilities amounting to RM1,010,000,000 of which RM736,461,000 will be drawdown to part finance the Proposed Acquisitions and to finance the estimated expenses for REIT financing.

(iv) Listing and quotation of the entire 3,000,000,000 units on the Main Market of Bursa Securities.
3. **Plant and equipment**

   Plant and equipment acquired at cost  
   \[ RM'000 \]
   \[ 8,600 \]

4. **Investment properties**

   Investment properties comprise Pavilion Kuala Lumpur Mall and Pavilion Tower. The investment properties acquired are measured at fair value which, for the purpose of this consolidated pro forma statement of financial position, is based on the valuation report issued by Knight Frank, an Independent Property Valuer, on 1 June 2011.

   It is assumed that the current charges on the investment properties will be discharged.

   \[ RM'000 \]
   \[ Investment properties at fair value \]
   \[ 3,543,000 \]

5. **Cash and bank balances**

   \[ RM'000 \]
   \[ Receipt of tenants' deposits \]
   \[ 73,861 \]
   \[ Proceeds from REIT Financing \]
   \[ 736,461 \]
   \[ IFO proceeds \]
   \[ 695,200 \]
   \[ Less: Estimated listing expenses \]
   \[ Acquisitions of Subject Properties and Related Assets \]
   \[ (1,378,601) \]
   \[ Estimated expenses for REIT Financing \]
   \[ (5,860) \]
   \[ 79,061 \]

6. **Unitholders' fund**

   \[ \begin{array}{cc}
   \text{Units issued as Consideration Units} & \text{Price} \\
   - 2,210,000,000 Units & \text{RM per unit} \quad \text{RM'}000 \\
   0.88 & 1,944,800 \\
   \text{Effect of fair value adjustment of investment} & \\
   \text{properties (Note (a))} & \\
   & 229,200 \\
   \text{Units issued under the Proposed IPO} & \\
   - 790,000 Units & \\
   0.88 & 695,200 \\
   \text{Estimated listing expenses} & \\
   & (42,000) \\
   \hline
   \text{Total} & \\
   & 2,827,200
   \end{array} \]

   (a) As the investment properties will be acquired partially through Consideration Units, the investment properties and Related Assets are stated at their fair values and consequently, the fair value adjustment is recognised in the unitholders' fund.
7. Borrowings

Borrowings
Less: Estimated expenses for REIT Financing

<table>
<thead>
<tr>
<th>Description</th>
<th>RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>736,461</td>
</tr>
<tr>
<td>Less: Estimated expenses for REIT Financing</td>
<td>(5,860)</td>
</tr>
<tr>
<td>Total</td>
<td>730,601</td>
</tr>
</tbody>
</table>

The borrowings are recorded net of transaction costs. The transaction costs will be expensed to profit or loss over the period that the borrowings are outstanding using the effective interest method.

8. Other payables

<table>
<thead>
<tr>
<th>Description</th>
<th>RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current</td>
<td></td>
</tr>
<tr>
<td>Tenants' deposits</td>
<td>72,013</td>
</tr>
<tr>
<td>Current</td>
<td></td>
</tr>
<tr>
<td>Tenants' deposits</td>
<td>2,602</td>
</tr>
<tr>
<td>Total</td>
<td>74,615</td>
</tr>
</tbody>
</table>
APPENDIX E - REPORTING ACCOUNTANTS’ LETTER ON THE PROFIT FORECASTS

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

The Board of Directors
Pavilion REIT Management Sdn Bhd
Level 10 Pavilion Kuala Lumpur
168 Jalan Bukit Bintang
55100 Kuala Lumpur

18 October 2011

Dear Sirs

Pavilion Real Estate Investment Trust ("Pavilion REIT")
Reporting accountant’s letter on the consolidated profit forecasts for the one-month period ending 31 December 2011 and twelve-month period ending 31 December 2012

We have examined the consolidated profit forecasts of Pavilion REIT for the one-month period ending 31 December 2011 ("Forecast Period 2011") and twelve-month period ending 31 December 2012 ("Forecast Year 2012"), for which the Directors of Pavilion REIT Management Sdn Bhd ("PRM" or "the Manager") are solely responsible, as set out in the accompanying Appendix A (which we have stamped for the purpose of identification) in accordance with the International Standard on Assurance Engagement 3400 ("ISAE 3400"), The Examination of Prospective Financial Information.

Our procedures on the consolidated forecasts have been carried out in accordance with attestation standards and practices generally accepted in Malaysia, and accordingly, should not be relied upon if they had been carried out in accordance with attestation standards and practices of any other jurisdiction.

(i) Based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that the assumptions made by the Manager, do not provide a reasonable basis for the preparation of the consolidated profit forecasts for the specific purpose of the proposed listing scheme as discussed in Note 1 of Appendix A; and

(ii) in our opinion, the consolidated profit forecasts, in all material aspects, are properly prepared on the basis of the assumptions made by the Directors of the Manager of which the significant assumptions are set out in Note 2 of Appendix A and presented on a basis consistent with the accounting policies to be adopted by Pavilion REIT and the requirements of Securities Commission Guidelines on "Prospectus Guidelines for Collective Investment Schemes".

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Forecasts, in this context, mean prospective financial information prepared on the basis of assumptions as to future events which the Manager expects to take place and the actions which Pavilion REIT expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecasts are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecasts since anticipated events frequently do not occur as expected and the variation could be material.

Without qualifying our opinion, we draw attention to the following key assumptions made by the Manager in preparing the consolidated profit forecasts as the differences between the actual outcome and the following key assumptions could result in material variances between the actual results and the forecasts:

i. For the preparation of the Forecast Period 2011, it has been assumed that the fair value of the investment properties as at the end of the Forecast Period 2011 to be equivalent to the fair value at date of acquisition resulting in no fair value gain or loss.

ii. For the preparation of the Forecast Year 2012, it has been assumed that the fair value of the investment properties as at the end of the Forecast Year 2012 will increase by RM3,000,000 which is equivalent to the planned capital expenditure in relation to asset enhancement. No potential rental loss is anticipated during the period when regular capital expenditure works are being carried out.

Fair value of investment properties will very likely change (either increase or decrease) due to market and other factors beyond the control of the Manager. Therefore, any significant changes in the fair value will have a material and pervasive impact to the actual results.

Other Matters

The consolidated profit forecasts for the Forecast Period 2011 and Forecast Year 2012 have been prepared for inclusion in the prospectus in connection with the proposed establishment and listing of Pavilion REIT on the Main Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes.

Yours faithfully

KPMG
Firm No. AF 0758
Chartered Accountants
APPENDIX E - REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECASTS (Cont'd)

Pavilion Real Estate Investment Trust
Consolidated profit forecasts for the one-month period ending 31 December 2011
and twelve-month period ending 31 December 2012

The Directors of Pavilion REIT Management Sdn Bhd forecasted, based on the assumptions as disclosed in the notes to these forecasts, that in the absence of unforeseen circumstances, the income available for distribution (as defined in the proposed trust deed) to holders of Pavilion REIT units for the one-month period ending 31 December 2011 ("Forecast Period 2011") and twelve-month period ending 31 December 2012 ("Forecast Year 2012") will be as follows:

<table>
<thead>
<tr>
<th></th>
<th>Forecast Period 2011</th>
<th></th>
<th>Forecast Year 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 December to</td>
<td>31 December 2011</td>
<td>RM'000</td>
<td>1 January to</td>
</tr>
<tr>
<td>Rental income</td>
<td>23,060</td>
<td></td>
<td></td>
<td>280,389</td>
</tr>
<tr>
<td>Other income</td>
<td>2,710</td>
<td></td>
<td></td>
<td>33,957</td>
</tr>
<tr>
<td><strong>Gross revenue</strong></td>
<td>25,770</td>
<td></td>
<td></td>
<td>314,346</td>
</tr>
<tr>
<td>Utilities and authority expenses</td>
<td>(3,262)</td>
<td></td>
<td></td>
<td>(39,469)</td>
</tr>
<tr>
<td>Maintenance</td>
<td>(1,956)</td>
<td></td>
<td></td>
<td>(24,023)</td>
</tr>
<tr>
<td>Quit rent and assessment</td>
<td>(750)</td>
<td></td>
<td></td>
<td>(9,093)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(1,829)</td>
<td></td>
<td></td>
<td>(21,805)</td>
</tr>
<tr>
<td><strong>Property expenses</strong></td>
<td>(7,797)</td>
<td></td>
<td></td>
<td>(94,390)</td>
</tr>
<tr>
<td>Net property income</td>
<td>17,973</td>
<td></td>
<td></td>
<td>219,956</td>
</tr>
<tr>
<td>Interest income</td>
<td>128</td>
<td></td>
<td></td>
<td>1,534</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td>18,101</td>
<td></td>
<td></td>
<td>221,490</td>
</tr>
<tr>
<td>Borrowing costs</td>
<td>(2,891)</td>
<td></td>
<td></td>
<td>(34,821)</td>
</tr>
<tr>
<td>Manager’s management fees</td>
<td>(1,443)</td>
<td></td>
<td></td>
<td>(17,452)</td>
</tr>
<tr>
<td>Trustee’s fees</td>
<td>(33)</td>
<td></td>
<td></td>
<td>(400)</td>
</tr>
<tr>
<td>Other trust expenses</td>
<td>(167)</td>
<td></td>
<td></td>
<td>(2,000)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>13,567</td>
<td></td>
<td></td>
<td>166,817</td>
</tr>
<tr>
<td>Taxation</td>
<td>-</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td>13,567</td>
<td></td>
<td></td>
<td>166,817</td>
</tr>
<tr>
<td>Add: Non cash items (net)</td>
<td>437</td>
<td></td>
<td></td>
<td>5,289</td>
</tr>
<tr>
<td><strong>Distributable income as defined in the trust deed</strong></td>
<td>14,004</td>
<td></td>
<td></td>
<td>172,106</td>
</tr>
</tbody>
</table>

Notes:

1. Non-cash items comprise Manager’s management fees payable in units, depreciation of plant and equipment and amortisation of transaction costs for REIT Financing (as defined herein) that are expensed.

2. The increase in the number of units in issue is a result of the assumed part payment of the Manager’s management fee for the relevant periods in the form of units issued at an assumed issue price per unit of RM0.88.

3. Distribution yield for the Forecast Period 2011 has been annualised.

E - 3
Pavilion Real Estate Investment Trust ("Pavilion REIT")

Notes to the consolidated profit forecasts for the one-month period ending 31 December 2011 ("Financial Period 2011") and twelve-month period ending 31 December 2012 ("Financial Year 2012")

The consolidated profit forecasts for the Financial Period 2011 and Financial Year 2012 ("Forecast Periods") have been prepared for inclusion in the prospectus in connection with the proposed establishment and listing of Pavilion REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied upon for any other purposes.

1. Proposed listing scheme

The proposed listing scheme entails the following transactions:

The trustee on behalf of Pavilion REIT will enter into sale and purchase agreements with Urusharta Cemelang Sdn Bhd ("UCSB") and Capital Flagship Sdn Bhd ("CFSB") for the acquisition of the Pavilion Kuala Lumpur Mall and Pavilion Tower ("Subject Properties") together with their related assets for a total purchase consideration of RM3,323,401,000 ("Proposed Acquisitions"):

<table>
<thead>
<tr>
<th>Assets</th>
<th>Purchase consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquired from UCSB</td>
<td></td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall</td>
<td>3,190,300</td>
</tr>
<tr>
<td>Pavilion Kuala Lumpur Mall related assets</td>
<td>8,806</td>
</tr>
<tr>
<td>Total</td>
<td>3,199,106</td>
</tr>
<tr>
<td>Acquired from CFSB</td>
<td></td>
</tr>
<tr>
<td>Pavilion Tower</td>
<td>123,500</td>
</tr>
<tr>
<td>Pavilion Tower related assets</td>
<td>795</td>
</tr>
<tr>
<td>Total</td>
<td>124,295</td>
</tr>
<tr>
<td>Grand total</td>
<td>3,323,401</td>
</tr>
</tbody>
</table>

(i) The acquisition of the Subject Properties and related assets will be financed through:
   a) the issuance of 2,210,000,000 new units in Pavilion REIT ("Units") at an issue price of RM0.88 per Unit ("Consideration Units"); and
   b) cash consideration of RM1,378,601,000 which will be funded through the proceeds from the issuance of Units as part of the proposed initial public offering of Pavilion REIT and bank borrowings.
1. Proposed listing scheme (continued)

(ii) Proposed initial public offering ("Proposed IPO") of 790,000,000 Units which comprise the following:

(a) Retail offering

35,000,000 new Units to the Malaysian Public, the directors of the Manager, the eligible employees of the Manager, UCSB, CFSB, Kuala Lumpur Pavilion Sdn Bhd and eligible tenants of the Subject Properties.

(b) Institutional offering

755,000,000 new Units to the Malaysian and foreign institutional and selected investors at the institutional price (other than Cornerstone investors) to be determined by way of bookbuilding.

(iii) Credit facilities ("REIT Financing")

Pavilion REIT will obtain five (5) years credit facilities amounting to RM1,010,000,000 of which RM736,461,000 will be drawdown to part finance the Proposed Acquisitions and to finance the estimated expenses for REIT financing.

(iv) Listing and quotation of the entire 3,000,000,000 units on the Main Market of Bursa Securities.

2. Bases and assumptions

The Manager has prepared the consolidated profit forecasts based on assumptions which the Manager considers to be appropriate and reasonable. The following are the significant assumptions:

(a) The proposed listing scheme as stated in Note 1 is assumed to be successfully completed on 1 December 2011.

(b) All expiring tenancies in Forecast Period 2011 will be renewed at their prevailing contractual rates, where applicable.

(c) The base rent rate for tenancies of Pavilion Kuala Lumpur Mall expiring in Forecast Year 2012 will be renewed with an increase at approximately 5.0% and no increase of rental for renewal of tenancies of Pavilion Tower expiring in Forecast Year 2012.

(d) It is assumed that vacancy will be at 3.0% of rental income for Pavilion Kuala Lumpur Mall during the Forecast Periods. It is assumed that Pavilion Tower has an occupancy rate of 82.3% for the Forecast Period 2011 and will achieve full occupancy by 1 January 2012 and continue during the Forecast Period 2012.

(e) No change in service charge rates throughout the Forecast Periods.

(f) No change in promotional charge levied on retail tenants of Pavilion Kuala Lumpur Mall throughout the Forecast Periods.

(g) There is no change in the agreement with the car park operator and on the existing number of car park bays/rates for the Forecast Periods.

(h) There will be no significant change in the tariffs rates, quit rent and assessment.

(i) There will be no changes to the property management agreement with the property manager.
2. Bases and assumptions (continued)

(j) There will be no change to the interest rates. Interest rates for the REIT Financing will be at 4.5% to 4.6% per annum.

(k) Management fee for the Forecast Periods will be as follows:

(i) base fee of 0.3% per annum of the total asset value (excluding cash and bank balances which are held under non-interest bearing accounts) of the Pavilion REIT; and

(ii) performance fee of 3.0% per annum of net property income of the Subject Properties.

15% of total management fee will be paid in the form of units and the remaining in cash during the Forecast Periods.

(l) There will not be any significant changes in tax laws that will affect Pavilion REIT. Goods and services tax will not be implemented during the Forecast Periods.

(m) For the Forecast Period 2011, it is assumed that the fair value of the investment properties as at the end of the Forecast Period 2011 to be equivalent to the fair value at date of acquisition resulting in no fair value gain or loss.

(n) For the Forecast Year 2012, it is assumed that the fair value of the investment properties as at the end of the Forecast Year 2012 will increase by RM3,000,000 which is equivalent to the planned capital expenditure in relation to asset enhancement. No potential rental loss is anticipated during the period when regular capital expenditure works are being carried out.

(o) Pavilion REIT will distribute 100.0% of its distributable income as defined in the trust deed for the Forecast Periods.

(p) There will be no significant changes in the principal activity of Pavilion REIT. The property portfolio and structure of Pavilion REIT remains unchanged, with no further incurrence of debt or issuance of units (save as disclosed above or planned in the Forecast Periods).

(q) All units to be issued will be fully subscribed at RM0.88 per unit and the fair value per unit remains the same throughout the Forecast Periods.

(r) All leases are enforceable and will be performed in accordance with their terms with no premature termination of tenancies and will be significantly received within the credit term.

(s) There will be no major changes in Pavilion REIT operations, no material litigations or no events (including but not limited to war, industrial disputes, terrorism attacks, epidemic outbreak or natural disaster) that will adversely affect the performance of Pavilion REIT.

(t) There will be no major changes in the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board or other financial reporting requirements.

(u) There will be no adverse economic, political or property market conditions which will materially affect the activities and performance of Pavilion REIT.

(v) There will be no major changes to present legislation or Government regulations which will adversely affect the operations of Pavilion REIT.
1. OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE RETAIL OFFERING: 10.00 a.m., 14 November 2011

CLOSING OF THE RETAIL OFFERING: 5.00 p.m., 21 November 2011

The Manager and the Joint Principal Advisers may decide in their absolute discretion to vary the closing date and time for applications under the Retail Offering to any later date or dates. If they decide to vary the closing date for the applications, the dates for the balloting, the allotment of the Units and the Listing will be varied accordingly. Any variation will be announced by way of advertisement in a widely circulated Bahasa Malaysia and English language newspaper within Malaysia. Late applications will not be accepted.

2. METHODS OF APPLICATION AND CATEGORY OF INVESTORS

2.1 Application for Units under the Retail Offering

Application for Units pursuant to the Retail Offering may be made using any of the following:

<table>
<thead>
<tr>
<th>Type of Application Form</th>
<th>Category of Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHITE Application Form or Electronic Application(^{(1)}) or Internet Application(^{(2)})</td>
<td>Malaysian Public (for individuals)</td>
</tr>
<tr>
<td>WHITE Application Form only</td>
<td>Malaysian Public (for non individuals, e.g. corporations, institutions, etc)</td>
</tr>
<tr>
<td>BLUE Application Form only</td>
<td>Eligible tenants of the Subject Properties</td>
</tr>
<tr>
<td>PINK Application Form only</td>
<td>Directors of the Manager and eligible employees of the Manager and UCSB, CFSB and KLP</td>
</tr>
</tbody>
</table>

Notes:

(1) The following surcharge per Electronic Application will be charged by the respective Participating Financial Institutions:

(i) Affin Bank Berhad – No fees will be charged for application by their account holders;
(ii) Ambank (M) Berhad – RM1.00;
(iii) Bank Muamalat Malaysia Berhad – RM2.50;
(iv) CIMB Bank Berhad – RM2.50;
(v) Hong Leong Bank Berhad – RM2.00;
(vi) HSBC Bank Malaysia Berhad – RM2.50;
(vii) Malayan Banking Berhad – RM1.00;
(viii) OCBC Bank Berhad – RM2.50;
(ix) Public Bank Berhad – RM2.00;
(x) RHB Bank Berhad – RM2.50; and
(xi) Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50.
(2) The following processing fee per Internet Application will be charged by the respective Internet Participating Financial Institutions:

(i) CIMB (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or via Malayan Banking Berhad;

(ii) CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 for applicants with CDS Accounts held with CIMB and RM2.50 for applicants with CDS Accounts with other ADAs;

(iii) Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;

(iv) Affin Bank Berhad (www.affinOnline.com) – No fees will be charged for application by their account holders;

(v) RHB Bank Berhad (www.rhb.com.my) – RM2.50; and

(vi) Public Bank Berhad (www.pbebank.com) – RM2.00.

An eligible tenant of the Subject Properties who has made an application using a BLUE Application Form and a Director of the Manager and an eligible employee of the Manager, UCSB, CF SB and KLP who has made an application using a PINK Application Form may still apply for the Units offered to the Malaysian Public using the WHITE Application Form, Electronic Application or Internet Application, where applicable.

However, applicants using the BLUE, PINK or WHITE Application Forms are not allowed to submit multiple applications in the same category of application. Further, applicants who have submitted their applications using WHITE Application Forms are not allowed to make additional applications using Electronic Applications and Internet Applications and vice versa.

2.2 Application by institutional investors and selected investors under the Institutional Offering

Institutional investors and selected investors being allotted the Units under the Institutional Offering will be contacted directly by the respective Joint Bookrunners and shall follow the instructions as communicated by the respective Joint Bookrunners.

3. PROCEDURES FOR APPLICATION AND ACCEPTANCE

3.1 Application by the eligible tenants of the Subject Properties, Directors of the Manager and eligible employees of the Manager, UCSB, CF SB and KLP (BLUE or PINK Application Forms)

The eligible tenants of the Subject Properties will be notified separately on their eligibility to participate in the preferential allocation under the Retail Offering and will be provided details on where they may obtain the BLUE Application Forms while the Directors of the Manager and eligible employees of the Manager, UCSB, CF SB and KLP will be provided separately with PINK Application Forms. Each of the BLUE and PINK Application Forms will be accompanied with a copy of the Prospectus together with letters by the Manager detailing their respective allocation. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.
3.2 Application by the Malaysian Public under the Retail Offering (WHITE Application Form, Electronic Application or Internet Application)

Eligibility

An applicant can only apply for the Units if he meets the following requirements:

(i) The applicant must have a CDS Account. If he does not have a CDS Account, he may open a CDS Account by contacting any of the ADAs listed in Section 13 of Appendix F of this Prospectus;

(ii) The applicant must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the closing date of the Retail Offering with a Malaysian address; or

(b) a corporation/institution incorporated in Malaysia where, there is a majority of Malaysian citizens on the corporation's board of directors/trustee and if the corporation/institution has a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation or provident or pension fund established or operating in Malaysia.

The Manager will not accept applications from trustees, persons under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations/institutions referred to in item (ii) (b) or (c) above or the trustees thereof;

(iii) the applicant is not a director or employee of the Issuing House or their immediate family members.

4. PROCEDURES FOR APPLICATION BY WAY OF A WHITE APPLICATION FORM

Each application for the Units under the Retail Offering must be made on the correct Application Form for the relevant category of investors issued together with this Prospectus and must be completed in accordance with the notes and instructions contained therein in the respective category of Application Form. The Application Form together with the notes and instructions contained therein shall constitute an integral part of this Prospectus. Applications which do not conform STRICTLY to the terms of this Prospectus or the respective category of Application Form or Notes and Instructions or which are illegible may not be accepted in the absolute discretion of the Manager.

Full instructions for the application for the Units offered and the procedures to be followed are set out in the Application Forms. All applicants are advised to read the Application Forms and the notes and instructions therein carefully.
Malaysian Public should follow the following procedures in making their applications under the Retail Offering:

**Step 1: Obtain Application Documents**

Obtain the relevant Application Form together with the Official “A” and “B” envelopes and this Prospectus.

The **WHITE** Application Forms can be obtained subject to availability from the following parties:

(i) the Joint Principal Advisers;
(ii) Participating organisations of Bursa Securities;
(iii) Members of the Association of Banks in Malaysia;
(iv) Members of the Malaysian Investment Banking Association;
(v) Issuing House; and
(vi) Manager.

**Step 2: Read the Prospectus**

In accordance with Section 232(2) of the CMSA, the Application Forms are accompanied by this Prospectus. An applicant is advised to read and understand the Prospectus before making his application.

**Step 3: Complete the relevant Application Form**

Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions contained therein and in this Prospectus.

**(i) Personal particulars**

An applicant must ensure that his personal particulars submitted in his application are identical with the records maintained by Bursa Depository. The applicant should inform Bursa Depository promptly of any changes to his personal particulars.

If the applicant is an individual and is not a member of the armed forces or police, the name and national registration identity card ("NRIC") number must be the same as:

(a) his NRIC;
(b) any valid temporary identity document issued by the National Registration Department from time to time; or
(c) his "Resit Pengenalan Sementara (JPN KP 09)" issued pursuant to Peraturan 5(5), Peraturan-peraturan Pendaftaran Negara 1990.

If the applicant is a member of the armed forces or police, his name and his armed forces or police personnel number, as the case may be, must be exactly as that stated in his authority card.
For corporations/institutions, the name and certificate of incorporation number must be the same as that stated in the certificate of incorporation or the certificate of change of name, where applicable.

(ii) CDS Account number

An applicant must state his CDS Account number in the space provided in the Application Form. Invalid or nominee or third party CDS Accounts will not be accepted.

(iii) Details of payment

An applicant must state the details of his payment in the appropriate boxes provided in the Application Form.

(iv) Number of Units Applied

Applications must be for at least 100 Units or multiples of 100 Units.

Step 4: Prepare Appropriate Form of Payment

Prepare the correct form of payment in RM for the FULL amount payable for the Units based on the Retail Price, which is RM0.88 per Unit.

Payment must be made out in favour of “MIH UNIT ISSUE ACCOUNT No. 524” and crossed “A/C PAYEE ONLY” (excluding ATM statements) and endorsed on the reverse side with the applicant’s name and address. The Manager only accepts the following forms of payment:

(i) banker’s draft or cashier’s order purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants);

(ii) money order or postal order (for applicants from Sabah and Sarawak only);

(iii) Guaranteed Giro Order (“GGO”) from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); or

(iv) ATM statement obtained only from any of the following:

(a) Affin Bank Berhad;

(b) Alliance Bank Malaysia Berhad;

(c) AmBank (M) Berhad;

(d) CIMB Bank Berhad;

(e) Hong Leong Bank Berhad;

(f) Malayan Banking Berhad; or

(g) RHB Bank Berhad;

The Manager will not accept applications with excess or insufficient remittances or inappropriate forms of payment.
APPENDIX F - PROCEDURE FOR THE APPLICATION AND ACCEPTANCE FOR THE RETAIL OFFERING (Cont’d)

Step 5: Finalise application

Insert the relevant Application Form together with payment and a legible photocopy of the applicant's identification document (NRIC/valid temporary identity document issued by the National Registration Department/Resit Pengenalan Sementara (JPN KP 09)*/authority card for armed forces or police personnel/certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable)) into the Official "A" envelope and seal it. Write the applicant's name and address on the outside of the Official "A" and "B" envelopes. The name and address written must be identical to the applicant's name and address as per his NRIC/valid temporary identity document issued by the National Registration Department/Resit Pengenalan Sementara (JPN KP 09)*/authority card for armed forces or police personnel/certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable). Affix a stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

Step 6: Submit application

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents can be submitted using one of the following methods:

(i) despatched by ORDINARY POST in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya

(ii) DELIVERED BY HAND AND DEPOSITED in the Drop-In Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 21 November 2011, or such later date or dates as the Manager and the Joint Principal Advisers in their absolute discretion may decide.
5. **PROCEDURES FOR APPLICATION BY WAY OF AN ELECTRONIC APPLICATION**

Only Malaysian individuals may apply for the Units by way of Electronic Application in respect of the Units made available for application by the Malaysian Public.

5.1 **Steps for Electronic Applications through a Participating Financial Institution’s ATM**

(i) The applicant must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for the Units at an ATM belonging to other Participating Financial Institutions;

(ii) The applicant MUST have a CDS Account; and

(iii) The applicant shall apply for the Units via the ATM of the Participating Financial Institutions by choosing the Electronic Application option. Mandatory statements required in the application are set out in the “Terms and conditions for Electronic Applications” (please refer to Section 5.3 of Appendix F of this Prospectus below). The applicant shall enter at least the following information through the ATM where the instructions on the ATM screen at which he enters his Electronic Application requires him to do so:

- Personal Identification Number (“PIN”);
- MIH Unit Issue Account No. 524;
- CDS Account number;
- Number of Units applied for and/or the RM amount to be debited from the account; and
- Confirmation of several mandatory statements.

5.2 **Participating Financial Institutions**

Electronic Applications may be made through an ATM of the following Participating Financial Institutions and their branches:

(i) Affin Bank Berhad;
(ii) Ambank (M) Berhad;
(iii) Bank Muamalat Malaysia Berhad;
(iv) CIMB Bank Berhad;
(v) Hong Leong Bank Berhad;
(vi) HSBC Bank Malaysia Berhad;
(vii) Malayan Banking Berhad;
(viii) OCBC Bank (Malaysia) Berhad;
(ix) Public Bank Berhad;
(x) RHB Bank Berhad; or
(xi) Standard Chartered Bank Malaysia Berhad (at selected branches only).
5.3 Terms and Conditions of Electronic Applications

The procedures for Electronic Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("Steps"). For illustration purposes, the procedures for Electronic Applications at ATMs are set out in "Steps for Electronic Application through a Participating Financial Institution's ATM" in Section 5.1 of Appendix F of this Prospectus. The Steps set out the actions that an applicant must take at the ATM to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.

An applicant must have a CDS Account to be eligible to use the Electronic Applications.

Upon the completion of his Electronic Application transaction, an applicant will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of his Electronic Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Application or any data relating to such an Electronic Application by the Manager or the Issuing House. The Transaction Record is for the applicant's records and should not be submitted with any Application Form.

Upon the closing of the Retail Offering on 21 November 2011 at 5.00 p.m. ("Closing Date and Time"), the Participating Financial Institutions shall submit a magnetic tape containing its respective customers' applications for the Units to the Issuing House as soon as practicable but not later than 12.00 p.m. on the second business day after the Closing Date and Time.

An applicant will be allowed to make only one application and shall not make any other application for the Units under the Retail Offering to the Malaysian Public, whether at the ATMs of any other Participating Financial Institutions or using the WHITE Application Forms or via an Internet Application.

An applicant must ensure that he uses his own CDS Account number when making an Electronic Application. If an applicant operates a joint account with any Participating Financial Institution, he must ensure that he enters his own CDS Account number when using an ATM card issued to him in his name. An applicant's application will be rejected if he fails to comply with the foregoing.

The Electronic Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

(i) The Electronic Application shall be made in relation with and subject to the terms of this Prospectus and the Deed.

(ii) The applicant is required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:

(a) He has attained 18 years of age as at the Closing Date and Time;

(b) He is a Malaysian citizen residing in Malaysia;
(c) He has read the relevant Prospectus and understood and agreed with the terms and conditions of the application;

(d) This is the only application that he is submitting; and

(e) He hereby gives consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to himself and his account with the Participating Financial Institution and Bursa Depository to the Issuing House and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless the applicant completes all the steps required by the Participating Financial Institution. By doing so, the applicant shall be deemed to have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Central Depository Act to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of his particulars to the Issuing House, or any relevant regulatory bodies.

(iii) The applicant confirms that he is not applying for the Units as a nominee of any other person and that any Electronic Application that he makes is made by him as the beneficial owner. An applicant shall only make one Electronic Application and shall not make any other application for the Units, whether at the ATMs of any other Participating Financial Institutions or using the WHITE Application Forms or via an Internet Application.

(iv) An applicant must have sufficient funds in his account with the relevant Participating Financial Institution at the time he makes his Electronic Application, failing which his Electronic Application will not be completed. Any Electronic Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Application is being made, will be rejected.

(v) The applicant agrees and undertakes to subscribe for or purchase and to accept the number of Units applied for as stated on the Transaction Record or any lesser number of Units that may be allotted to him in respect of his Electronic Application. In the event that the Manager decides to allot any lesser number of such Units or not to allot any Units to the applicant, he agrees to accept any such decision as final. If the applicant's Electronic Application is successful, his confirmation (by his action of pressing the pre-designated keys (or buttons) on the ATM) of the number of Units applied for shall signify, and shall be treated as, his acceptance of the number of Units that may be allotted to him and to be bound by the Deed.

(vi) The Manager reserves the right not to accept any Electronic Application or accept any Electronic Application in part only without assigning any reason. Due consideration will be given to the desirability of allotting the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.
(vii) Where an Electronic Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful application. If the applicant's Electronic Application is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies without interest into his account with that Participating Financial Institution within 2 Market Days after the receipt of confirmation from the Issuing House. The Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful application within 2 Market Days after the balloting date. An applicant may check his account on the fifth Market Day from the balloting day.

If an applicant's Electronic Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into his account with the Participating Financial Institution within 2 Market Days after the receipt of confirmation from the Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications which are subsequently rejected, the application monies without interest will be refunded to the applicants by the Issuing House by way of cheques issued by the Issuing House. The cheques will be issued to the applicants not later than 10 Market Days from the day of the final ballot of the application list.

Should an applicant encounter any problems in his application, he may refer to the Participating Financial Institutions.

(viii) By making and completing an Electronic Application, the applicant, if successful, requests and authorises the Manager:

(a) To credit the Units allotted to him into his CDS Account; and

(b) To issue Unit certificate(s) representing such Units allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

(ix) The applicant acknowledges that his Electronic Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of the Manager, the Issuing House, the Participating Financial Institution or Bursa Depository and irrevocably agrees that if:

(a) The Manager or the Issuing House does not receive his Electronic Application; and

(b) Data relating to his Electronic Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to the Manager or the Issuing House,

he shall be deemed not to have made an Electronic Application and he shall not make any claim whatsoever against the Manager, the Issuing House, the Participating Financial Institution or Bursa Depository for the Units applied for or for any compensation, loss or damage.
(x) All of the applicant’s particulars in the records of the relevant Participating Financial Institution at the time he makes his Electronic Application shall be true and correct, and the Manager, the Issuing House and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.

(xi) The applicant shall ensure that his personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, his Electronic Application will be rejected. The applicant must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to his registered address last maintained with Bursa Depository.

(xii) By making and completing an Electronic Application, the applicant agrees that:

(a) In consideration of the Manager agreeing to allow and accept the application for Units via the Electronic Application facility established by the Participating Financial Institutions at their respective ATMs, his Electronic Application is irrevocable;

(b) The Manager, the Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to his Electronic Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;

(c) Notwithstanding the receipt of any payment by or on the behalf of the Manager, the notice of successful allocation for prescribed securities issued in respect of the Units for which his Electronic Application has been successfully completed is the only confirmation for the acceptance of his offer to subscribe for and purchase the said Units;

(d) He irrevocably authorise Bursa Depository to complete and sign on his behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Units allotted to him; and

(e) He agrees that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Electronic Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that he irrevocably submits to the jurisdiction of the Courts of Malaysia.

(xiii) If an applicant is successful in his application, the Manager reserves the right to require him to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to him to ascertain his application is genuine and valid. The Manager shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the applicant for the purpose of complying with this provision.
(xiv) The Issuing House, on the authority of the Manager reserves the right to reject applications, which do not conform to these instructions.

(xv) The following surcharge per Electronic Application will be charged by the respective Participating Financial Institutions:
(a) Affin Bank Berhad – No fees will be charged for application by their account holders;
(b) Ambank (M) Berhad – RM1.00;
(c) Bank Muamalat Malaysia Berhad – RM2.50;
(d) CIMB Bank Berhad – RM2.50;
(e) Hong Leong Bank Berhad – RM2.00;
(f) HSBC Bank Malaysia Berhad – RM2.50;
(g) Malayan Banking Berhad – RM1.00;
(h) OCBC Bank Berhad – RM2.50;
(i) Public Bank Berhad – RM2.00;
(j) RHB Bank Berhad – RM2.50; and
(k) Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50.

6. PROCEDURES FOR APPLICATION BY WAY OF AN INTERNET APPLICATION

Only members of the public who are individuals may apply for the Units by way of Internet Application.

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Internet Application and the procedures set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Application.

Step 1: Set up of account

Before making an application by way of Internet Application, an applicant must have all of the following:

(i) an existing account with access to internet financial services with CIMB at www.eipocimb.com or CIMB Bank Berhad at www.cimbclicks.com.my or Malayan Banking Berhad at www.maybank2u.com.my or RHB Bank Berhad at www.rhb.com.my or Affin Bank Berhad at www.affinOnline.com or Public Bank Berhad at www.pbebank.com. The applicant needs to have his user identification and PIN/password for the internet financial services facility; and

(ii) an individual CDS Account registered in the applicant’s name (and not in a nominee’s name) and in the case of a joint account an individual CDS Account registered in the applicant’s name which is to be used for the purpose of the application if the applicant is making the application instead of a CDS Account registered in the joint account holder’s name.
APPENDIX F - PROCEDURE FOR THE APPLICATION AND ACCEPTANCE FOR THE RETAIL OFFERING (Cont’d)

Step 2: Read the Prospectus

An applicant is advised to read and understand the Prospectus before making his application.

Step 3: Apply through Internet

The Manager has set out possible steps for an application of the Units via Internet Application below for illustration purposes only.

Please note that the actual steps for Internet Applications through the internet financial services website of a particular Internet Participating Financial Institution may differ from the steps outlined below.

(i) Connect to the internet financial services website of the Internet Participating Financial Institution with which the applicant has an account;

(ii) Log in to the internet financial services facility by entering the applicant’s user identification and PIN/password;

(iii) Navigate to the section of the website on applications in respect of the Retail Offering;

(iv) Select the counter in respect of the Units to launch the Electronic Prospectus and the terms and conditions of the Internet Application;

(v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;

(vi) At the next screen, complete the online application form;

(vii) Check that the information contained in the online application form, such as the share counter, NRIC number, CDS Account number, number of Units applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.

After selecting the designated hyperlink on the screen, the applicant will have to confirm and undertake that the following mandatory statements are true and correct:

(a) He is at least 18 years of age as at the closing date and time of the Retail Offering;

(b) He is a Malaysian citizen residing in Malaysia;

(c) He has, prior to making the Internet Application, received and/or have had access to a printed/electronic copy of the Prospectus, the contents of which he has read and understood;

(d) He agrees to all the terms and conditions of the Internet Application as set out in this Prospectus and has carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus, before making the Internet Application;
APPENDIX F - PROCEDURE FOR THE APPLICATION AND ACCEPTANCE FOR THE RETAIL OFFERING (Cont’d)

(e) The Internet Application is the only application that he is submitting for the Units;

(f) He authorises the financial institution with which he has an account to deduct the full amount payable for the Units from his account with the said financial institution ("Authorised Financial Institution");

(g) He gives express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, '1989 and Section 45 of the Central Depository Act) for the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to him, the Internet Application made by him or his account with the Internet Participating Financial Institution, to the Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;

(h) He is not applying for the Units as a nominee of any other person and the application is made in his own name, as beneficial owner and subject to the risks referred to in this Prospectus; and

(i) He authorises the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Retail Offering, all information relating to him if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with the Retail Offering. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by him to the Internet Participating Financial Institution in connection with the use of the Internet Application services;

(viii) Upon submission of the online application form, the applicant will be linked to the website of the Authorised Financial Institution to effect the online payment of his money for the Retail Offering;

(ix) The applicant must pay for the Units through the website of the Authorised Financial Institution, failing which the Internet Application is not completed, despite the display of the Confirmation Screen. "Confirmation Screen" refers to the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Application has been completed and states the details of the applicant’s Internet Application, including the number of Units applied for, which can be printed out by the applicant for his records;
APPENDIX F - PROCEDURE FOR THE APPLICATION AND ACCEPTANCE FOR THE RETAIL OFFERING (Cont'd)

(x) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for the Units is being made. Subsequently, the Internet Participating Financial Institution shall confirm that the Internet Application has been completed, via the Confirmation Screen on its website; and

(xi) The applicant is advised to print out the Confirmation Screen for his reference and records.

7. OTHER TERMS AND CONDITIONS

(i) An applicant is required to pay the Retail Price of RM0.38 for each Unit he has applied for.

(ii) An applicant can submit only one application for the Units offered to the Malaysian Public. For example, if he submits an application using a WHITE Application Form, he cannot submit an Electronic Application or Internet Application.

However, if the applicant has made an application under the BLUE or PINK Application Form, he can still apply for the Units offered to the Malaysian Public using the WHITE Application Form, Electronic Application or Internet Application.

The Issuing House, acting under the authority of the Directors and the Manager has the discretion to reject applications that appears to be multiple applications.

The Manager wishes to caution an applicant that if he submits more than one (1) application in his own name or by using the name of others, with or without their consent, he will be committing an offence under Section 179 of the CMSA and may be punished with a minimum fine of RM1,000,000 and a jail term of up to ten (10) years under Section 182 of the CMSA.

(iii) Each application under the BLUE, PINK AND WHITE Application Forms, Electronic Application and Internet Application must be for at least 100 Units or multiples of 100 Units.

(iv) The application must be made in connection with and subject to this Prospectus and the Deed. The applicant agrees to be bound by the Deed should he be allotted any Units.

(v) The submission of an application does not necessarily mean that the application will be successful. Any submission of application is irrevocable.

(vi) The Manager or the Issuing House will not issue any acknowledgement of the receipt of the application or application monies.

(vii) An applicant must ensure that his personal particulars submitted in his application and/or his personal particulars as recorded by the Internet Participating Financial Institution are correct and accurate and identical with the records maintained by Bursa Depository. Otherwise, his application will be rejected. Bursa Depository will have to be promptly notified of any change in his address failing which the notification letter of successful allocation will be sent to his registered/correspondence address last maintained with Bursa Depository.
(viii) An applicant’s remittances having been presented for payment shall not signify that his application has been accepted.

The Manager’s acceptance of the application to subscribe for or purchase the Units shall be constituted by the issue of notices of allotment for the Units to the applicant.

(ix) Submission of an applicant’s CDS Account number in his application includes his authority/consent in accordance with Malaysian laws of Bursa Depository and the Participating Financial Institution (as the case may be) to disclose information pertaining to his CDS Account and other relevant information to the Manager or the Issuing House and any relevant regulatory bodies (as the case may be).

The applicant agrees to accept the Manager’s decision as final should the Manager decide partially allot or not to allot any Units to him.

(x) Additional terms and conditions for Electronic Applications are as follows:

(a) The applicant agrees and undertakes to subscribe for or purchase and to accept the number of Units applied for as stated in the Transaction Record or any lesser amount that may be allotted to him.

(b) The applicant’s confirmation by pressing the key or button on the ATM shall be treated as his acceptance of the number of Units allotted to him.

(c) Should the applicant be allotted any Units, he shall be bound by the Deed.

(d) The applicant confirms that he is not applying for Units as a nominee of other persons and that his Electronic Application is made on his own account as a beneficial owner.

(e) The applicant requests and authorises the Manager to credit the Units allotted to him into his CDS Account and to issue Unit certificate(s) representing those Units allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to Bursa Depository.

(f) The applicant acknowledges that his application is subject to electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events which are not in the control of the Manager, the Issuing House, the Participating Financial Institution or Bursa Depository. The applicant irrevocably agrees that he is deemed not to have made an application if the Manager or the Issuing House does not receive his application or his application data is wholly or partially lost, corrupted or inaccessible to the Manager or the Issuing House. The applicant shall not make any claim whatsoever against the Manager, the Issuing House, the Participating Financial Institution or Bursa Depository.

(g) The applicant irrevocably authorises Bursa Depository to complete and sign on his behalf as transferee or renounce any instrument of transfer and/or other documents required for the issuance of the Units allotted to him.
(h) The applicant agrees that in the event of legal action, proceedings or dispute arising from the use of Electronic Applications, the mutual rights, obligations and liabilities of the parties to the Retail Offering shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.

(x) Additional terms and conditions for Internet Application are as follows:

(a) An application will not be successfully completed and cannot be recorded as a completed application unless the applicant has completed all relevant application steps and procedures for the Internet Application which would result in the Internet financial services website displaying the Confirmation Screen. The applicant is required to complete his Internet Application by the close of the Retail Offering mentioned in Section 1 of Appendix F of this Prospectus.

(b) The applicant irrevocably agrees and undertakes to subscribe for and to accept the number of Units applied for as stated on the Confirmation Screen or any lesser amount that may be allotted to him. The applicant’s confirmation by clicking the designated hyperlink on the relevant screen of the website shall be treated as his acceptance of the number of Units allotted to him.

(c) The applicant requests and authorises the Manager to credit the Units allotted to him into his CDS Account and to issue Unit certificate(s) representing those Units allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to Bursa Depository.

(d) The applicant irrevocably agrees and acknowledges that the Internet Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond the control of the Manager, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution. If in any such event the Manager, the Issuing House and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive the applicant’s Internet Application and/or payment, or in the event that any data relating to the Internet Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason, the applicant shall be deemed not to have made an Internet Application and he shall have no claim whatsoever against the Manager, the Issuing House or the Internet Participating Financial Institution and the Authorised Financial Institution.

(e) The applicant irrevocably authorises Bursa Depository to complete and sign on his behalf as transferee or renounce any instrument of transfer and/or other documents required for the issuance of the Units allotted to him.
The applicant agrees that in the event of legal disputes arising from the use of Internet Application, the mutual rights, obligations and liabilities of the parties to the Retail Offering shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.

The applicant shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of his Internet Application by the Manager, the Issuing House and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution.

The applicant is not entitled to exercise any remedy of rescission for misrepresentation at any time after the Manager has accepted his Internet Application.

In making the Internet Application, the applicant has relied solely on the information contained in this Prospectus. The Manager, the Sponsor, the Joint Principal Advisers, the Joint Underwriters and any other person involved in the Retail Offering shall not be liable for any information not contained in this Prospectus which the applicant may have relied on in making the Internet Application.

8. **AUTHORIZED OF THE MANAGER AND THE ISSUING HOUSE**

If an applicant is successful in his application, the Manager reserves the right to require him to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to him to ascertain his application is genuine and valid. The Manager is not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the applicant for the purpose of complying with this provision.

Applicants will be selected in a manner to be determined by the Manager. Due consideration will be given to the desirability of allotting the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

The Issuing House, on the authority of the Manager, reserves the right to:

(i) reject applications which do not conform to the instructions in this Prospectus or are illegible, incomplete or inaccurate;

(ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without giving any reason; and

(iii) bank in all application monies from unsuccessful/partially successful applicants which would subsequently be refunded without interest by registered post.
9. OVER/UNDER-SUBSCRIPTION

In the event of over-subscription in the Retail Offering, the Issuing House will conduct a ballot in the manner approved by the Manager to determine acceptance of applications in a fair and equitable manner. In determining the manner of balloting, the Manager will consider the desirability of distributing the Units to a reasonable number of applicants for the purpose of broadening Pavilion REIT’s unitholder base and establishing an adequate market in the trading of the Units. Pursuant to the Listing Requirements, Pavilion REIT needs to have a minimum number of 1,000 public unitholders holding not less than 100 Units each upon Listing and completion of this Offering. The Manager expects to achieve this at the point of Listing. In the event that the above requirement is not met, the Manager may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be refunded without interest.

In the event of an under-subscription (subject to the Clawback and Reallocation as set out in Section 3.4.3 “Clawback and Reallocation” of this Prospectus), all the Units not applied for under the Retail Offering will be subscribed by the Joint Underwriters pursuant to the Retail Underwriting Agreement.

Where an applicant’s successfully balloted application is subsequently rejected, the full amount of his application monies will be refunded without interest to him within 10 Market Days from the date of the final ballot of the application list to his address registered with Bursa Depository.

Units under the Malaysian Public portion allotted to all successful or partially successful applicants will be credited to their respective CDS Accounts. A notice of allotment will be despatched to the successful or partially successful applicants at the applicant’s address last maintained with Bursa Depository at the applicant’s own risk prior to the Listing. This is the only acknowledgement of acceptance of the application.

All applicants must inform Bursa Depository of their updated addresses promptly by adhering to the certain rules and regulations of Bursa Depository, failing which the notification letter on successful allotment shall be sent to the applicants’ registered or correspondence addresses last maintained with Bursa Depository.

Applicants may also check the status of their applications by logging on to the Issuing House’s website, www.mih.com.my or by calling their respective ADAs at the telephone number as stated in Section 13 of this Appendix F of this Prospectus or the Issuing House’s Enquiry Services at (603) 7841 6000 or (603) 7841 8289, between 5 to 10 Market Days (during office hours only) after the final balloting date.

10. UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If an applicant is unsuccessful/partially successful in his application, the Manager will refund his application monies without interest in the following manner.
10.1 For applications by way of WHITE Application Form

(i) The application monies or the balance of it, as the case may be, will be refunded to the applicant via the self-addressed and stamped Official “A” envelope he provided by ordinary post (for fully unsuccessful applications) or by registered post to his last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot.

(ii) If an applicant's application was rejected because he did not provide a CDS Account number, his application monies will be sent to the address stated in the NRIC or "Resit Pengenalalan Sementara (JPN KP 09)" or any valid temporary identity document issued by the National Registration Department from time to time at his own risk.

(iii) The Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded by registered post to the applicant's last address maintained with Bursa Depository or as per item (ii) above (as the case may be) within 10 Market Days from the date of the final ballot.

10.2 For applications by way of Electronic Application

(i) The Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful application within 2 Market Days after the balloting date. The application monies or the balance of it will be credited into an applicant's account with the Participating Financial Institution without interest within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) An applicant may check his account on the fifth Market Day from the balloting day.

(iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by way of cheques by registered post. The cheques will be issued not later than 10 Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Participating Financial Institution will credit the application money (or any part thereof) into the applicant's account without interest within 2 Market Days after the receipt of confirmation from the Issuing House.

10.3 For applications by way of Internet Application

(i) The Issuing House shall inform the Internet Participating Financial Institutions of the non-successful or partially successful application within 2 Market Days after the balloting date. The Internet Participating Financial Institution will arrange with the Authorised Financial Institution to refund the application monies or the balance of it into the applicant's account without interest or other benefit arising therefrom with the Authorised Financial Institution within 2 Market Days after the receipt of confirmation from the Issuing House.
(ii) An applicant may check his account on the fifth Market Day from the balloting day.

(iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by way of cheques by registered post or ordinary post. The cheques will be issued not later than 10 Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institution will credit the application money (or any part thereof) into the applicant’s account without interest within 2 Market Days after the receipt of confirmation from the Issuing House.

11. SUCCESSFUL APPLICANTS

If an applicant is successful in his application:

(i) The Units allotted to him will be credited into his CDS Account. The Manager will not be issuing any physical Unit certificates to the applicant. He shall not be entitled to withdraw any deposited securities held by Bursa Depository or its nominee as long as the Units are listed on Bursa Securities.

(ii) A notice of allotment will be despatched to him at the address last maintained with Bursa Depository where he has an existing CDS Account at his own risk prior to Pavilion REIT’s Listing. This is his only acknowledgement of acceptance of the application.

(iii) In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded without any interest thereon. The refund in the form of cheques will be despatched by ordinary mail to the address as stated in Bursa Depository’s records for applications made via the Application Form, Electronic Application and Internet Application, of the successful applicants, within 10 Market Days from the final ballot of the application, at the successful applicants’ own risk.

12. ENQUIRIES

An applicant may contact the Issuing House if he has any queries on the WHITE Application Form at telephone no. (603) 7841 8000 or (603) 7841 8289. If an applicant has any enquiry with regards to his Electronic Application, he may refer to the relevant Participating Financial Institution. If an applicant has any enquiry with regards to his Internet Application, he may refer to the relevant Internet Participating Financial Institution and Authorised Financial Institution.

If an applicant is applying for the Units as a member of the Malaysian Public, he may check the status of his application by logging into the Issuing House’s website at www.mih.com.my, or by calling the Issuing House at (603) 7841 8000 or (603) 7841 8289 or his ADA at the telephone number as stated in Section 13 of Appendix F of this Prospectus between 5 to 10 Market Days (during office hours only) after the balloting date.
13. **LIST OF ADAs**

A list of the ADAs and their respective Broker Codes are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Address and telephone number</th>
<th>Broker code</th>
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<tr>
<td><strong>KUALA LUMPUR</strong></td>
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<tr>
<td>A.A. ANTHONY SECURITIES SDN BHD</td>
<td>N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Telephone no.: +603 6201 1155</td>
<td>078-004</td>
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<tr>
<td>AFFIN INVESTMENT BANK BERHAD</td>
<td>Ground Mezzanine &amp; 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Telephone no.: +603 2143 8668</td>
<td>028-001</td>
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<tr>
<td>ALLIANCE INVESTMENT BANK BERHAD</td>
<td>17th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone no.: +603 2697 6333</td>
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<tr>
<td>AMINVESTMENT BANK BERHAD</td>
<td>15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2078 2788</td>
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<tr>
<td>BIMB SECURITIES SDN BHD</td>
<td>32nd Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Telephone no.: +603 2691 8867</td>
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<tr>
<td>CIMB INVESTMENT BANK BERHAD</td>
<td>9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Telephone no.: +603 2084 9999</td>
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<tr>
<td>ECM LIBRA INVESTMENT BANK BERHAD</td>
<td>1st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no.: +603 2178 1133</td>
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## APPENDIX F - PROCEDURE FOR THE APPLICATION AND ACCEPTANCE FOR THE RETAIL OFFERING (Cont'd)

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<th>Broker code</th>
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<td>ECM LIBRA INVESTMENT BANK BERHAD</td>
<td>Bangunan ECM Libra 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Telephone no.: +603 2089 1888</td>
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<td>HONG LEONG INVESTMENT BANK BERHAD</td>
<td>Levei 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Telephone no.: +603 2168 1168</td>
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<tr>
<td>HWANGDBS INVESTMENT BANK BERHAD</td>
<td>Nos. 34-5, 36-5, 38-5, 40-5, 42-5 &amp; 44-5 5th Floor, Cheras Commercial Centre Jalan 5/101C Off Jalan KasKas, 5th Mile Cheras 56100 Kuala Lumpur Telephone no.: +603 9130 3399</td>
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<td>HWANGDBS INVESTMENT BANK BERHAD</td>
<td>2nd Floor, Bangunan AHP 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 6000 Kuala Lumpur Telephone no.: +603 7710 6688</td>
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<td>HWANGDBS INVESTMENT BANK BERHAD</td>
<td>7th, 22nd, 23rd &amp; 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Telephone no.: +603 2711 6688</td>
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<tr>
<td>HWANGDBS INVESTMENT BANK BERHAD</td>
<td>No. 57-10 Level 10 The Boulevard, Mid Valley City Lingkaran Syed Putra 59000 Kuala Lumpur Telephone no.: +603 2287 2273</td>
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<td>INTER-PACIFIC SECURITIES SDN BHD</td>
<td>West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Telephone no.: +603 2117 1888</td>
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<td>Address and telephone number</td>
<td>Broker code</td>
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<td>INTER-PACIFIC SECURITIES SDN BHD</td>
<td>Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Telephone no.: +603 7984 7796</td>
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<td>Stesyen Minyak SHELL Jalan 1/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Telephone no.: +603 7981 8811</td>
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<td>JUPITER SECURITIES SDN BHD</td>
<td>7th-9th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Telephone no.: +603 2034 1888</td>
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<td>KAF-SEAGROATT &amp; CAMPBELL SECURITIES SDN BHD</td>
<td>11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Telephone no.: +603 2168 8800</td>
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<td>KENANGA INVESTMENT BANK BERHAD</td>
<td>8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Telephone no.: +603 2164 9080</td>
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<tr>
<td>MAYBANK INVESTMENT BANK BERHAD</td>
<td>5-13 Floor, Maybanlife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Telephone no.: +603 2297 8888</td>
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<td>M &amp; A SECURITIES SDN BHD</td>
<td>Level 1-2, No. 45 &amp; 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Telephone no.: +603 2282 1820</td>
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<td>L-7-2, No. 2&lt;br&gt;Jalan Solaris&lt;br&gt;Solaris Mont Kiara&lt;br&gt;50480 Kuala Lumpur&lt;br&gt;Telephone no.: +603 6203 7227</td>
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<td>MIDF AMANAH INVESTMENT BANK BERHAD</td>
<td>11th &amp; 12th Floor, Menara MIDF&lt;br&gt;82 Jalan Raja Chulan&lt;br&gt;50200 Kuala Lumpur&lt;br&gt;Telephone no.: +603 2173 8888</td>
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<td>MIMB INVESTMENT BANK BERHAD</td>
<td>Level 18, Menara EON Bank&lt;br&gt;288, Jalan Raja Laut&lt;br&gt;50350 Kuala Lumpur&lt;br&gt;Telephone no.: +603 2691 0200</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>20th Floor, Plaza OSK&lt;br&gt;Jalan Ampang&lt;br&gt;50450 Kuala Lumpur&lt;br&gt;Telephone no.: +603 2333 8333</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>No. 62 &amp; 64, Vista Magna&lt;br&gt;Jalan Prima, Metro Prima&lt;br&gt;52100 Kuala Lumpur&lt;br&gt;Telephone no.: +603 6257 5869</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground Floor&lt;br&gt;No. M3-A-7 &amp; M3-A-8&lt;br&gt;Jalan Pandan Indah 4/3A&lt;br&gt;Pandan Indah&lt;br&gt;55100 Kuala Lumpur&lt;br&gt;Telephone no.: +603 4280 4798</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground, 1st, 2nd &amp; 3rd Floor&lt;br&gt;No. 55, Zone J4&lt;br&gt;Jalan Radin Anum&lt;br&gt;Bandar Baru Seri Petaling&lt;br&gt;57000 Kuala Lumpur&lt;br&gt;Telephone no.: +603 9058 7222</td>
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<td>No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur</td>
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<td>PUBLIC INVESTMENT BANK BERHAD</td>
<td>27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman</td>
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<td></td>
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<td>Telephone no.: +603 2031 3011</td>
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<td>Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur</td>
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<td>TA SECURITIES HOLDINGS BERHAD</td>
<td>Floor 13-16, 23, 28-30, 34 &amp; 35 Menara TA One No. 22, Jalan P. Ramlee</td>
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<tr>
<td>AFFIN INVESTMENT BANK BERHAD</td>
<td>2nd, 3rd &amp; 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru</td>
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<td></td>
<td>Off Jalan Meru 41050 Klang Selangor Darul Ehsan</td>
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<td>AFFIN INVESTMENT BANK BERHAD</td>
<td>Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara</td>
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<td>47800 Petaling Jaya Selangor Darul Ehsan</td>
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<td>Telephone no.: +603 7729 8016</td>
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<td>AMINVESTMENT BANK BERHAD</td>
<td>4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya</td>
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<td>CIMB INVESTMENT BANK BERHAD</td>
<td>Ground Floor Tropicana City Office Tower 3 Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7717 3319</td>
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<td>ECM LIBRA INVESTMENT BANK BERHAD</td>
<td>35 (Ground &amp; 1st Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Telephone no.: +603 3348 8080</td>
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<tr>
<td>HONG LEONG INVESTMENT BANK BERHAD</td>
<td>Level 10 1 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Telephone no.: +603 7724 6888</td>
<td>066-002</td>
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<tr>
<td>HWANGDBS INVESTMENT BANK BERHAD</td>
<td>16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Telephone no.: +603 5513 3288</td>
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<td>HWANGDBS INVESTMENT BANK BERHAD</td>
<td>East Wing &amp; Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Telephone no.: +603 5635 6688</td>
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<tr>
<td>JF APEX SECURITIES BERHAD</td>
<td>6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Telephone no.: +603 8736 1118</td>
<td>079-001</td>
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<td>Name</td>
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<td>JF APEX SECURITIES BERHAD</td>
<td>15th &amp; 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin</td>
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<td></td>
<td>46050 Petaling Jaya Selangor Darul Ehsan</td>
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<td>Ground to 5th Floor East Wing, Quattro West 4, Lorong Persiaran Barat</td>
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<td>46200 Petaling Jaya Selangor Darul Ehsan</td>
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<td>Suite 7.02, Level 7, Menara ING Intan Millenium Square No. 68</td>
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<td>Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan</td>
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<td>Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3</td>
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<td>Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan</td>
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<td>PM SECURITIES SDN BHD</td>
<td>No. 157 &amp; 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Telephone no.: +603 8070 0773</td>
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<td>PM SECURITIES SDN BHD</td>
<td>No. 18 &amp; 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Telephone no.: +603 3341 5300</td>
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<td>SJ SECURITIES SDN BHD</td>
<td>Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40200 Shah Alam Selangor Darul Ehsan Telephone no.: +603 5192 0202</td>
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<td>TA SECURITIES HOLDINGS BERHAD</td>
<td>No. 2-1, 2-2, 2-3 &amp; 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Telephone no.: +603 8025 1880</td>
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<td>TA SECURITIES HOLDINGS BERHAD</td>
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<td>CIMB INVESTMENT BANK BERHAD</td>
<td>Ground, 1st &amp; 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : +606 2898 800</td>
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<td>ECM LIBRA INVESTMENT BANK BERHAD</td>
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<td>MALACCA SECURITIES SDN BHD</td>
<td>No. 1, 3 &amp; 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Telephone no.: +606 3371 533</td>
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<td>MERCURY SECURITIES SDN BHD</td>
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<td>PM SECURITIES SDN BHD</td>
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<td>RHB INVESTMENT BANK BERHAD</td>
<td>Lot 7-13 &amp; 15, 1st Floor Tabung Haji Building Jalan Bandar Kaba 75000 Melaka Telephone no.: +606 2833 622</td>
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| A.A. ANTHONY SECURITIES SDN BHD    | Bandar Baru
36000 Teluk Intan
Perak Darul Ridzuan
Tel No: +605 6232 328 |             |
| CIMB INVESTMENT BANK BERHAD        | Ground, No. 8, 8A-C
Persiaran Greentown 4C
Greentown Business Centre
30450 Ipoh
Perak Darul Ridzuan
Telephone no.: +605 2088 688 | 065-010     |
| ECM LIBRA INVESTMENT BANK BERHAD   | No. 63 Persiaran Greenhill
30450 Ipoh
Perak Darul Ridzuan
Telephone no.: +605 2422 828 | 052-002     |
| ECM LIBRA INVESTMENT BANK BERHAD   | No. 7B-1, Jalan Laman Intan
Bandar Baru Teluk Intan
36000 Teluk Intan
Perak Darul Ridzuan
Telephone no.: +605 6222 828 | 052-006     |
| ECM LIBRA INVESTMENT BANK BERHAD   | Ground Floor
No. 25 & 25A
Jalan Jaya 2, Medan Jaya
32000 Sitiawan
Perak Darul Ridzuan
Telephone no.: +605 6939 828 | 052-014     |
| HWANGDBS INVESTMENT BANK BERHAD    | Ground, Level 1, 2 & 3
21, Jalan Stesen
34000 Taiping
Perak Darul Ridzuan
Telephone no.: +605 8066 688 | 068-003     |
| HWANGDBS INVESTMENT BANK BERHAD    | Ground & 1st Floor
No. 22, Persiaran Greentown 1
Greentown Business Centre
30450 Ipoh
Perak Darul Ridzuan
Telephone no.: +605 2599 988 | 068-015     |
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<td>CIMB INVESTMENT BANK BERHAD</td>
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<td>HWANGDBS INVESTMENT BANK BERHAD</td>
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## APPENDIX F - PROCEDURE FOR THE APPLICATION AND ACCEPTANCE FOR THE RETAIL OFFERING (Cont’d)

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<td>OSK INVESTMENT BANK BERHAD</td>
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<td>ALLIANCE INVESTMENT BANK BERHAD</td>
<td>No. 73, Ground &amp; 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Telephone no.: +607 7717 922</td>
<td>076-006</td>
</tr>
<tr>
<td>Name</td>
<td>Address and telephone number</td>
<td>Broker code</td>
</tr>
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<tr>
<td>JOHOR DARUL TAKZIM (cont'd)</td>
<td>2nd &amp; 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Jhor Darul Takzim Telephone no.: +607 4342 282</td>
<td>086-002</td>
</tr>
<tr>
<td>AMINVESTMENT BANK BERHAD</td>
<td>18th &amp; 31st Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Jhor Darul Takzim Telephone no.: +607 3343 855</td>
<td>086-006</td>
</tr>
<tr>
<td>ECM LIBRA INVESTMENT BANK BERHAD</td>
<td>No. 57, 59 &amp; 61, Jalan Ali 84000 Muar Jhor Darul Takzim Telephone no.: +606 9532 222</td>
<td>052-004</td>
</tr>
<tr>
<td>ECM LIBRA INVESTMENT BANK BERHAD</td>
<td>Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Jhor Darul Takzim Telephone no.: +607 4678 885</td>
<td>052-005</td>
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<tr>
<td>HWANGDBS INVESTMENT BANK BERHAD</td>
<td>Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Jhor Darul Takzim Telephone no.: +607 2222 692</td>
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</tr>
<tr>
<td>INTER-PACIFIC SECURITIES SDN BHD</td>
<td>95, Jalan Tun Abdul Razak 80000 Johor Bahru Jhor Darul Takzim Telephone no.: +607 2231 211</td>
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<tr>
<td>KENANGA INVESTMENT BANK BERHAD</td>
<td>Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Jhor Darul Takzim Telephone no.: +607 3333 600</td>
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</tr>
<tr>
<td>Name</td>
<td>Address and telephone number</td>
<td>Broker code</td>
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<tr>
<td>KENANGA INVESTMENT BANK BERHAD</td>
<td>No. 31, Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Telephone no.: +606 9542 711</td>
<td>073-008</td>
</tr>
<tr>
<td>KENANGA INVESTMENT BANK BERHAD</td>
<td>Ground &amp; Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Telephone no.: +607 9333 515</td>
<td>073-009</td>
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<tr>
<td>KENANGA INVESTMENT BANK BERHAD</td>
<td>No. 33 &amp; 35 (Ground &amp; 1st Floor A&amp;B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Telephone no.: +607 7771 161</td>
<td>073-010</td>
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<tr>
<td>KENANGA INVESTMENT BANK BERHAD</td>
<td>Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Telephone no.: +606 9782 292</td>
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<tr>
<td>M&amp;A SECURITIES SDN BHD</td>
<td>Suite 5.3 A, Aras 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Telephone no.: +607 3381 233</td>
<td>057-003</td>
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<tr>
<td>MERCURY SECURITIES SDN BHD</td>
<td>Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Telephone no.: +607 3316 992</td>
<td>093-005</td>
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<tr>
<td>Name</td>
<td>Address and telephone number</td>
<td>Broker code</td>
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<td>MIMB INVESTMENT BANK BERHAD</td>
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<tr>
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<td>Johor Bahru City Square</td>
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<tr>
<td></td>
<td>(Office Tower)</td>
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<tr>
<td></td>
<td>No. 106-108, Jalan Wong Ah Fook</td>
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</tr>
<tr>
<td></td>
<td>80000 Johor Bahru</td>
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<tr>
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<td>Johor Darul Takzim</td>
<td></td>
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<tr>
<td></td>
<td>Telephone no.: +607 2227 388</td>
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<tr>
<td>MIMB INVESTMENT BANK BERHAD</td>
<td>1 Floor, No. 9</td>
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<td>Johor Darul Takzim</td>
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<tr>
<td></td>
<td>Telephone no.: +607 4313 688</td>
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</tr>
<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>6th Floor, Wisma Tong-Hua</td>
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<td></td>
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<td></td>
<td>80050 Johor Bahru</td>
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<td>Johor Darul Takzim</td>
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<tr>
<td></td>
<td>Telephone no.: +607 2788 821</td>
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<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>53, 53-A &amp; 53-B, Jalan Sultanah</td>
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<td>Johor Darul Takzim</td>
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<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>No. 33-1, 1st &amp; 2nd Floor</td>
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<td>Jalan Ali</td>
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<td>Ground &amp; 1st Floor</td>
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<td>Telephone no.: +607 5577 628</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground, 1st &amp; 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Telephone no.: +607 9321 543</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground, 1st &amp; 2nd Floor No. 17, Jalan Manggis 86000 Kluang Johor Darul Takzim Telephone no.: +607 7769 655</td>
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<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground, 1st &amp; 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Telephone no.: +607 6626 288</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground, 1st &amp; 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Telephone no.: +606 9787 180</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>1st Floor, No. 2 &amp; 4 Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Telephone no.: +607 9256 881</td>
<td>056-039</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground &amp; 1st Floor &amp; 2nd Floor No. 21 &amp; 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Telephone no.: +607 3522 293</td>
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| JOHOR DARUL TAKZIM (cont’d)        | PM SECURITIES SDN BHD  
No. 41, Jalan Molek 2/4  
Taman Molek  
81100 Johor Bahru  
Johor Darul Takzim  
Telephone no.: +607 3513 232                                                | 064-005     |
|                                   | PM SECURITIES SDN BHD  
Ground & 1st Floor  
No. 43 & 43A, Jalan Penjaja 3  
Taman Kim’s Park, Business Centre  
83000 Batu Pahat  
Johor Darul Takzim  
Telephone no.: +607 4333 608                                                | 064-008     |
| PAHANG DARUL MAKMUR               | ALLIANCE INVESTMENT BANK BERHAD  
A-397, A-399 & A-401  
Taman Sri Kuantan III, Jalan Beserah  
25900 Kuantan  
Pahang Darul Makmur  
Telephone no.: +609 5660 800                                               | 076-002     |
|                                   | CIMB INVESTMENT BANK BERHAD  
Ground 1st & 2nd Floor  
No. A-27 (Aras G, 1 & 2)  
Jalan Dato’ Lim Hoe Lek  
25200 Kuantan  
Pahang Darul Makmur  
Telephone no.: +609 5057 800                                               | 065-007     |
|                                   | ECM LIBRA INVESTMENT BANK BERHAD  
A15, A17 & A19, Ground Floor  
Jalan Tun Ismail 2, Sri Dagangan 2  
25000 Kuantan  
Pahang Darul Makmur  
Telephone no.: +609 5171 698                                               | 052-067     |
|                                   | OSK INVESTMENT BANK BERHAD  
B2 & B34, Lorong Tun Ismail 8  
Seri Dagangan II  
25000 Kuantan  
Pahang Darul Makmur  
Telephone no.: +609 5173 811                                               | 056-007     |
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<td><strong>PAHANG DARUL MAKMUR (cont’d)</strong></td>
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</table>
| OSK INVESTMENT BANK BERHAD | Ground Floor  
98 Jalan Pasdec  
28700 Bentong  
Pahang Darul Makmur  
Telephone no.: +609 2234 943 | 056-022 |
| OSK INVESTMENT BANK BERHAD | Ground Floor  
No. 76-A, Persiaran Camelia 4  
Tanah Rata  
39000 Cameron Highlands  
Pahang Darul Makmur  
Telephone no.: +605 4914 913 | 056-041 |
| **KELANTAN DARUL NAIM** |
| OSK INVESTMENT BANK BERHAD | Ground & 1st Floor  
No. 3953-H, Jalan Kebun Sultan  
15350 Kota Bharu  
Kelantan Darul Naim  
Telephone no.: +609 7430 077 | 056-020 |
| TA SECURITIES HOLDINGS BERHAD | 298, Jalan Tok Hakim  
15000 Kota Bharu  
Kelantan Darul Naim  
Telephone no.: +609 7432 288 | 058-004 |
| **TERENGGANU DARUL IMAN** |
| ALLIANCE INVESTMENT BANK BERHAD | No. 1D, Ground & Mezzanine  
No. 1E, Ground, Mezzanine  
1st & 2nd Floor, Jalan Air Jerneh  
20300 Kuala Terengganu  
Terengganu Darul Iman  
Telephone no.: +609 6317 922 | 076-009 |
| FA SECURITIES SDN BHD | No. 51 & 51A  
Ground, Mezzanine & 1st Floor  
Jalan Tok Lam  
20100 Kuala Terengganu  
Terengganu Darul Iman  
Telephone no.: +609 6238 128 | 021-001 |
### APPENDIX F - PROCEDURE FOR THE APPLICATION AND ACCEPTANCE FOR THE RETAIL OFFERING (Cont'd)

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| OSK INVESTMENT BANK BERHAD              | Ground & 1st Floor 9651, Cukai Utama  
Jalan Kubang Kurus  
24000 Kemaman  
Terengganu Darul Iman  
Telephone no.: +609 8583 109 | 056-027     |
| OSK INVESTMENT BANK BERHAD              | 31A, Ground Floor 31A & 31B, 1st Floor  
Jalan Sultan Ismail  
20200 Kuala Terengganu  
Terengganu Darul Iman  
Telephone no.: +609 6261 816 | 056-055     |
| **SARAWAK**                             |                                                                  |             |
| AMINVESTMENT BANK BERHAD                | No. 164, 166 & 168 1st, 2nd & 3rd Floor  
Jalan Abell  
93100 Kuching  
Sarawak  
Telephone no.: +6082 244 791 | 086-005     |
| CIMB INVESTMENT BANK BERHAD             | Level 1, Wisma STA 26, Jalan Datuk Abang Abdul Rahim  
93450 Kuching  
Sarawak  
Telephone no.: +6082 358 606 | 065-004     |
| CIMB INVESTMENT BANK BERHAD             | No. 6A, Ground Floor Jalan Bako, Off Brooke Drive  
98000 Sibu  
Sarawak  
Telephone no.: +6084 367 700 | 065-008     |
| HWANGDBS INVESTMENT BANK BERHAD         | Lot 328, Jalan Abell 93100 Kuching  
Sarawak  
Telephone no.: +6082 236 999 | 068-005     |
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<tr>
<td>HWANGDBS INVESTMENT BANK BERHAD</td>
<td>No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak</td>
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<td></td>
<td>Telephone no.: +6086 330 008</td>
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<tr>
<td>KENANGA INVESTMENT BANK BERHAD</td>
<td>Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak</td>
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<td></td>
<td>Telephone no.: +6085 435 577</td>
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<tr>
<td>KENANGA INVESTMENT BANK BERHAD</td>
<td>Level 5, Wisma Mahnud Jalan Sungai Sarawak 93100 Kuching Sarawak</td>
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<td>Telephone no.: +6082 338 000</td>
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<td>KENANGA INVESTMENT BANK BERHAD</td>
<td>No. 11-12 (Ground &amp; 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak</td>
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<td>Telephone no.: +6084 313 855</td>
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<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground, 1st &amp; 6th Floor Wisma Chinese Chambers Lot 357, Section 47, K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak</td>
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<td>Telephone no.: +6082 422 252</td>
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<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>Lot 1268, 1st &amp; 2nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak</td>
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<td>Telephone no.: +6085 422 788</td>
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<td>OSK INVESTMENT BANK BERHAD</td>
<td>101 &amp; 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Telephone no.: +6084 329 100</td>
<td>056-013</td>
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<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground &amp; 1st Floor No. 10, Jalan Bersatu 96100 Sarawak Telephone no.: +6084 654 100</td>
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<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground &amp; 1st Floor No. 221, Park City Commercial Centre Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Telephone no.: +6086 311 770</td>
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<tr>
<td>TA SECURITIES HOLDINGS BERHAD</td>
<td>12G, H &amp; I Jalan Kampung Datu 96000 Sibu Sarawak Telephone no.: +6084 319 998</td>
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<tr>
<td>TA SECURITIES HOLDINGS BERHAD</td>
<td>2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Panoung 93100 Kuching Sarawak Telephone no.: +6082 236 333</td>
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<tr>
<td>CIMB INVESTMENT BANK BERHAD</td>
<td>1st &amp; 2nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Telephone no.: +6088 328 878</td>
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<tr>
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<td>Sabah Telephone no.: +6088 236 188</td>
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<tr>
<td>HWANGDBS INVESTMENT BANK BERHAD</td>
<td>Suite 1-9-E1, 9th Floor, CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Telephone no.: +6088 311 688</td>
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<tr>
<td>INNOSABAH SECURITIES BERHAD</td>
<td>11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Telephone no.: +6088 234 090</td>
<td>020-001</td>
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<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Telephone no.: +6088 269 788</td>
<td>056-010</td>
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<tr>
<td>OSK INVESTMENT BANK BERHAD</td>
<td>Ground Floor, Block 2 Lot 4 &amp; Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Telephone no.: +6089 229 286</td>
<td>056-057</td>
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</table>

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
This photograph shows Pavilion Kuala Lumpur Mall and Pavilion Tower, which form part of the initial portfolio of Pavilion Real Estate Investment Trust as well as two blocks of luxury serviced apartments known as Pavilion Residences, which will not be acquired by Pavilion Real Estate Investment Trust.
The photograph depicted on the cover of this Prospectus shows Pavilion Kuala Lumpur Mall, which forms part of the initial portfolio of Pavilion Real Estate Investment Trust, as well as two blocks of luxury serviced apartments known as Pavilion Residences, which will not be acquired by Pavilion Real Estate Investment Trust.