

SENTRAL REIT
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM	RM	RM	RM
Total income				
Gross revenue				
-Realised gross revenue	38,374,422	37,052,383	76,088,842	76,352,802
-Unrealised rental income (unbilled lease income receivable) (a)	(184,014)	(540,984)	(421,521)	(1,080,109)
	<u>38,190,408</u>	<u>36,511,399</u>	<u>75,667,321</u>	<u>75,272,693</u>
Property operating expenses	(8,982,644)	(8,574,914)	(17,181,905)	(16,826,880)
Net property income	<u>29,207,764</u>	<u>27,936,485</u>	<u>58,485,416</u>	<u>58,445,813</u>
Interest income	633,758	415,437	1,252,525	873,576
Change in fair value of investment properties				
-Unbilled lease income receivable (a)	184,014	540,984	421,521	1,080,109
	<u>30,025,536</u>	<u>28,892,906</u>	<u>60,159,462</u>	<u>60,399,498</u>
Total expenditure				
Manager's fees	(3,044,105)	(3,039,126)	(6,088,170)	(6,148,406)
Trustee's fee	(160,248)	(160,364)	(321,275)	(323,425)
Finance costs	(9,217,337)	(7,092,959)	(18,331,728)	(14,395,167)
Valuation fees	(76,850)	(78,970)	(142,600)	(157,940)
Auditors' remuneration	(35,644)	(37,338)	(74,387)	(74,676)
Tax agent's fee	(6,609)	(6,609)	(13,218)	(13,218)
Administrative expenses	147,394	(26,488)	108,416	(475,960)
	<u>(12,393,399)</u>	<u>(10,441,854)</u>	<u>(24,862,962)</u>	<u>(21,588,792)</u>
Income before taxation	<u>17,632,137</u>	<u>18,451,052</u>	<u>35,296,500</u>	<u>38,810,706</u>
Income tax expense	-	-	-	-
Income net of taxation	<u>17,632,137</u>	<u>18,451,052</u>	<u>35,296,500</u>	<u>38,810,706</u>
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period	<u>17,632,137</u>	<u>18,451,052</u>	<u>35,296,500</u>	<u>38,810,706</u>
Income net of taxation for the period is made up as follows:				
Realised	<u>17,632,137</u>	<u>18,451,052</u>	<u>35,296,500</u>	<u>38,810,706</u>
Unrealised	-	-	-	-
EARNINGS PER UNIT (b)				
- after manager's fees (sen)	1.65	1.72	3.29	3.62
- before manager's fees (sen)	1.93	2.01	3.86	4.19
EARNINGS PER UNIT (REALISED) (c)				
- after manager's fees (sen)	1.65	1.72	3.29	3.62
- before manager's fees (sen)	1.93	2.01	3.86	4.19
INCOME DISTRIBUTION (d)				
Interim income distribution	<u>34,189,878</u>	<u>36,440,622</u>	<u>34,189,878</u>	<u>36,440,622</u>
	<u>34,189,878</u>	<u>36,440,622</u>	<u>34,189,878</u>	<u>36,440,622</u>
Income distribution per unit				
Gross (sen)				
-Interim income distribution	<u>3.19</u>	<u>3.40</u>	<u>3.19</u>	<u>3.40</u>
Total income distribution	<u>3.19</u>	<u>3.40</u>	<u>3.19</u>	<u>3.40</u>
Realised Net Income/ Distributable Income	<u>17,632,137</u>	<u>18,451,052</u>	<u>35,296,500</u>	<u>38,810,706</u>
DISTRIBUTABLE INCOME PER UNIT (e)	<u>1.65</u>	<u>1.72</u>	<u>3.29</u>	<u>3.62</u>

(a) Recognition of unrealised rental income-unbilled lease income receivable pursuant to requirements of MFRS 16 Leases, to recognize income from operating lease on a straight-line basis, including contractual increase rates over the fixed tenure of the agreement.

(b) Earnings Per Unit ("EPU") for the current quarter/ period is computed based on the net income for the quarter/ period divided by 1,071,783,000 units during the quarter/ period. EPU for the preceding year corresponding quarter/ period is based on the units in circulation of 1,071,783,000.

- (c) Earnings Per Unit (Realised) for the current quarter/ period is computed based on the realised net income for the quarter/ period divided by 1,071,783,000 units during the quarter/ period. Earnings Per Unit (Realised) for the preceding year corresponding quarter/ period is based on the units in circulation of 1,071,783,000.
- (d) Income distribution of 3.19 sen per unit being the distributable of income for the financial period 1 January 2023 to 30 June 2023 will be payable on 18 September 2023 to all unitholders as at book closure date on 25 August 2023. Please refer to Note B16 for further details of the distribution.
- (e) Distributable income per unit for the current quarter/ period is computed based on the units in circulation of 1,071,783,000. Distributable income per unit for the preceding year corresponding quarter/ period is based on the units in circulation of 1,071,783,000.

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements.

SENTRAL REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 (UNAUDITED)

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
	30.06.2023	31.12.2022
	UNAUDITED	AUDITED
	RM	RM
NON-CURRENT ASSETS		
Plant and equipment	22,023	36,548
Investment properties	2,053,102,955	2,047,174,431
Investment properties-accrued rental income	13,104,048	13,525,569
	<u>2,066,229,026</u>	<u>2,060,736,548</u>
CURRENT ASSETS		
Trade and other receivables	7,277,025	6,128,944
Lease receivables	23,521	91,788
Deposits with licensed financial institution	65,157,232	74,415,886
Cash and cash equivalents	5,558,457	5,343,980
	<u>78,016,235</u>	<u>85,980,598</u>
TOTAL ASSETS	<u>2,144,245,261</u>	<u>2,146,717,146</u>
NON-CURRENT LIABILITIES		
Borrowings	804,661,879	804,493,923
Security deposits	13,119,087	14,832,962
Other payables	907,693	907,693
Deferred tax liability	9,551,020	9,551,020
	<u>828,239,679</u>	<u>829,785,598</u>
CURRENT LIABILITIES		
Trade and other payables	18,842,909	20,579,440
Security deposits	7,479,257	5,310,213
	<u>26,322,166</u>	<u>25,889,653</u>
TOTAL LIABILITIES	<u>854,561,845</u>	<u>855,675,251</u>
NET ASSETS VALUE ("NAV")	<u>1,289,683,416</u>	<u>1,291,041,895</u>
UNITHOLDERS' FUNDS		
Unitholders' funds attributable to unitholders of SENTRAL		
Unitholders' capital	1,235,876,768	1,235,876,768
Undistributed and non-distributable income	53,806,648	55,165,127
Total unitholders' funds	<u>1,289,683,416</u>	<u>1,291,041,895</u>
NUMBER OF UNITS IN CIRCULATION	1,071,783,000	1,071,783,000
NET ASSET VALUE PER UNIT		
- before income distribution (i)	1.2033	1.2046
- after income distribution (ii)	1.1714	1.1704

(i) Net Asset Value per unit before the proposed interim distribution of 3.19 sen per unit for YTD June 2023; and final distribution of 3.42 sen per unit for year 2022 respectively.

(ii) Net Asset Value per unit after the proposed interim distribution of 3.19 sen per unit for YTD June 2023; and final distribution of 3.42 sen per unit for year 2022 respectively..

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements.

SENTRAL REIT
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

	Unitholders' Capital	Distributable		Total Undistributed and Non-Distributable Income	Unitholders' Funds
		Undistributed Income Realised	Undistributed Loss Unrealised		
	RM	RM	RM	RM	RM
As at 1 January 2023	1,235,876,768	60,210,314	(5,045,187)	55,165,127	1,291,041,895
Total Comprehensive Income for the financial period	-	35,296,500	-	35,296,500	35,296,500
	1,235,876,768	95,506,814	(5,045,187)	90,461,627	1,326,338,395
Unitholders' transactions					
Distribution to unitholders	-	(36,654,979)	-	(36,654,979)	(36,654,979)
As at 30 June 2023	1,235,876,768	58,851,835	(5,045,187)	53,806,648	1,289,683,416
As at 1 January 2022	1,235,876,768	65,682,662	16,306,340	81,989,002	1,317,865,770
Total Comprehensive Income for the financial period	-	38,810,706	-	38,810,706	38,810,706
	1,235,876,768	104,493,368	16,306,340	120,799,708	1,356,676,476
Unitholders' transactions					
Distribution to unitholders	-	(42,656,964)	-	(42,656,964)	(42,656,964)
As at 30 June 2022	1,235,876,768	61,836,404	16,306,340	78,142,744	1,314,019,512

The Condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the financial statements.

SENTRAL REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

	CURRENT YEAR TO DATE 30.06.2023 RM	PRECEDING YEAR TO DATE 30.06.2022 RM
OPERATING ACTIVITIES		
Income before tax	35,296,500	38,810,706
Adjustments for:		
Finance costs	18,331,728	14,395,167
Depreciation	14,525	55,755
Allowance for impairment of trade receivables	2,327	36,492
Reversal for impairment of trade receivables	-	(120,315)
Finance income	(1,252,525)	(873,576)
Operating cash flows before changes in working capital	<u>52,392,555</u>	<u>52,304,229</u>
Receivables	(1,176,063)	2,669,530
Payables	(1,625,729)	(3,438,690)
Cash flows from operations	<u>49,590,763</u>	<u>51,535,069</u>
Income tax paid	-	-
Net cash flows generated from operating activities	<u>49,590,763</u>	<u>51,535,069</u>
INVESTING ACTIVITIES		
Additions to investment properties	(5,507,003)	(840,841)
Purchase of plant & equipment	-	(4,665)
Changes in deposits in financial institution	6,595,081	(946,213)
Interest received	1,346,447	953,357
Net cash flow generated from investing activities	<u>2,434,525</u>	<u>(838,362)</u>
FINANCING ACTIVITIES		
Distribution to unitholders	(36,654,979)	(42,656,964)
Finance costs paid	(17,819,405)	(13,938,642)
Proceeds from borrowings	-	207,000,000
Repayment of borrowings	-	(207,000,000)
Transaction costs paid	-	(893,135)
Cash flows used in financing activities	<u>(54,474,384)</u>	<u>(57,488,741)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,449,096)	(6,792,034)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	10,376,339	20,167,135
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>7,927,243</u>	<u>13,375,101</u>
Cash and cash equivalents at end of the period comprises:		
Deposits with licensed financial institutions	65,157,232	82,838,381
Cash on hand and at banks	5,558,457	4,853,705
Total deposits, cash and bank balances	<u>70,715,689</u>	<u>87,692,086</u>
Less: Deposits with licensed financial institution with maturity of more than 3 months	(60,584,732)	(72,100,381)
Debt service reserves accounts pledged	(2,203,714)	(2,216,604)
Cash and cash equivalents	<u>7,927,243</u>	<u>13,375,101</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes to the financial statements.

SENTRAL REIT
EXPLANATORY NOTES FOR PERIOD ENDED 30 JUNE 2023

A1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except for investment properties and derivative financial instruments which are stated at fair value and presented in Ringgit Malaysia ("RM").

The financial statements comply with the Malaysian Financial Reporting Standards ("MFRS") : 134 "Interim Financial Reporting", provisions of the Trust Deed and the Securities Commission's Guidelines on Real Estate Investment Trusts and should be read in conjunction with Sentral REIT's ("SENTRAL") audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these unaudited condensed consolidated financial statements.

A2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of SENTRAL and its special purpose entities ("SPEs"). The SPEs were established for the specific purpose of raising financing on behalf of SENTRAL. A SPE is consolidated if, based on an evaluation of the substance of its relationship with SENTRAL and the SPE's risks and rewards, SENTRAL concludes that it controls the SPE. SPEs controlled by SENTRAL were established under terms that impose strict limitations on the decision-making powers of the SPE's management resulting in SENTRAL receiving all of the benefits related to the SPE's operations and net assets.

A3 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2022.

A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2022

The audit report of the financial statements for the preceding year ended 31 December 2022 was unqualified.

A5 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of SENTRAL were not materially affected by seasonal or cyclical factors during the current quarter. Seasonal or cyclical factors include but are not limited to changes in rental demand and supply of properties which depend on market conditions, economic cycle, financial performance of its tenants, availability of credit facilities and interest rate environment.

A6 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

During the current quarter under review, there were no unusual items due to their nature, size or incidence that affects the assets, liabilities, equity, net income or cash flows of SENTRAL.

A7 CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There were no changes in the estimates of amounts reported during the current quarter.

A8 CHANGES IN DEBT AND EQUITY

Saved as disclosed in B14, there were no repurchase, resale and repayment of debt and equity instruments in the current quarter.

A9 INCOME DISTRIBUTION POLICY

In line with the Restated Trust Deed dated 2 December 2019 and Supplemental Trust Deed dated 24 December 2020, SENTRAL intends to distribute at least 90% (or any other lower percentage at the discretion of the Manager) of its distributable income at least semi-annually, or at such other intervals as the Manager may determine.

A10 SEGMENT REPORTING

No segment information is prepared as SENTRAL's activities are predominantly in one industry segment and situated predominantly in Malaysia.

A11 VALUATION OF INVESTMENT PROPERTIES

The investment properties are valued by independent registered valuers and the differences between the valuations and the book values of the respective properties are charged or credited to the profit or loss in the statement of comprehensive income.

For the quarter ended 30 June 2023, there were no revaluation of investment properties.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 JUNE 2023

On 8 June 2023, the Board of Directors of Sentral REIT Management Sdn Bhd ("Board"), the management company of SENTRAL ("Manager"), had made announcement in Bursa Malaysia that Maybank Trustees Berhad ("Trustee") had on 8 June 2023 accepted the Letter Of Intent dated 30 May 2023 to commence negotiations with Puncak Wangi Sdn Bhd ("Puncak Wangi" or the "Vendor"), a wholly-owned subsidiary of Malaysian Resources Corporation Berhad ("MRCB") for the proposed acquisition of Menara CelcomDigi ("Property") from Puncak Wangi, subject to such terms and conditions to be mutually agreed upon and recorded in a definitive sale and purchase agreement ("Definitive SPA") to be entered into between the two parties.

A detailed announcement on the Proposed Acquisition will be made upon the signing of the Definitive SPA.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 JUNE 2023

- (I) Proposed acquisition of Menara CelcomDigi by Maybank Trustees Berhad, acting solely in the capacity as Trustee for SENTRAL ("Trustee"), from Puncak Wangi Sdn Bhd ("Puncak Wangi" or "Vendor"), a wholly-owned subsidiary of MRCB, for the proposed acquisition of Menara CelcomDigi ("Property") for a purchase consideration of RM450.0 million to be satisfied entirely in cash ("Proposed Acquisition");
 - (II) Proposed placement of up to 123,720,000 new Units in SENTRAL ("Units") ("Placement Units"), representing up to approximately 11.5% of the existing total units in issue, at an issue price to be determined later by way of bookbuilding ("Proposed Placement"); and
 - (III) Proposed placement of up to 34,568,734 new Units to MRCB, being a major unitholder of SENTRAL, pursuant to the Proposed Placement ("Proposed Placement to MRCB").
- (Collectively referred to as the "Proposals")

On behalf of the board of directors of Sentral REIT Management Sdn Bhd, the management company of SENTRAL, CIMB Investment Bank Berhad and Maybank Investment Bank Berhad announced that the Trustee, had on 25 July 2023 entered into a conditional sale and purchase agreement with Puncak Wangi Sdn Bhd, a wholly-owned subsidiary of MRCB, for the proposed acquisition of Menara CelcomDigi for a total purchase consideration of RM450.0 million to be satisfied entirely in cash ("**Purchase Consideration**").

In conjunction with the Proposed Acquisition, the Board also proposes to undertake the Proposed Placement, including the Proposed Placement to MRCB, to partly fund the Purchase Consideration and the expenses relating to the Proposals.

Further details of the Proposals are set out in the announcement dated 25 July 2023.

On 1 August 2023, on behalf of the Board, CIMB Investment Bank Berhad and Maybank Investment Berhad announced that the valuation report together with the valuation certificate dated 20 July 2023 prepared by CBRE WTW Valuation & Advisory Sdn Bhd in respect of the Property, have been submitted to Bursa Securities on 1 August 2023.

A14 CHANGES IN CONTINGENT LIABILITIES

There are no contingent liabilities to be disclosed.

A15 CAPITAL COMMITMENTS

The amount of capital commitment not provided for in the condensed consolidated financial statements as at 30 June 2023 are as follows:

	RM
Approved and contracted for :	
Investment properties	<u>2,844,484</u>

B1 REVIEW OF PERFORMANCE

Quarter Results (2Q 2023 vs 2Q 2022)

SENTRAL recorded gross revenue of RM38.2 million in 2Q 2023, an increase of approximately RM1.7 million or 4.6% compared to 2Q 2022. The increase was mainly due to higher revenue generated from Menara Shell and Platinum Sentral, partially offset by the decrease in revenue from Wisma Technip and QB2.

Property operating expenses for 2Q 2023 were RM9.0 million, higher by 4.8% compared to 2Q 2022, mainly due to higher operating expenses incurred in relation to the higher utilities expenses for some of the properties under the portfolio.

These have resulted in higher net property income by RM1.3 million or 4.6% compared to 2Q 2022.

Manager's fees incurred for 2Q 2023 were RM3.0 million, marginally increased by 0.2% compared to 2Q 2022. Finance costs incurred for 2Q 2023 of RM9.2 million were higher by 30.0% compared to 2Q 2022, mainly due to higher KLIBOR rate in 2Q 2023 compared to 2Q 2022.

As a result of all the above, net income before taxation for the current quarter under review of RM17.6 million was lower by RM0.8 million or 4.4% compared to 2Q 2022.

Financial Year-To-Date Results (YTD June 2023 vs YTD June 2022)

SENTRAL recorded gross revenue of RM75.7 million in YTD June 2023, an increase of approximately RM0.4 million or 0.5% compared to YTD June 2022. The increase was mainly due to higher revenue generated from Menara Shell and Platinum Sentral, and the impact of revenue straight-lining over the lease term pursuant to requirements of MFRS 16 Leases; net off the decrease in gross revenue generated from Wisma Technip and QB2.

Property operating expenses for YTD June 2023 were RM17.2 million, higher by 2.1% compared to YTD June 2022, mainly due to higher operating expenses incurred in relation to the higher utilities expenses for some of the properties under the portfolio.

Overall, the net property income for YTD June 2023 increased marginally by 0.1% compared to YTD June 2022.

Manager's fees incurred for YTD June 2023 were RM6.1 million, reduced by 1.0% compared to YTD June 2022. Finance costs incurred for YTD June 2023 of RM18.3 million were higher by 27.3% compared to YTD June 2022, mainly due to higher KLIBOR rate in YTD June 2023 compared to YTD June 2022.

As a result of all the above, net income before taxation for YTD June 2023 of RM35.3 million was lower by RM3.5 million or 9.1% compared to YTD June 2022.

Current Quarter vs Immediate Preceding Quarter (2Q 2023 vs 1Q 2023)

As compared with the immediate preceding quarter ("1Q 2023"), gross revenue in 2Q 2023 of RM38.2 million was higher by 1.9%, as compared to 1Q 2023 of RM37.5 million. The property operating expenses for 2Q 2023 has increased by RM0.8 million or 9.6% as compared to 1Q 2023, mainly due to higher property operating expenses incurred for some of the properties under the portfolio. This has resulted in net property income reduced by 0.2%. Finance costs were marginally higher in 2Q 2023 by 1.1% mainly due to additional calendar days in 2Q 2023 as compared to 1Q 2023. Overall, realised net income before taxation of RM17.6 million were marginally lower by 0.2% compared to 1Q 2023.

B2 INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of SENTRAL is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders to achieve long-term growth in the net asset value per unit. There has been no change in the investment objective of SENTRAL since the date of the Annual Report for 2022.

The Manager will continue to focus on its portfolio management and acquisition growth strategy, active asset management strategy and capital management strategy to achieve the objective of SENTRAL. There has been no change in the strategies employed by the Manager since the date of the Annual Report for 2022 as they remain relevant in the current market conditions.

B3 REVIEW OF THE MARKETS IN WHICH SENTRAL INVESTS IN DURING THE PERIOD AND GENERAL ASSESSMENT OF THE FUTURE PROSPECTS OF THESE MARKETS

Review of office market - Klang Valley

The Kuala Lumpur City (KL City) office market saw an improvement in occupancy rates in 1Q 2023, due to resumed movement of traditional industries. Many office landlords are exploring and deploying retention strategies to uphold the occupancies of their buildings and as a result, it offered opportunities for new and existing occupiers to secure attractive rental benefits and further spurred the activities in the market.

The current estimated office supply for KL City is 57.97 million sq ft, while KL Fringe and Selangor have a supply of 30.31 million sq ft and 25.99 million sq ft respectively, bringing the total to 114.27 million sq ft. KL City will see the completion of an additional 2.9 million sq ft of office space by 2024, while KL Fringe and Selangor expect 2.07 million and 1.05 million sq ft respectively, bringing the total office space under construction to 6.47 million sq ft.

Despite seeing more active market transactions, overall KL City office rental rates saw a slight decrease of 0.2% to RM6.40 psf. However, the overall occupancy rate has improved by 0.3% q-o-q to an average of 67.8%. Meanwhile, market demand for office space in KL Fringe and Selangor remained steady, displaying healthy rental and occupancy levels. KL Fringe office rental rates increased 0.7% q-o-q to RM5.67 psf, while overall office rental rates in Selangor increased 0.7% q-o-q to RM4.13 psf. For occupancy rate, KL Fringe saw a slight increase of 0.1% q-o-q to 85.3% and Selangor recorded an increase of 0.5% q-o-q to 73.1%.

(extracted from the Real Estate Highlight 2H 2022 by Knight Frank Malaysia Sdn Bhd)

Review of retail market - Klang Valley

Retail Group Malaysia (RGM) said Malaysia's retail sales grew far more than expected in 1Q 2023, driven by the Chinese New Year celebration in January as well as the one-month school holiday in February and March. The retail sector recorded a 13.8% y-o-y sales growth in 1Q 2023, compared with 18.3% y-o-y in 2022.

RGM said that the recovery of Malaysia's retail industry has been sustainable since the end of 2021. Shopping traffic had returned in all major shopping malls and commercials centres located across the country. Shoppers had returned to physical stores. Malaysia consumers were buying non-essential goods, as well as dining in good quality cafes and restaurants. Hence, RGM revised upwards its Malaysian annual retail industry growth rate for 2023 to 4.8%, from the 4% growth forecast it made earlier.

According to Cushman & Wakefield, cumulative of retail stock in KL CBD, KL Fringe and Decentralised area stood at 54.22 million sq ft as at 2Q 2023. About 2.75 million sq ft of upcoming retail supply is expected in 2023. Some of the notable ones include Pavilion Damansara Heights Phase 1 (530,000 sq ft), The Exchange Mall @ TRX (1,300,000 sq ft) and KSL Esplanade Mall (650,000 sq ft).

(extracted from The Edge Markets and Cushman & Wakefield's Marketbeat)

B4 PROSPECTS

In 2023, approximately 162,000 sq. ft. or 10% of SENTRAL's total committed net lettable area ("NLA") is up for renewal. 47% or approximately 75,400 sq. ft. of the aforementioned 162,000 sq. ft committed NLA were due for renewal in 1H 2023. The Manager is pleased to report that approximately 74,000 sq. ft. or 98% of committed NLA due in 1H 2023 were successfully renewed. Correspondingly, SENTRAL recorded a portfolio occupancy rate of 77% in 2Q 2023, similar to the portfolio occupancy recorded in the previous quarter.

The Klang Valley office and retail markets are expected to remain challenging. SENTRAL will continue to focus on asset management and leasing strategies that are centred on cost optimisation and tenant retention in the current operating environment. Efforts will be intensified to market the available office spaces under the portfolio with the focus on bringing in new tenants from the IT, e-commerce, serviced office and shared services sectors.

B5 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to SENTRAL and the revenue can be reliably measured.

Revenues from the rental of investment properties, service charges, car park income and utilities recovery are recognised on an accrual basis.

B6 PROFIT FORECAST/ PROFIT GUARANTEE VARIANCE

(a) Profit forecast

There has been no profit forecast issued by SENTRAL for the financial year 2023.

(b) Profit guarantee

SENTRAL is not involved in any arrangement whereby it provides profit guarantee.

B7 TAXATION

Under Section 61A of the Income Tax Act 1967, the undistributed income of a REIT are exempted from income tax provided that the REIT distributes 90% or more of its total income for the year. If the REIT is unable to meet the 90% distribution criteria, the entire taxable income of the REIT for the year would be subject to income tax.

As SENTRAL intends to distribute at least 90% of its total income for the year to its unitholders, no provision for tax has been made in the current quarter.

B8 PROFIT ON SALE OF INVESTMENTS IN UNQUOTED SECURITIES/ PROPERTIES

There were no disposals of investments in unquoted securities/ properties during the current quarter.

B9 PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES

There were no purchases or disposals of investments in quoted securities during the current quarter.

B10 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals during the current quarter.

B11 UTILISATION OF PROCEEDS RAISED FROM ANY NEW ISSUANCE

There were no issuance of new units during the current quarter.

B12 CIRCUMSTANCES WHICH MATERIALLY AFFECT ANY INTEREST OF THE UNITHOLDERS

As at the date of this report, the directors of the Manager are not aware of any circumstances not otherwise disclosed in this report which would materially affect the interest of the unitholders.

B13 COMPOSITION OF INVESTMENT PORTFOLIO AS AT 30 JUNE 2023

As at 30 June 2023, SENTRAL's portfolio comprises nine buildings as follows:

Investment properties	Cost of Investment	Market Value/ Net Carrying amount as at 30 June 2023	Market value/ Net Carrying amount as % of NAV
	RM	RM	
<u>Commercial buildings</u>			
1 QB1 - DHL 1 & QB4 - DHL 2	109,100,000	135,415,000	10.50%
2 QB2	107,500,000	108,000,000	8.37%
3 QB3 - BMW	59,400,000	71,000,000	5.51%
4 Wisma Technip	125,000,000	153,700,000	11.92%
5 Part of Plaza Mont' Kiara	90,000,000	113,000,000	8.76%
6 Tesco Building Penang	132,000,000	140,000,000	10.86%
7 Platinum Sentral	740,000,000	673,172,575	52.20%
8 Menara Shell	640,000,000	671,919,428	52.10%
	<u>2,003,000,000</u>	<u>2,066,207,003</u>	

Capital expenditure of RM2,516,184 were incurred during the quarter. The NAV as at 30 June 2023 is RM1,289,683,416.

B14 BORROWINGS AND DEBT SECURITIES

As at 30 June 2023

RM

NON-CURRENT LIABILITIES:

(a) CPs/ MTNs Programme of up to RM450 million	340,793,094
(b) CPs/ MTNs Programme of up to RM3,000 million *	129,769,055
(c) CPs/ MTNs Programme of up to RM3,000 million **	334,099,730
TOTAL BORROWINGS	804,661,879

* The programme established through its SPE, Kinabalu Capital Sdn. Bhd. ("Kinabalu")

** The programme established through its SPE, Trusmadi Capital Sdn. Bhd. ("Trusmadi")

(a) Commercial Papers ("CP")/ Medium Term Notes ("MTNs") (collectively the CP/ MTN) Programme ("CP/MTN Programme") of up to RM450 million in nominal value ("RM450 million Programme") under Murud Capital Sdn. Bhd.

(i) <u>RM341 million in nominal value of MTN</u>	RM
Face value of MTNs issued	341,000,000
Transaction costs b/f	(268,953)
Amortisation of transaction costs during the period	62,047
	<u>340,793,094</u>

On 30 March 2020, SENTRAL through its SPE, Murud Capital Sdn. Bhd. ("Murud") established a RM450 million nominal value of CP/ MTN Programme for a legal tenure of 7 years. On the same day, RM341 million nominal values of MTNs were issued at the blended interest rate of 3.99% per annum, the proceeds from the issuance were utilised to repay the existing RM244 million Senior CP and RM91 million Fixed Rate Subordinated Term Loan which due on 30 March 2020, and the balance is for working capital purposes.

The transaction costs relating to the programme are amortised to profit or loss over the tenure of the programme.

(b) Commercial Papers Programme ("CP Programme") and Medium Term Notes Programme ("MTN Programme") with aggregate combined limit of RM3,000 million in nominal value ("RM3,000 million Programme") under Kinabalu Capital Sdn. Bhd.

(i) <u>RM130 million in nominal value of MTN (Issue 3") issued on 4 March 2022</u>	RM
Face value of MTNs	130,000,000
Transaction costs on MTN issued	(262,406)
Amortisation of transaction costs during the period	31,461
Total Issue 3	<u>129,769,055</u>

On 6 March 2017, RM40 million in nominal value of CPs and RM130 million nominal value of MTNs from the CP/ MTN Programme were issued (Issue 2) at the interest rate of 4.14% per annum and 4.40% per annum respectively. The proceeds raised from this issuance were utilised to redeem the CPs/ MTNs under the RM270 million CP/ MTN Programme which matured on 6 March 2017.

On 17 December 2021, the Issue 2 of RM40 million in nominal value of CPs were early redeemed using the proceeds from the new issuance of MTNs of RM3,000 million in nominal value ("MTN Programme"), and the Commercial Papers ("CPs") Programme of RM300 million in nominal value issued by Trusmadi (as disclosed in Note B14(c) below).

On 4 March 2022, the proceed from the new issuance of RM130 million MTN issued by Kinabalu under Issue 3 was utilised to fully redeem the Issue 2 of RM130 million in nominal value of MTN matured on the same day.

The transaction costs relating to the programme are amortised over the tenure of the programme and are charged to profit or loss.

B14 BORROWINGS AND DEBT SECURITIES (cont'd)

- (c) **Medium Term Notes (“MTNs”) Programme of RM3,000 million in nominal value (“MTN Programme”), and the Commercial Papers (“CPs”) Programme of RM300.0 million in nominal value (“CP Programme”), subject to a combined limit of up to RM3,000 million in aggregate in nominal value (collectively the “Programmes”) under Trusmadi Capital Sdn.Bhd.**

(i) RM20 million in nominal value of MTN ("Issue 1") issued on 17 December 2021

	RM
Face value of MTNs	20,000,000
Transaction costs b/f	(34,025)
Amortisation of transaction costs during the period	4,340
	<u>19,970,315</u>

(ii) RM240 million in nominal value of CP ("Issue 1") issued on 17 December 2021

	RM
Face value of CPs	240,000,000
Discount	(2,532,521)
Cash proceeds	237,467,479
Accretion of interest expenses	440,438
	<u>237,907,917</u>
Transaction costs b/f	(408,304)
Amortisation of transaction costs during the period	52,085
	<u>237,551,698</u>

(iii) RM77 million in nominal value of MTN issued on 14 March 2022

	RM
Face value of MTNs issued	77,000,000
Transaction costs on MTN issued	(479,688)
Amortisation of transaction costs during the period	57,405
	<u>76,577,717</u>
Total Issue 1	<u>334,099,730</u>

On 17 December 2021, SENTRAL through its SPE, Trusmadi Capital Sdn. Bhd. ("Trusmadi") established a CP programme of up to RM300 million in nominal value ("CP Programme"); and MTN perpetual programme of up to RM3,000 million ("MTN Perpetual Programme").

On 17 December 2021, RM240 million in nominal value of CPs and RM20 million in nominal value of MTNs out of each respective programme were issued, where the proceeds from the issuance were utilised to repay the RM20 million MTN and RM200 million CPs under Kinabalu Capital CPMTN-Issue 1 and RM40 million CP under Kinabalu Capital CPMTN-Issue 2, which was due on 22 December 2021.

On 14 March 2022, RM77 million in nominal value of MTNs were issued to repay the Trusmadi outstanding RM77 million term loan which was due on the same day.

The transaction costs relating to the programme are amortised over the tenure of the programme and are charged to profit or loss.

B15 CHANGES IN MATERIAL LITIGATION

The Manager is not aware of any pending material litigation as at the date of issuance of this report.

B16 INCOME DISTRIBUTION

An interim income distribution of RM34,189,878 or 3.19 sen per unit is proposed, for the period 1 January 2023 to 30 June 2023. The proposed income distribution has been approved by the Board and the Trustee on 10 August 2023 and will be payable on 18 September 2023 to all existing 1,071,783,000 unitholders as at book closure date on 25 August 2023.

Distribution to Unitholders is from the following sources:-

	Current Year Quarter 30.6.2023 RM	Preceding Year Corresponding Quarter 30.6.2022 RM	Current Year To Date 30.6.2023 RM	Preceding Year To Date 30.6.2022 RM
Gross revenue	38,374,422	37,052,383	76,088,842	76,352,802
Interest income	633,758	415,437	1,252,525	873,576
	<u>39,008,180</u>	<u>37,467,820</u>	<u>77,341,367</u>	<u>77,226,378</u>
Total property and trust expenses	(21,376,043)	(19,016,768)	(42,044,867)	(38,415,672)
Total Realised Income/ Distributable Income	17,632,137	18,451,052	35,296,500	38,810,706
Previous year's undistributed realised income	41,219,698	43,385,352	23,555,335	23,025,698
Total realised income available for distribution	58,851,835	61,836,404	58,851,835	61,836,404
Proposed/ Declared income distribution	(34,189,878)	(36,440,622)	(34,189,878)	(36,440,622)
Balance undistributed realised income	<u>24,661,957</u>	<u>25,395,782</u>	<u>24,661,957</u>	<u>25,395,782</u>
Gross final income distribution (RM)		34,189,878		
of which		RM		
- taxable distribution		32,989,827	3.08 sen per unit	
- tax exempt distribution		1,200,051	0.11 sen per unit	
		<u>34,189,878</u>	<u>3.19 sen per unit</u>	

Income distribution to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to withholding tax as follows:

Resident and non-resident individuals	10%
Resident and non-resident institutional investors	10%
Resident companies (flow through)	0%
Non-resident companies	24%

B17 CHANGES IN NAV AND MARKET PRICE SINCE THE LAST REPORTING DATE

	As at 30 June 2023	As at 31 March 2023
	RM	RM
NAV before provision for income distribution	1,289,683,416	1,272,051,279
Provision for income distribution	(34,189,878)	(17,664,363)
NAV after provision for income distribution	1,255,493,538	1,254,386,916
Number of units in circulation (units)	1,071,783,000	1,071,783,000
NAV per unit (RM) (after provision for distribution)	1.1714	1.1704
Market price (RM)	0.815	0.860

NAV per unit is arrived at by dividing the NAV with the number of units in circulation as at the date of reporting.

The Manager believes that the movement in market price is due mainly to changes in market sentiment.

B18 MANAGER'S FEE AND SOFT COMMISSION

Pursuant to the Trust Deed, the Manager is entitled to receive from SENTRAL the following fees:

- (i) Base fee of 0.4% per annum of the gross asset value, payable monthly in arrears;
- (ii) Performance fee of 3% per annum on the net investment income, payable semi-annually in arrears;
- (iii) Acquisition fee of 1% of the acquisition value of any asset, being authorised investments, acquired by SENTRAL; and
- (iv) Divestment fee of 0.5% of the disposal value of any asset divested by SENTRAL.

Total fees accrued to the Manager for the quarter ended 30 June 2023 are :

	RM
Base fee	2,143,339
Performance fee	900,766
	<u>3,044,105</u>

During the quarter, the Manager did not receive any soft commission from its brokers/dealers, by virtue of transaction conducted for SENTRAL.

B19 TRUSTEE'S FEE

Trustee's fee is payable to Maybank Trustees Berhad ("Trustee"), which is computed at 0.03% per annum on the first RM2.5 billion gross asset value and 0.02% per annum on the gross asset value in excess of RM2.5 billion, payable monthly in arrears.

Trustee's fee accrued to the Trustee for the quarter ended 30 June 2023 amounted to RM160,248.

B20 UNITHOLDINGS BY THE MANAGER

As at 30 June 2023, the Manager does not have any unitholdings in SENTRAL.

B21 UNITHOLDINGS BY PARTIES RELATED TO THE MANAGER

	No. of units	Percentage of total units	Market Value as at 30 June 2023 RM
Malaysian Resources Corporation Berhad	299,468,000	27.94%	244,066,420
Global Jejaka Sdn. Bhd.	757,000	0.07%	616,955
	300,225,000	28.01%	244,683,375

The Manager's directors' direct unitholding in SENTRAL:

	No. of units	Percentage of total units	Market Value as at 30 June 2023 RM
Kwan Joon Hoe	450,000	0.042%	366,750
Po Yih Ming	20,000	0.002%	16,300

The Manager's directors' indirect unitholding in SENTRAL:

	No. of units	Percentage of total units	Market Value as at 30 June 2023 RM
Tan Sri Saw Choo Boon	757,000 (a)	0.07%	616,955

(a) Deemed interest by way of his substantial shareholding in Jendela Elit Sdn. Bhd., which in turn are substantial shareholders of Global Jejaka Sdn. Bhd.

The market value of the units is computed based on the closing price as of 30 June 2023 of RM0.815 per unit.

B22 UNITHOLDERS CAPITAL

	No. of units	
	Current Quarter	Preceding Quarter
Approved fund size	1,100,000,000	1,100,000,000
Issued and fully paid	1,071,783,000	1,071,783,000

B23 FINANCE COSTS INCURRED DURING THE QUARTER

	Current Quarter	Cumulative Quarter
	RM	RM
Interest expenses on CPMTN	8,936,213	17,780,024
Amortisation of transaction costs	130,473	260,928
Credit facility costs	150,651	290,776
Total finance costs	9,217,337	18,331,728

B24 RESPONSIBILITY STATEMENT AND STATEMENT BY THE DIRECTORS OF THE MANAGER

The Manager is responsible for the preparation of the quarterly report.

In the opinion of the directors of the Manager, the quarterly report has been prepared in accordance with MFRS 134: Interim Financial reporting and Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of SENTRAL as at 30 June 2023 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of Directors of the Manager on 10 August 2023.

BY ORDER OF THE BOARD

MOHAMED NOOR RAHIM YAHAYA
COMPANY SECRETARY (MAICSA No. 0866820)
HO NGAN CHUI
COMPANY SECRETARY (MAICSA No. 7014785)
SENTRAL REIT MANAGEMENT SDN. BHD.
(Company No: 200601017500 (737252-X))
As the Manager of SENTRAL REIT
Kuala Lumpur

Date : 10 August 2023