



**SENTRAL
REIT**

**ANNUAL REPORT
2021**



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CORPORATE INFORMATION

MANAGER

Sentral REIT Management Sdn. Bhd.
(Company No. 200601017500 (737252-X))
(Incorporated in Malaysia)

REGISTERED ADDRESS OF THE MANAGER

Level 33A, Menara NU 2,
No. 203, Jalan Tun Sambanthan,
Kuala Lumpur Sentral,
50470 Kuala Lumpur.

Telephone No. : 603-2786 8080
Facsimile No. : 603-2780 7668

PRINCIPAL PLACE OF BUSINESS OF THE MANAGER

Level 35, Menara NU 2,
No. 203, Jalan Tun Sambanthan,
Kuala Lumpur Sentral,
50470 Kuala Lumpur.

Telephone No. : 603-2786 8080
Facsimile No. : 603-2780 7988

BOARD OF DIRECTORS OF THE MANAGER

*Non-Independent
Non-Executive Directors*
Tan Sri Saw Choo Boon
(Chairman)

Dato' Dr. Low Moi Ing, J.P.
Dato' Michael Ong Leng Chun
Ann Wan Tee
Kwan Joon Hoe

*Independent
Non-Executive Directors*
Datuk Dr. Roslan bin A. Ghaffar
Datuk Kamalul Arifin bin
Othman
Frances Po Yih Ming

SECRETARY OF THE MANAGER

Mohamed Noor Rahim bin
Yahaya
(MAICSA 0866820)
(SSM PC NO. 202008002339)

Ho Ngan Chui
(MAICSA 7014785)
(SSM PC NO. 2020080017773)

BANKERS

Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

WEBSITE

<https://sentralreit.com>

TRUSTEE

Maybank Trustees Berhad
8th Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur, Malaysia.

Telephone No. : 603-2078 8363
Facsimile No. : 603-2070 9387

PROPERTY MANAGER

Zaharin Nexcap Property
Consultants Sdn. Bhd.
Suite 23-5, Oval Tower
Damansara,
Menara Permata Damansara,
No. 685, Jalan Damansara,
60000 Kuala Lumpur.

Telephone No. : 603-7733 2122
Facsimile No. : 603-7733 2103

REGISTRAR

Boardroom Share Registrars
Sdn. Bhd.
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13 46200 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.

Telephone No. : 603-7890 4700
Facsimile No. : 603-7890 4670

AUDITOR

Ernst & Young PLT
Level 23A, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur, Malaysia.

Telephone No. : 603-7495 8000
Facsimile No. : 603-2095 5332

TAX AGENT

Ernst & Young Tax Consultants
Sdn. Bhd.
Level 23A, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur, Malaysia.

Telephone No. : 603-7495 8000
Facsimile No. : 603-2095 5332/
7043

INTERNAL AUDITOR

BDO Governance Advisory
Sdn. Bhd.
Level 8, BDO @ Menara CenTARa,
360 Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur, Malaysia.

Telephone No. : 603-2616 2888
Facsimile No. : 603-2616 2829

SALIENT FEATURES OF SENTRAL REIT (“SENTRAL”)

Category of Fund	Real Estate Investment Trust
Type of Fund	Income and growth
Termination Date / Duration of the Fund	The earlier of: <ul style="list-style-type: none"> a) The occurrence of any events listed in clause 26.2 of the Restated Deed of Trust dated 2 December 2019 as supplemented by the Supplemental Deed dated 24 December 2020; or b) The expiration of a period of twenty one (21) years after the death of the last survivor of the issue now living of his majesty, the current Yang Di Pertuan Agung in Malaysia or until such further period as the law may permit
Approved Fund Size	1,100,000,000
Investment Objective	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 and to achieve long term growth in net asset value per unit of SENTRAL
Distribution Policy	Semi-annual distribution
Manager's Fee	<ul style="list-style-type: none"> • Base fee: 0.4% per annum of the total asset value (“TAV”) • Performance fee: 3% per annum of the net investment income • Acquisition fee: 1% of the acquisition price • Divestment fee: 0.5% of the disposal price
Trustee's Fee	0.03% per annum on the RM2.5 billion of the TAV and 0.02% per annum on the TAV in excess of RM2.5 billion
Financial Year End	31 December
Board Lot	100 units per board lot
Listing	Main Market of Bursa Malaysia Securities Berhad
Stock Name	SENTRAL
Stock Code	5123
Date of Listing	8 January 2007

TRUST STRUCTURE

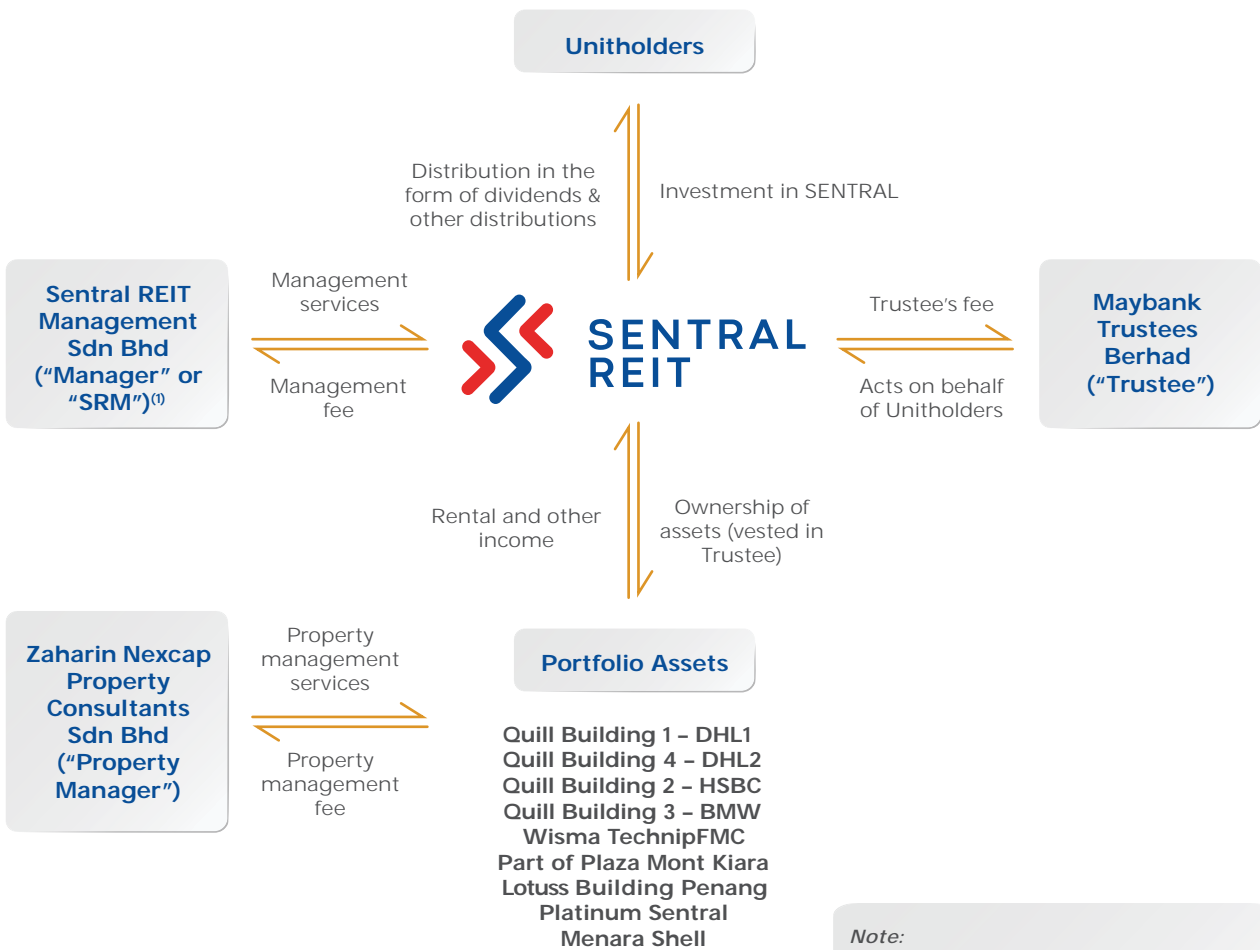
Background of SENTRAL

- Listed as Quill Capita Trust on 8 January 2007.
- Changed its name to MRCB-Quill REIT effective on 14 April 2015 following a change in sponsors.
- Changed its name to SENTRAL following a rebranding exercise on 11 January 2021.

Investment Objective

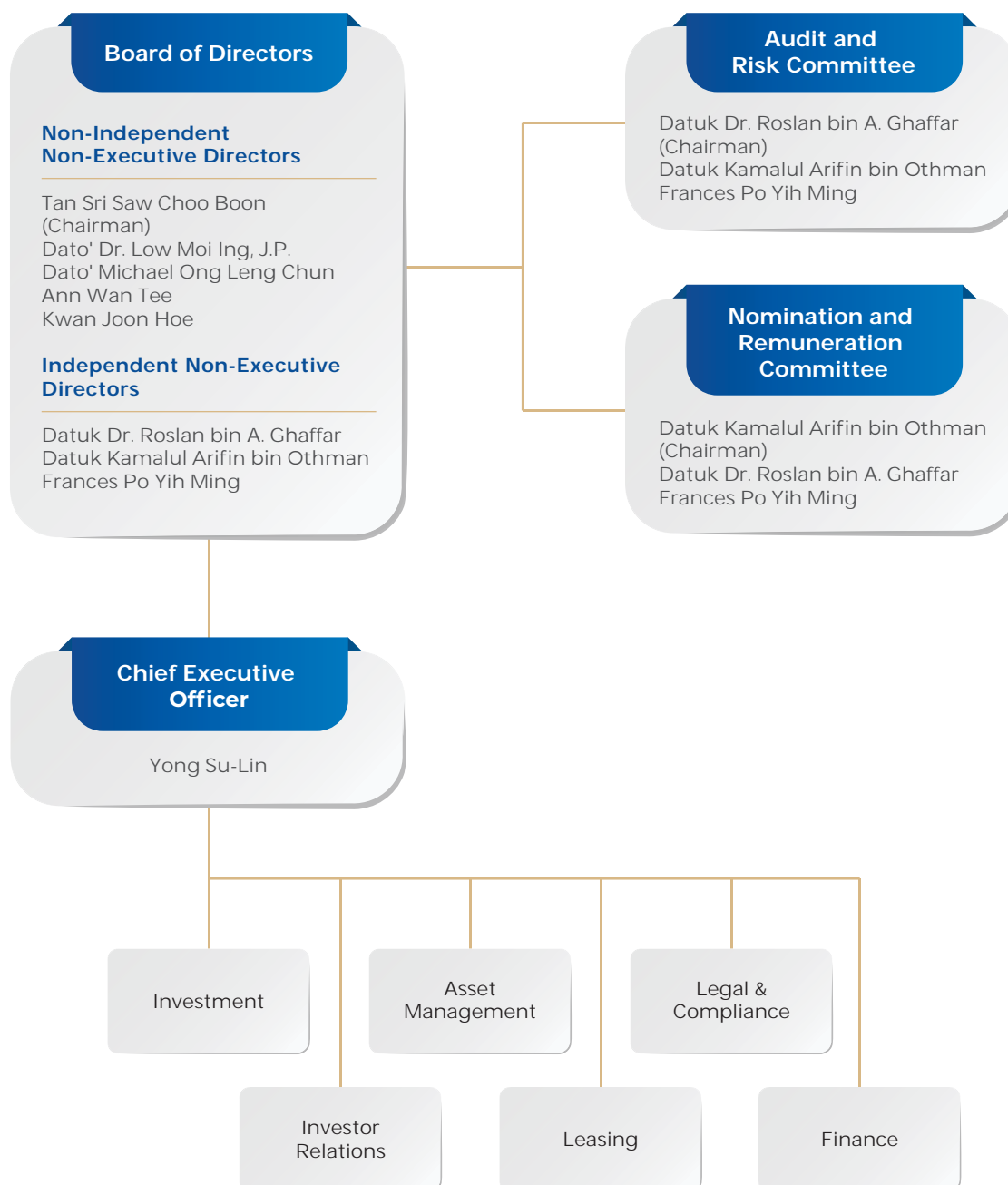
To acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders to achieve long-term growth in the net asset value ("NAV") per unit.

SENTRAL Structure



Note:
⁽¹⁾ Shareholders of the Manager comprise of Malaysian Resources Corporation Berhad ("MRCB") (41%), Quill Resources Holding Sdn Bhd (39%), and Global Jejaka Sdn Bhd (20%).

ORGANISATION STRUCTURE OF THE MANAGER



PROFILE OF DIRECTORS OF THE MANAGER



TAN SRI SAW CHOO BOON
*Chairman and
Non-Independent
Non-Executive Director*

Nationality/Age/Gender
Malaysian/76/Male

DATO' DR. LOW MOI ING, J.P.
*Non-Independent
Non-Executive Director*

Nationality/Age/Gender
Malaysian/61/Female



Date Appointed to the Board
22 January 2016

Board Committee Membership
Nil

No. of Board Meetings Attended in 2021
5/5

Academic/Professional Qualification/Professional Membership
Bachelor of Science (Chemistry), University of Malaya (1969)

Present Directorships

- Wah Seong Corporation Berhad
- Sentral REIT Management Sdn Bhd

Working Experience
Tan Sri Saw has 40 years of continuous service with Shell, having joined the company in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Berhad. He served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and Netherlands. In 1996, he was appointed as the Managing Director ("MD") of Shell MDS (Malaysia) Sendirian Berhad.

From 1998 until 1999, he was MD for Oil Products (Downstream) Shell Malaysia and MD of Shell Refining Company (Federation of Malaya) Berhad. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice President (VP) of the commercial business in the Asia-Pacific region and in 2004 he became the President of Shell Oil Product East. In 2005, he was appointed VP Global Marine Products. On 18 May 2006, he was appointed as Chairman of Shell Malaysia, and on 1 January 2010 as Senior Advisor, positions he held till his retirement on 30 June 2010.

Date Appointed to the Board
12 June 2006

Board Committee Membership
Nil

No. of Board Meetings Attended in 2021
5/5

Academic/Professional Qualification/Professional Membership

- Doctor of Philosophy in Design, Millennium International University, State of Delaware, U.S.A (2010)
- Doctor of Philosophy in Entrepreneurship (Honoris Causa) (2010)

Present Directorships

- Quill Group of Companies ("Quill Group")
- Sentral REIT Management Sdn Bhd

Working Experience
Dato' Dr. Low Moi Ing, J.P. started her career with MAA Architect in 1981 and in 1986, set up Quill Design. The Quill Group was set up in 1988 and is involved in the investment of properties, which includes integrated property development, construction, interior design and architectural services. She is in charge of the Quill Group's strategic planning and jointly manages the finance, administration, legal, property development, building construction and renovation, procurement and project management of the Quill Group.

Dato' Dr Low is a director and substantial shareholder of Quill Land Sdn Bhd ("QLSB") and Quill Resources Holding Sdn Bhd ("QRHSB"). QLSB and QRHSB collectively hold substantial units in Sentral REIT and QRHSB is a substantial shareholder of Sentral REIT Management Sdn Bhd.

Awards

- Women Entrepreneur of the Year Award (2009) by Malaysia Business Leadership Awards 2009
- Masterclass Woman CEO of the Year Award (2010) by Malaysia Business Leadership Awards 2010
- International Leadership Award in Construction Sector by Middle East Business Leaders Summit and Awards 2010
- FIABCI Property Woman of the Year Award (2011) by FIABCI
- Woman Entrepreneur of the Year Award (2011) by the Asia Pacific Entrepreneurship Awards 2011
- Malaysian Chinese Women Excellence Award in Entrepreneur (2017) by Wanita MCA / Malaysia Chinese Women Enterprise Association (MCWEA)
- Malaysian Fujian Outstanding Entrepreneur Award (2017) by the Federation of Hokkien Associations of Malaysia

PROFILE OF DIRECTORS OF THE MANAGER

(cont'd)



**DATO' MICHAEL
ONG LENG CHUN**
*Non-Independent
Non-Executive Director*

Nationality/Age/Gender
Malaysian/66/Male

ANN WAN TEE
*Non-Independent
Non-Executive Director*

Nationality/Age/Gender
Malaysian/51/Male



Date Appointed to the Board
12 June 2006

Board Committee Membership
Nil

No. of Board Meetings Attended in 2021
5/5

Academic/Professional Qualification/Professional Membership

- Chartered Architect (1982)
- Lembaga Akitek Malaysia (LAM) (1987)
- Corporate Member, the Royal Institute of British Architects (RIBA) (1984)
- Corporate Member, Pertubuhan Akitek Malaysia (PAM) (1987)
- Corporate Member, Institut Perakabentuk Dalaman (IPDM) (1995)

Present Directorships

- Quill Group of Companies ("Quill Group")
- Sentral REIT Management Sdn Bhd

Working Experience

Educated in the United Kingdom, Dato' Michael Ong graduated as a Chartered Architect in 1982 and practised in London until 1984 when he returned to Malaysia. He is one of the two founding partners of the Quill Group. The Quill Group was set up in 1988 and involved in the investment of properties, which includes integrated property development, construction, interior design and architectural services. The Quill Group's strength lies in the integration of IT services into the building environment and is currently practising the "Own, Build and Lease" model for its developments. Dato' Michael Ong is responsible for and has extensive experience in the design, detailing and construction of properties within the Quill Group.

Dato' Michael Ong is a director and substantial shareholder of Quill Land Sdn Bhd ("QLSB") and Quill Resources Holding Sdn Bhd ("QRHSB"). QLSB and QRHSB collectively hold substantial units in Sentral REIT and QRHSB is a substantial shareholder of Sentral REIT Management Sdn Bhd.

Date Appointed to the Board
31 March 2015

Board Committee Membership
Nil

No. of Board Meetings Attended in 2021
5/5

Academic/Professional Qualification/Professional Membership

- Bachelor of Commerce (Accounting) (Hons), University of Birmingham
- Fellow of the Association of Chartered Certified Accountants (FCCA)
- Member of the Malaysian Institute of Accountants (MIA)

Present Directorship

- MRCB Southern Link Berhad
- MRCB Group of Companies
- Sentral REIT Management Sdn Bhd

Working Experience

Ann Wan Tee has more than 24 years' experience spanning from project advisory, privatisation, private finance initiatives, financial feasibility studies, business valuations, mergers and acquisitions as well as corporate recovery.

Wan Tee is currently the Group Chief Financial Officer of Malaysian Resources Corporation Berhad ("MRCB"). He joined MRCB in May 2013 as the Chief Strategy Officer. Prior to MRCB, Wan Tee was the Chief Financial Officer / Finance Director of Gapurna Strategic Alliance Sdn Bhd from June 2012 to May 2013. Wan Tee was in PricewaterhouseCoopers (Advisory Services) from January 2006 to May 2012, where he left as Executive Director.

PROFILE OF DIRECTORS OF THE MANAGER

(cont'd)



KWAN JOON HOE
*Non-Independent
Non-Executive Director*

Nationality/Age/Gender
Malaysian/40/Male



**DATUK DR. ROSLAN
BIN A. GHAFFAR**
*Independent
Non-Executive Director*

Nationality/Age/Gender
Malaysian/70/Male

Date Appointed to the Board

31 March 2015

Board Committee Membership

Nil

No. of Board Meetings Attended in 2021

5/5

Academic/Professional Qualification/Professional Membership

- Bachelor of Commerce (Accounting and Finance) from University of Melbourne, Australia
- Member of the Certified Public Accountant, Australia

Present Directorships

- MRCB Southern Link Berhad
- MRCB Group of Companies
- Sentral REIT Management Sdn Bhd

Working Experience

Kwan Joon Hoe is currently the Group Chief Operating Officer of MRCB.

He joined MRCB as Senior Vice President of MRCB Groups' Property Division in January 2014. Kwan Joon Hoe was appointed as the Chief Operating Officer of MRCB on 1 March 2015 and was promoted to his current position on 1 June 2017.

He joined Gapurna in 2008 as the Group's Financial Controller, spearheading the RM1 billion Lot 348 development (Menara Shell) in Kuala Lumpur Sentral CBD. He was then promoted to the position of Chief Executive Officer managing Gapurna's property development function in 2012 before joining MRCB. Prior to joining Gapurna, he served in 2 accounting firms in their respective audit and advisory functions.

Date Appointed to the Board

16 June 2015

Board Committee Membership

- Chairman of the Audit & Risk Committee
- Member of the Nomination & Remuneration Committee

No. of Board Meetings Attended in 2021

5/5

Academic/Professional Qualification/Professional Membership

- Bachelor of Science degree from the Louisiana State University, Baton Rouge, USA
- Doctor of Philosophy from University of Kentucky, Lexington, USA

Present Directorships

- Box-Pak (Malaysia) Berhad
- Pricewaterhouse International Berhad
- Mico Chipboard Berhad
- Sentral REIT Management Sdn Bhd

Working Experience

Datuk Dr. Roslan has over 30 years of experience in the areas of economics, finance and investment. He was the Head of Economics Department of Universiti Putra Malaysia ("UPM") from 1985 to 2001. While with UPM, he provided consultancy services to World Bank, Asian Development Bank, Winrock International and the Economic Planning Unit of the Prime Minister's Department.

In 1994, Datuk Dr. Roslan was appointed as Director of Investment and Economic Research Department, Employees Provident Fund ("EPF"). He was promoted to the position of Senior Director in 1996 and later, held the position of Deputy Chief Executive Officer of EPF until his retirement in 2007.

PROFILE OF DIRECTORS OF THE MANAGER

(cont'd)



**DATUK KAMALUL ARIFIN
BIN OTHMAN**
*Independent
Non-Executive Director*

Nationality/Age/Gender
Malaysian/62/Male



FRANCES PO YIH MING
*Independent
Non-Executive Director*

Nationality/Age/Gender
Malaysian/63/Female

Date Appointed to the Board
8 March 2019

Board Committee Membership

- Member of the Audit & Risk Committee
- Chairman of the Nomination & Remuneration Committee

No. of Board Meetings Attended in 2021
5/5

Academic/Professional Qualification/Professional Membership

- Bachelor of Estate Management (Honours) from Universiti Teknologi MARA
- Masters degree in Business Administration from Ohio University, Athens, United States of America
- Fellow of the Royal Institution of Chartered Surveyors, United Kingdom
- Fellow of the Royal Institution of Surveyors Malaysia
- Fellow of the Malaysian Institute of Property and Facility Managers
- Registered Property Manager with the Board of Valuers, Appraisers, Estate Agents and Property Managers
- Leadership education at the Wharton School of the University of Pennsylvania, Harvard University and the SAID Business School, University of Oxford

Present Directorships

- Perbadanan PR1MA Malaysia
- Penang Sentral Sdn Bhd
- BGMC International Limited
- Sentral REIT Management Sdn Bhd

Other Memberships/Appointments/Involvements

- Property Advisor with Perbadanan Usahawan Nasional Berhad
- Development Committee Member with Institut Jantung Negara
- Committee Member of Development, Investment and Baitulmal of Majlis Agama Islam dan Adat Istiadat Melayu Kelantan

Working Experience

Datuk Kamalul Arifin is a Chartered Surveyor by training with more than 35 years of experience in the real estate sector. He was the Group Managing Director/Chief Executive Officer of Pelaburan Hartanah Berhad since its inception in 2006 until 2018.

He started his career in 1985 with Rahim & Co. Chartered Surveyors Sdn Bhd before moving on to Permodalan Nasional Berhad in 1988. He then joined Arab-Malaysian Merchant Bank Berhad (now AmBank Group) in 1991 and remained with the Group for 16 years with his last position as the Chief Executive Officer of AmProperty Trust Management Berhad which managed the first listed property trust in the country.

Datuk Kamalul Arifin is the first President of the Malaysian Institute of Property and Facility Managers and was also an Adjunct Professor with the Faculty of Built Environment, University of Malaya. He has participated in many conferences as Speaker and Moderator and has written various articles related to the property industry for professional journals and publications.

Date Appointed to the Board
17 July 2020

Board Committee Membership

- Member of the Audit & Risk Committee
- Member of the Nomination & Remuneration Committee

No. of Board Meetings Attended in 2021
5/5

Academic/Professional Qualification/Professional Membership

- Bachelor of Accounting (Honours) from University Malaya
- Chartered Accountant of the Malaysian Institute of Accountants
- Fellow of the Chartered Tax Institute of Malaysia.
- Member of Institute of Corporate Directors Malaysia

Present Directorship

- Frontier Digital Ventures Limited
- Sentral REIT Management Sdn Bhd

Working Experience

Frances Po spent more than 36 years specialising in tax and she was a tax partner of PricewaterhouseCoopers ("PwC") Malaysia until her retirement in July 2019.

During the course of her career in PwC, Frances Po held various leadership roles including Business unit leader for International Tax Services/Mergers & Acquisition Tax ("ITS/M&A Tax") from 2012-2019 and Tax business unit leader for Energy, Utilities, Multimedia & Infocommunication ("EUMI") from 2005-2012. She held the role of Tax people partner for several years. She was an active speaker at both external and internal conferences. She presented/chaired at the annual PwC seminar for a decade. She initiated and organised the annual PwC Asia Pacific ITS/M&A training and networking event since 2012.

ADDITIONAL INFORMATION:

1. Save as disclosed, none of the Directors have any family relationship with any Directors and/or major shareholders of the Manager and/or major unitholders of SENTRAL.
2. None of the Directors has any conflict of interest with the Manager and/or SENTRAL.
3. None of the Directors has
 - (i) been convicted of any offence (other than traffic offences) within the past five (5) years; and
 - (ii) been imposed with any public sanctions or penalty by the relevant regulatory bodies during the financial year.

THE MANAGEMENT TEAM OF THE MANAGER



From left to right :

Alex Low Kam Seng	<i>Manager, Asset Management</i>
Phuah Ngah Yuin	<i>Senior Executive, Finance</i>
Stephanie Tang Pit Yen	<i>General Manager, Investment and Asset Management</i>
Tracy Wong	<i>Senior Executive, Finance</i>
Shirley Tam Soot Lee	<i>General Manager, Finance</i>
Leong Foong Yin	<i>Senior Executive, Finance</i>
Chan Fong Hin	<i>General Manager, Asset Management</i>
Alice Yap Soh Ping	<i>Manager, Lease Administration</i>
Joyce Loh Mun Ching	<i>General Manager, Investment and Investor Relations</i>
Christie Pun Nyuk Len	<i>Senior Manager, Lease Administration</i>
Jean Wong Wen Looi	<i>Manager, Legal</i>



THE MANAGEMENT TEAM OF THE MANAGER

(cont'd)

YONG SU-LIN

48 years old, Female
Chief Executive Officer
Malaysian

**Date of appointment as Chief Executive Officer:**

9 July 2015

Length of service as CEO:

6 years and 7 months

Academic / Professional Qualification(s) / Professional Membership(s):

Bachelor of Arts in Finance degree from the University of Northern Iowa, USA

Present Directorship(s):

Nil

Working Experience:

She started her career in corporate banking, managing project financing and lending to property companies, small and medium enterprises, as well as large corporations. Prior to joining the CapitaLand Group and her secondment to SRM, she had six years of corporate advisory experience, working in one of the top five audit firms in Malaysia. In her career as a corporate consultant, she was involved in corporate advisory projects for various industry sectors.

In June 2006, Su-Lin joined CapitaLand and was part of the core team that spearheaded the listing of Quill Capita Trust, which subsequently renamed as MRCB-Quill REIT in April 2015 following the change in sponsors and is currently known as SENTRAL. She has been involved in the day-to-day operations of SENTRAL, and led the investment and investor relations functions as part of the core team since May 2006. She was appointed the Interim Chief Executive Officer on 1 June 2012 and was subsequently designated as Chief Executive Officer on 9 July 2015.

Other than as disclosed, she does not have any family relationship with any director and/or major unitholder of SENTRAL. She does not have personal interest in any business arrangements involving SENTRAL and has not been convicted of any offences within the past 10 years.

As at 31 December 2021, she holds 3,000 SENTRAL units.

MANAGEMENT DISCUSSION AND ANALYSIS

- FINANCIAL HIGHLIGHTS

Fund Performance	2021	2020	2019	2018	2017
Total Asset Value (RM)	2,180,376,227	2,227,662,488	2,213,704,358	2,271,385,292	2,288,392,194
Net Asset Value ("NAV") (RM)					
- Before income distribution	1,317,865,770	1,323,501,754	1,323,489,418	1,372,289,531	1,384,724,570
- After income distribution	1,275,208,806	1,284,381,674	1,287,370,331	1,331,025,885	1,340,295,770
Units in circulation	1,071,783,000	1,071,783,000	1,071,783,000	1,071,783,000	1,068,000,000
NAV per unit (RM)	1.2296	1.2349	1.2348	1.2804	1.2966
Highest NAV per unit (RM)	1.2458	1.2445	1.2801	1.3018	1.3281
Lowest NAV per unit (RM)	1.2053	1.2072	1.2348	1.2612	1.2799
Highest traded price per unit (RM)	0.95	1.00	1.12	1.25	1.35
Lowest traded price per unit (RM)	0.86	0.51	0.99	1.00	1.22
Distribution Per Unit ("DPU") (sen)	7.41	7.08	6.80	8.08	8.39
- Interim	3.43	3.43	3.43	4.23	4.23
- Final	3.98	3.65	3.37	3.85	4.16
Dates of Distribution					
- Interim	20-Sep-21	30-Sep-20	23-Sep-19	19-Sep-18	18-Sep-17
- Final	28-Feb-22	26-Feb-21	28-Feb-20	28-Feb-19	28-Feb-18
Effect of Income Distribution on NAV per unit					
- Before Distribution (RM)	1.2296	1.2349	1.2348	1.2804	1.2966
- After Distribution (RM)	1.1898	1.1984	1.2011	1.2419	1.2550
Closing price on the last trading day	0.905	0.875	1.00	1.06	1.25
Distribution yield (per annum) ^(a)	8.19%	8.09%	6.80%	7.62%	6.71%
MER ^(b)	1.10%	1.09%	1.06%	1.09%	1.07%
Average Total Returns					
- for 1 year ^{(c)(i)}	6.84%	6.55%	5.83%	6.85%	7.14%
- 3 financial years ^{(c)(iii)}	19.22%	19.23%	19.83%	18.80%	19.14%
- 5 financial years ^{(c)(iii)}	33.21%	31.18%	31.82%	34.28%	35.82%
Annual Total Returns ^(d) (RM)	84,485,957	80,954,941	72,107,547	84,653,758	88,006,515
Proposed final income distribution	42,656,964	39,120,080	36,119,087	41,263,646	44,428,800

(a) Based on the closing price on the last trading day of the respective financial years.

(b) Management Expense Ratio (MER) is computed based on total fees including Manager's fee, Trustee's fee, valuation fees and administration expenses charged to SENTRAL divided by the average net asset value during the year.

Since the average net asset value of the Trust is calculated on a monthly basis, the MER of SENTRAL may not be comparable to the MER of other real estate investment trust/unit trusts which may use a different basis of calculation. The computation of MER has been verified by the auditors.

(c) (i) Average Total Returns for 1 year is computed based on the Annual Total Returns for financial year ended 2021 divided by the weighted average unitholders capital for the financial year ended 2021.

(ii) Average Total Returns for 3 financial years is computed based on the Annual Total Returns for last 3 financial years/periods divided by the weighted average unitholders capital for the last 3 financial years/periods.

(iii) Average Total Returns for 5 financial years is computed based on the Annual Total Returns for last 5 financial years/periods divided by the weighted average unitholders capital for the last 5 financial years/periods.

(d) Annual Total Returns is defined as the Net Realised Income for the respective financial years.

Warning statement - The past performance is not necessarily indicative of future performances and that unit prices and investment returns may fluctuate.

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

As at 31 December 2021, SENTRAL's investment comprised ten (9) commercial buildings with four (4) located in Cyberjaya, four (4) in Kuala Lumpur and one (1) in Penang. The details of SENTRAL's properties are as follows.



**QUILL
BUILDING
1 – DHL 1**

- Address / Location : 3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : HSD 28552, PT 40578, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 19 years
- Description : 4-storey office building together with a sub-basement and a basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 92,284 square feet ("sq. ft.")
- Existing Use : Commercial Building
- Parking Space : 315 lots
- Date of Acquisition : 20 November 2006
- Acquisition Price : RM52,100,000
- Market Value as at 31 December 2021 : RM135,000,000*
- Name of Valuer : C H Williams Talhar & Wong Sdn. Bhd.
- Occupancy as at 31 December 2021: 100%
- Tenant : DHL Information Services (Asia-Pacific) Sdn. Bhd.
- Tenancy Period : 5+5 years from 1 January 2016
- Trade Sector Analysis:
 - By Percentage of Occupied Net Lettable Area – 100% Logistic Tenant
 - By Percentage of Gross Rental – 100% Logistic Tenant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM868,303

Note:

* On 14 August 2008, the respective pieces of land on which Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 have been amalgamated pursuant to the condition imposed by the Securities Commission during the initial Public Offering of SENTRAL (then known as Quill Capita Trust). As such, the valuations of Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 have been carried out based on the amalgamated properties. The total valuation of the 2 properties amounted to RM135,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

(cont'd)



**QUILL
BUILDING
4 – DHL 2**

- Address / Location : 3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : HSD 28552, Lot PT 40578, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 15 years
- Description : 4-storey office building together with a sub-basement and 2 levels basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 99,183 sq. ft.
- Existing Use : Commercial Building
- Parking Space : 309 lots
- Date of Acquisition : 20 November 2006
- Acquisition Price : RM57,000,000
- Market Value as at 31 December 2021 : RM135,000,000*
- Name of Valuer: C H Williams Talhar & Wong Sdn. Bhd.
- Occupancy as at 31 December 2021: 100%
- Tenant : DHL Information Services (Asia-Pacific) Sdn. Bhd.
- Tenancy Period : 5+5 years from 1 January 2016
- Trade Sector Analysis:
 - By Percentage of Occupied Net Lettable Area – 100% Logistic Tenant
 - By Percentage of Gross Rental – 100% Logistic Tenant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM917,879

Note:

* On 14 August 2008, the respective pieces of land on which Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 have been amalgamated pursuant to the condition imposed by the Securities Commission during the initial Public Offering of SENTRAL (then known as Quill Capita Trust). As such, the valuations of Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 have been carried out based on the amalgamated properties. The total valuation of the 2 properties amounted to RM135,300,000.

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

(cont'd)



**QUILL
BUILDING
2 – HSBC**

- Address / Location : 3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : HSD 30755, Lot PT 43966, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 18 years
- Description : 4-storey office building together with a sub-basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 184,453 sq. ft.
- Existing Use : Commercial Building
- Parking Space : 505 lots
- Date of Acquisition : 20 November 2006
- Acquisition Price : RM107,500,000
- Market Value as at 31 December 2021 : RM119,000,000
- Name of Valuer : Nawawi Tie Leung Property Consultants Sdn. Bhd.
- Occupancy as at 31 December 2021: 100%
- Tenant : HSBC Electronic Data Processing (Malaysia) Sdn. Bhd.
- Tenancy Period : 5+3+3 years from 10 November 2014
- Trade Sector Analysis:
 - By Percentage of Occupied Net Lettable Area – 100% Banking Tenant
 - By Percentage of Gross Rental – 100% Banking Tenant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM1,610,704

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

(cont'd)



**QUILL
BUILDING
3 – BMW**

- Address / Location : 3501, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : GRN 169506, Lot 33084, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 17 years
- Description : 4-storey office building together with a level of sub-basement and a level of basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Nil
- Net Lettable Area : 117,198 sq. ft.
- Existing Use : Commercial Building
- Parking Space : 347 lots
- Date of Acquisition : 20 November 2006
- Acquisition Price : RM59,400,000
- Market Value as at 31 December 2021 : RM74,000,000
- Name of Valuer : Nawawi Tie Leung Property Consultants Sdn. Bhd.
- Occupancy as at 31 December 2021 : 80%

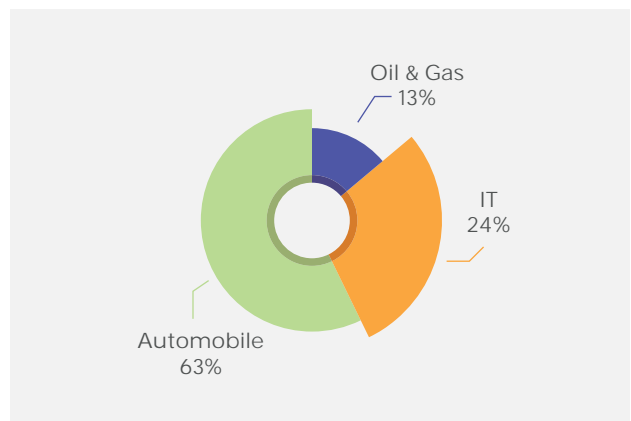
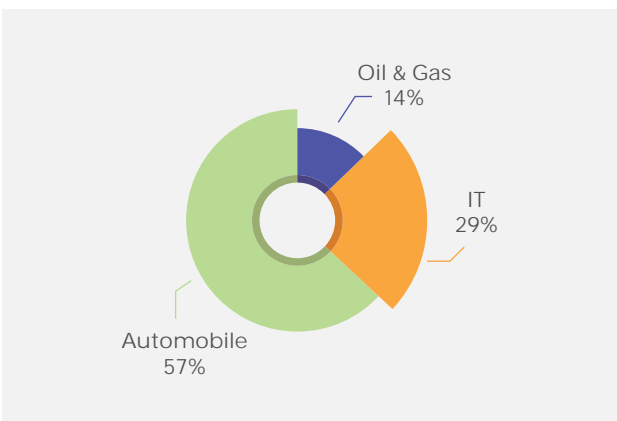
- Major Tenants and Tenancy Details:

Tenant	BMW Asia Technology Centre Sdn. Bhd.
Tenancy Period	10 years from 7 July 2015
Tenant	BMW Malaysia Sdn. Bhd.
Tenancy Period	10 years from 7 July 2015
Tenant	PGS Data Processing & Technology Sdn. Bhd.
Tenancy Period	5+5+5+5 years from 1 January 2007
Tenant	Huawei Technologies (Malaysia) Sdn. Bhd.
Tenancy Period	3+3+3 years from 1 February 2018
Tenant	BMW Credit (Malaysia) Sdn. Bhd.
Tenancy Period	8.8+3+3 years from 1 October 2016

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW (cont'd)



- Trade Sector Analysis:
 - By Percentage of Occupied Net Lettable Area
- By Percentage of Gross Rental



- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM2,465,330

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

(cont'd)



**WISMA
TechnipFMC**

- Address / Location : 241, Jalan Tun Razak, 50400 Kuala Lumpur
- Title : Geran 43313, Lot No. 1262 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
- Property Type and Age : Office Building, 28 years
- Description : 12-storey office building with a mezzanine floor and three split-levels basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Hong Leong Investment Bank as security agent
- Net Lettable Area : 233,021 sq. ft.
- Existing Use : Office Building
- Parking Space : 304 lots
- Date of Acquisition : 3 September 2007
- Acquisition Price : RM125,000,000
- Market Value as at 31 December 2021 : RM170,000,000
- Name of Valuer : CH Williams Talhar & Wong Sdn. Bhd.
- Occupancy as at 31 December 2021: 83%
- Tenants:
 - Technip Geoproduction (M) Sdn. Bhd.
Tenancy Period : 5+3 years from 1 January 2014 and 1+1 year from 1 November 2019
 - Technip Marine (M) Sdn. Bhd.
Tenancy Period : 2 years from 1 January 2020
- Trade Sector Analysis:
 - By Percentage of Occupied Net Lettable Area – 100% Oil & Gas Tenant
 - By Percentage of Gross Rental – 100% Oil & Gas Tenant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM3,390,570

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

(cont'd)



**PART OF PLAZA
MONT' KIARA**

- Address / Location : Plaza Mont' Kiara, No. 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur
- Title : Parent Lot No. 56054, Mukim Batu, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
- Property Type and Age : Commercial lots and car parks, 19 years
- Description : An integrated stratified retail/office commercial units located in Plaza Mont' Kiara within the ground floors of Blocks A & B and Blocks C & D, and at the basement and ground floor of Block E. The car park lots are located in Blocks A, B, C, D and E.
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Hong Leong Investment Bank as security agent
- Net Lettable Area : 73,408 sq. ft. (excluding 1,506 car park lots)
- Existing Use : Retail and car park
- Parking Space : 1,506 lots
- Date of Acquisition : 3 September 2007
- Acquisition Price : RM90,000,000
- Market Value as at 31 December 2021 : RM115,000,000
- Name of Valuer : IVPS Property Consultant Sdn. Bhd.
- Occupancy as at 31 December 2021: 91%
- Tenants : Multi-tenanted retail tenants from various sectors, including banking, food & beverages, beauty & fashion, childcare, fitness and convenient marts
- Tenancy Period : ranging between 1 to 3 years period

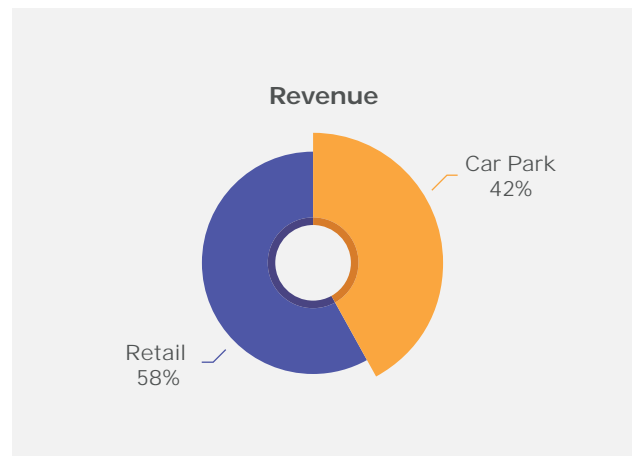
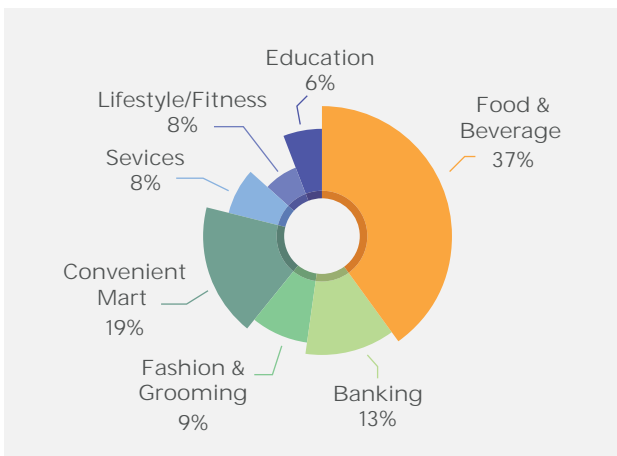
MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

(cont'd)



**PART OF PLAZA
MONT' KIARA
(CONT'D)**

- Trade Sector Analysis:
 - By Percentage of Occupied Net Lettable Area (excluding car parks)
 - By Percentage of Revenue (car park vs retail tenancy)



- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM3,785,904

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

(cont'd)



**LOTUSS
BUILDING, PENANG**
(FORMERLY KNOWN AS
TESCO BUILDING, PENANG)

- Address / Location : 1, Lebuhraya Tengku Kudin 1, 11700 Penang
- Title : Geran 77969, Lot No. 778, Section 4, Town of Jelutong, North East District, Penang
- Property Type and Age : Commercial Building, 17 years
- Description : 3-storey purpose built hypermarket
- Tenure : Term in perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 275,020 sq. ft.
- Existing Use : Commercial building
- Parking Space : 1,050 lots
- Date of Acquisition : 7 November 2008
- Acquisition Price : RM132,000,000
- Market Value as at 31 December 2021 : RM140,000,000
- Name of Valuer : IVPS Property Consultant Sdn. Bhd.
- Occupancy as at 31 December 2021 : 100%
- Tenant : Lotuss Stores (Malaysia) Sdn. Bhd. (formerly known as Tesco Stores (Malaysia) Sdn. Bhd.)
- Tenancy Period : 29 October 2004 to 31 August 2032
- Trade Sector Analysis:
 - By Percentage of Occupied Net Lettable Area – 100% Retail Tenant
 - By Percentage of Gross Rental – 100% Retail Tenant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM619,399

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

(cont'd)



**PLATINUM
SENTRAL**

- Address / Location: Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur
- Title : GRN 46222, Lot 73 Section 70, Within Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
- Property Type and Age: Commercial Building, 10 years
- Description: 5 blocks of 4 to 7 storey commercial building comprising office-cum-retail space, a multi-purpose hall and 2 levels of car park
- Tenure: Term in Perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area: 482,913 sq. ft.
- Existing Use : Commercial building
- Parking Space : 634 lots
- Acquisition Price: RM740,000,000
- Date of Acquisition: 30 March 2015
- Market Value as at 31 December 2021: RM670,000,000
- Name of Valuer : Knight Frank Malaysia Sdn Bhd
- Occupancy as at 31 December 2021: 80%

- Major Tenants and Tenancy Details:

Tenant	Small and Medium Enterprise Corporation Malaysia
Tenancy Period	15+3 years from 1 July 2011
Tenant	SBM Malaysia Sdn. Bhd.
Tenancy Period	3+3+3+3+3 years from 28 October 2011
Tenant	Platinum KLS Centre (MYS) Sdn Bhd
Tenancy Period	9+3 years from 18 July 2019; 3.5+3+3 years from 27 Aug 2019 and 2+3+3 years from 18 Sept 2020
Remaining Tenants	Multi-tenanted office-cum retail tenants from various sectors including education, food & beverages, clinic, fitness and convenient stores
Tenancy Period	Ranging from 2 years

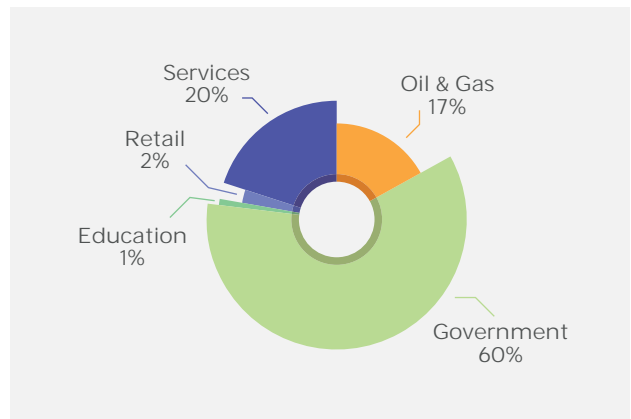
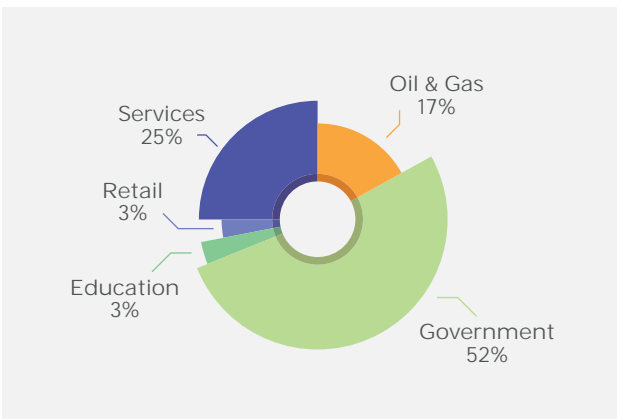
MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW (cont'd)



**PLATINUM
SENTRAL
(CONT'D)**

Trade Sector Analysis:

- By Percentage of Occupied Net Lettable Area
- By Percentage of Gross Rental



- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM9,119,123

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

(cont'd)



**MENARA
SHELL**

- Address / Location : 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur
- Title : Parent Lot No. 348, Section 72, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur
- Property Type and Age : Commercial Building, 8 years
- Description : 33-storey stratified office building erected on a 5 storey podium and a 4 storey basement car park
- Tenure : Term in perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 557,458 sq. ft.
- Existing Use : Commercial building
- Parking Space : 915 lots
- Date of Acquisition : 22 December 2016
- Acquisition Price : RM640,000,000
- Market Value as at 31 December 2021 : RM658,000,000
- Name of Valuer : Nawawi Tie Leung Property Consultants Sdn. Bhd.
- Occupancy as at 31 December 2021: 92%

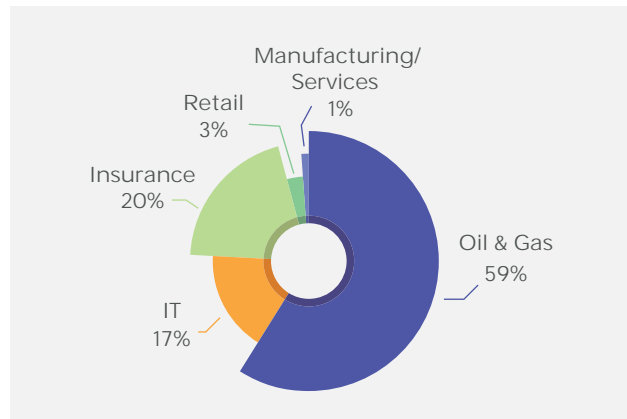
MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW (cont'd)

• Major Tenants and Tenancy Details:

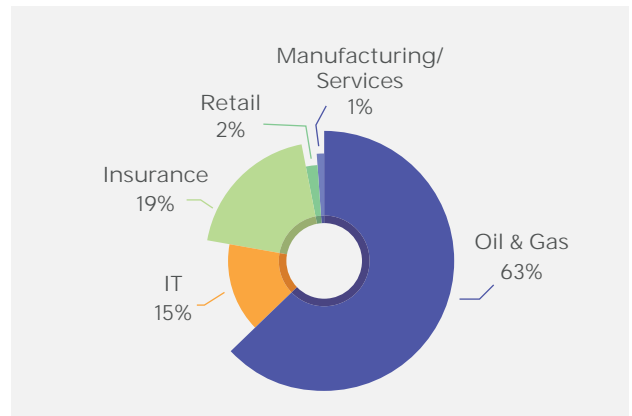
Tenant	Shell Malaysia Trading Sdn. Bhd.
Tenancy Period	15+5 years from 1 November 2013
Tenant	AmGeneral Insurance Berhad
Tenancy Period	3+3+1+1 years from 1 August 2015
Tenant	Google Services Malaysia Sdn. Bhd.
Tenancy Period	3+3+3+3+3 years from 1 June 2019 and 3+3+3+3+3 years from 1 April 2020
Tenant	Coca-Cola Far East Limited
Tenancy Period	3+3+3 years from 7 June 2014
Tenant	Microsoft (Malaysia) Sdn Bhd
Tenancy Period	6+3 years from 15 July 2018
Tenant	ReMark Malaysia Pte Ltd
Tenancy Period	3+1+1+1 years from 1 October 2018
Remaining Tenants	Retail tenants from various sectors including banking, food & beverages, clinic, childcare centre and convenient stores
Tenancy Period	3 years

Trade Sector Analysis:

• By Percentage of Occupied Net Lettable Area



• By Percentage of Gross Rental



- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM14,550,559

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

Property Disposed During the Financial Year



**QUILL
BUILDING
5 – IBM**

- Address / Location : 3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : HSD 30754, PT 43965, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 14 years
- Description : 5-storey office building together with one level of sub-basement and 1 ½ levels of basement car park
- Tenure : Term in Perpetuity
- Net Lettable Area : 81,602 sq. ft.
- Existing Use : Commercial building
- Parking Space : 304 lots
- Date of Acquisition by SENTRAL : 14 March 2008
- Acquisition Price : RM43,000,000
- Last Market Valuation Conducted as at 25 September 2020: RM40,000,000
- Name of Valuer : Knight Frank Malaysia Sdn. Bhd.
- Occupancy Prior to Disposal: Vacant
- Property Manager Prior to Disposal : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure (up to the date of Disposal): RM91,995
- Date of Disposal : 21 April 2021
- Disposal Price : RM45,000,000
- Purchaser : Deriv Services Sdn Bhd

MANAGEMENT DISCUSSION AND ANALYSIS - OPERATIONAL OVERVIEW

OVERVIEW – 2021 OPERATING ENVIRONMENT

The battle against COVID-19 did not end in 2020. Although 2021 was expected to be the year of recovery, it had continued to disrupt lives and livelihoods throughout 2021. The COVID-19 pandemic continued to impact nations globally, hampering growth despite on-going vaccinations efforts. Retail, food & beverage, hospitality, tourism and travel-related industries were still among the hardest hit as authorities encourage “physical distancing” and consumers staying indoors. Nonetheless, with fiscal stimulus and accommodative financial conditions implemented to improve business and consumer sentiments, the global economy is projected to expand by 4.9% in 2022, with gradual improvements in both advanced and emerging and development.

Malaysia's aspirations for greater economic development was also derailed due to the disruptions caused by COVID-19. While signs of economic recovery emerged in late 2020, the recovery momentum only picked up after the second quarter of 2021 with recovery in external demand and the gradual reopening of economic sectors. The growth momentum continued in the second half 2021 with the implementation of the National Recovery Plan, National COVID-19 Immunisation Programme and assistance packages to support the people and revitalise the economy. Moving on from this momentum, Malaysia's gross domestic product (“GDP”) rebounded 3.6% in the fourth quarter, while recording overall 3.1% growth in 2021.

(Source : Ministry Of Finance Budget 2022 - Economic Outlook 2022)

Since October 2021, lockdown restrictions were gradually eased to accelerate the re-opening of all business sectors. With most countries making the necessary move towards an endemic status, Malaysia would also need to adapt and follow suite, striking a balance between lives and economic recovery. Malaysia will need to have effective policies that can cater to this new normal and are crucial for recovery and growth.

The Malaysian economy is expected to grow between 5.5% and 6.5% in 2022, supported by significant improvement in global trade, stabilised commodity prices, containment of the pandemic, and gradual improvement in consumer and business sentiments. To achieve this, the Budget 2022 which has remained expansionary to stimulate the economy focuses on the following themes - driving economic recovery, rebuilding national resilience and catalysing reforms across the public and private sectors. In respect of the

property sector, the government has in Budget 2022 decided to eliminate Real Property Gains Tax (“RPGT”) on the disposal of real property in the 6th year onwards by individual citizens, permanent residents, and other companies. We believe that this will help spur the level of property transactions in the secondary property market which has been relatively subdued in recent years. In addition, Budget 2020 also contains measures to spur investment activities, especially in targeted Foreign Direct Investment (“FDI”) in selected industries, in start-ups and R&D in science, technology and innovation. This could augur well for the office/ industrial property sector should these FDIs commence operations in Malaysia. With the above in place, we are hopeful that the Malaysian economy will return to its pre-pandemic growth rates after mid-2022.

(Source : Ministry Of Finance Budget 2022 - Economic Outlook 2022)

Bank Negara Malaysia (“BNM”) has kept Malaysia's monetary policy accommodative in cushioning the adverse effects of the nationwide lockdown on the economy while simultaneously supporting recovery and ensuring that inflationary pressure remains manageable. The Overnight Policy Rate (“OPR”) was kept supportive at 1.75% in 2021. It is also expected that BNM's monetary policy will continue to remain supportive of economic recovery throughout 2022 and any change in monetary policy will be guided how the overall domestic inflation and domestic growth performs.

(Source : Ministry Of Finance Budget 2022 - Economic Outlook 2022)

The financial market was not spared with negatives dragging its performance. With the concerns about growth outlook of certain sectors, uncertain political climate due to changes in the government and the on-going pandemic, the Malaysian equity market had a rather choppy performance in 2021. The KLCI began the year on a softer amid bearish note and registered a decline towards the end the year at 1,567.53, erasing its YTD gains from previous year, as one of the worst performing benchmark of the ASEAN markets. Trading volumes did eventually normalised considerably towards the third quarter of the year propelled by positive net foreign funds' inflow and with technology counters being among the major index movers as the sector benefits from the robust demand for electrical & electronic products, as well as from chip shortages. Retail investors continue to be net buyers in the domestic equity market this year, with this trend likely to sustain in 2022 due to the current low interest rate environment.

MANAGEMENT DISCUSSION AND ANALYSIS - OPERATIONAL OVERVIEW

(cont'd)

The increase in Malaysian bond yields and the possibility of the narrowing further of the yield spread between Malaysian Real Estate Investment Trust sector (“M-REIT”) and Malaysian bonds will likely render M-REITs as a less appealing avenue for yield play. Notwithstanding, the sector has still demonstrated resilience and continue to be an attractive sector and a suitable investment option. The current low interest rate environment remains favourable to M-REIT and although lagging behind its historical high of circa 6.5%, the M-REIT is still recording an average yields of 4%-5% at present. Equity Investors are likely to seize on opportunities by looking out for stocks with positive economic recovery prospects but we believe that exposure to defensive and high-dividend yield names would still be the preferred strategy in these volatile times.

Overall, the performance of the M-REIT sector on Bursa Malaysia Securities Berhad in comparison with the other equity sectors has been subdued in 2021. This is mainly due to investors’ concerns with key risk impacting the sector, such as the resurgence of the COVID-19 infection rates leading to prolonged lockdowns, slower than-expected economic recovery and delays in the national vaccination progress. Despite the above, the M-REIT sector managed to gain traction with some positive developments in 2021. The M-REIT investment landscape remained fairly active this year with several industrial M-REITs announcing their respective investment activities., while we also welcome the listing of a new office REIT in September 2021, thereby concluding a total number of 18 listed M-REITs to-date.

In anticipation of BNM maintaining a low interest rate environment in 2022, coupled with continued muted earnings growth, stocks with resilient yield and have capital preservations characteristics will continue to be favoured by investors. Therefore, we believe that M-REIT will remain attractive to investors in this current market environment and will encourage fund flows into the sector from investors looking for safe havens for investments. In addition, with the increased emphasis on strong corporate governance as an important investment consideration, we believe that well managed M-REIT players with strong fundamentals will continue to make the M-REIT sector an attractive investment option for investors who are looking for relatively low risk investment opportunities with sustainable income and capital growth.

In terms of the M-REIT’s business operations, 2021 continued to be uncertain times for this sector as most M-REITs experienced significant operating impact attributed to the COVID-19 pandemic and the resultant Movement Control Orders (“MCO”) and travel restrictions. These events have deeply

impacted the operations and earnings of M-REITs with high exposure to retail and hospitality, while to a certain degree the office segment as companies adjust to the “new normal” after 2 years of operating under a pandemic environment. The weak earnings generally were attributed to the rental assistance rolled out as well as weaker occupancy and rental reversions for the leases due for renewal.

During this trying times, the government vide Securities Commission of Malaysia (“SC”) had in 2020 provided temporary relief to listed M-REITs by increasing the gearing limit stipulated under the SC’s Guidelines on Listed Real Estate Investment Trust (“Listed REIT Guidelines”) from 50% to 60%. This relief measure will be granted until 31 December 2022 and during this period, M-REITs will have some cash flow flexibility to navigate the challenging operating environment caused by the COVID-19 pandemic.

The Klang Valley office market remained challenging in 2021 with the growing sense of uncertainty in the Klang Valley office market amid the unprecedented crisis. As at 3Q 2021, Klang Valley was estimated to have an existing stock of 112.7 million sq. ft. The volume of future office supply in Klang Valley is estimated at 10.4 million sq. ft. with concentration of supply in Kuala Lumpur scheduled for completion by 2023. Klang Valley occupancy rates were in a declining trend with an average of 74.3% recorded in 3Q 2021, compared to 76.0% in the preceding quarter. Meanwhile, occupancy rates in Cyberjaya averaged at 73.4%, down 2.2% from the previous year. In the near term, the rental rates and occupancy levels of office buildings will continue to experience downward pressures as a result of imbalances in supply and demand, exacerbated by the unprecedented crisis. Overall, the Klang Valley office is seen to be sustaining the pandemic with landlords focusing on tenant retention by offering various incentives to remain competitive in the market. New purposed built office buildings with quality specifications that meet tenant’s requirements, located in established commercial areas with proximity to public transportations will likely secure better take-up rates upon completion. The Klang Valley office market will continue to remain a tenants’ market with ample supply from both existing and incoming supply. Notwithstanding, physical offices will continue to remain relevant and important as a driver of connectivity and productivity for businesses in spite of the pandemic. Improving business and consumer sentiments post COVID-19 would also be positive for the real estate sector.

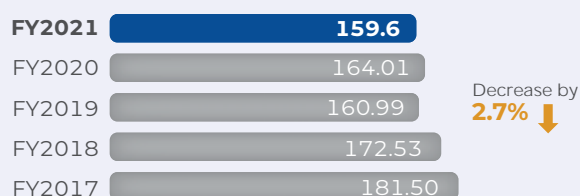
(Source: Property Market Overview 2021 prepared by Knight Frank Malaysia Sdn. Bhd.)

MANAGEMENT DISCUSSION AND ANALYSIS - OPERATIONAL OVERVIEW

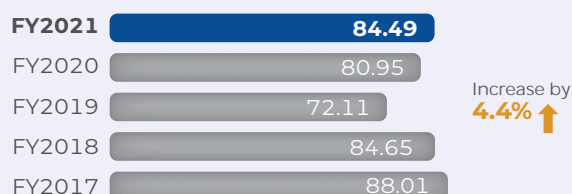
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FINANCIAL PERFORMANCE

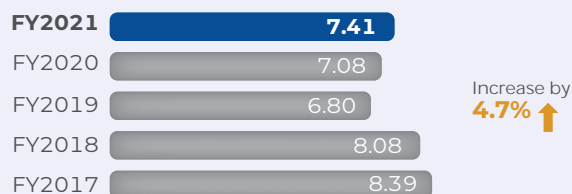
Gross Revenue (million)



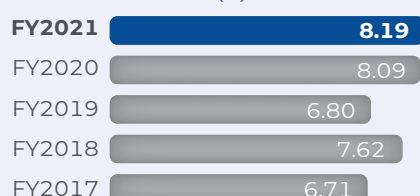
Realised Net Income (million)



Distribution Per Unit (sen)



Distribution Yield (%)



Total Asset Value (billion)



For financial year ended 31 December 2021 ("FY2021"), SENTRAL recorded a gross revenue of RM159.60 million, representing a decrease of 2.7% as compared to RM164.01 million recorded in the preceding financial year ended 31 December 2020 ("FY2020"). Correspondingly, it recorded a net property income of RM122.65 million for FY2021, representing a decrease of 2.8% as compared to RM126.12 million recorded in the preceding financial year. The lower net property income recorded in FY2021 was mainly due to lower revenue contribution from recorded from Quill Building 3 – BMW, Plaza Mont Kiara and Platinum Sentral.

SENTRAL recorded a total realised income and distributable income of RM84.49 million for FY2021, an increase of 4.4% from the total realised income and distributable income of RM80.95 million for FY2020. The increase is mainly due to lower finance cost and the gain from the disposal of Quill Building 5, net of lower net property income. Correspondingly, the Realized Earnings Per Unit ("EPU") and distributable income per unit for FY2021 was 7.88 sen, which is approximately 4.4% higher compared to the EPU and distributable income per unit of 7.55 sen recorded in FY2020.

Taking into consideration the on-going uncertainties and challenging operating landscape, it was a positive year for SENTRAL with its financial performance meeting market consensus. The FY2021 result was underpinned by its stable portfolio occupancy rate and the ability of the Manager to manage operational cost and cash flows effectively during this pandemic. The Manager remained focused in deploying its planned marketing and asset management strategies in 2021 which is to concentrate on tenant retention, resulting in healthy weighted average lease expiry profile ("WALE") and average occupancy rate of 3.78 years and 90% respectively, as at 31 December 2021.

Distribution to Unitholders

In line with the Restated Trust Deed dated 2 December 2019 and Supplemental Trust Deed dated 24 December 2020, SENTRAL has maintained its policy of distributing at least 90% of its distributable income at least semi-annually.

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL OVERVIEW

(cont'd)

FINANCIAL PERFORMANCE (cont'd)

Distribution to Unitholders (cont'd)

On 20 January 2022, the Board had declared a final Distribution Per Unit ("DPU") of 3.98 sen for the period from 1 July 2021 to 31 December 2021, which includes the distribution of gains from the disposal of Quill Building 5 which, was paid out to unitholders of SENTRAL on Monday, 28 February 2022. This final DPU of 3.98 sen, together with the interim distribution of 3.43 sen per unit for the period from 1 January 2021 to 30 June 2021, which was paid on 30 September 2021, amounted to a FY2021 DPU of 7.41 sen. The Trustee and the Board of the Manager did not recommend any further distribution for the FY2021.

On a year-on-year comparison, FY2021 DPU of 7.41 sen is 4.7% higher than the FY2020 DPU of 7.08 sen and this translates to a distribution yield of 8.19% based on the closing price of RM0.905 per unit as at 31 December 2021.

SENTRAL's unit price trading performance during the year was within a stable range with the unit price opening at RM0.87 in the beginning of the year and with a high of RM0.95 in February 2021 before retreating to RM0.905 at the end of 2021. Overall, SENTRAL recorded a total return of 11.6%, contributed by an appreciation in unit price of 3.4% and distribution yield of 8.19%.

BUSINESS PERFORMANCE

(A) Portfolio Highlights

As at 31 December 2021, SENTRAL's portfolio investment comprised nine (9) commercial buildings with five (4) located in Cyberjaya, four (4) in Kuala Lumpur, one (1) in Penang and it continued to receive steady income from these portfolio of assets in FY2021. For further details of each property, kindly refer to SENTRAL's Portfolio Overview on pages 13 to 26.

Revaluation of Properties as at 31 December 2021

Summarised below is the latest valuation of SENTRAL's portfolio of properties as at 31 December 2021:

Name of Properties	Valuation as at 31 Dec 2021 (RM'000)	Valuation as at 31 Dec 2020 (RM'000)	% of Investment
Quill Building 1-DHL 1 and Quill Building 4-DHL 2	135,000	135,000	6.5
Quill Building 2-HSBC	119,000	123,000	5.7
Quill Building 3-BMW	74,000	78,000	3.6
Wisma TechnipFMC	170,000	173,000	8.2
Part of Plaza Mont' Kiara	115,000	116,000	5.5
Quill Building 5-IBM*	-	40,000	-
Lotuss Building Penang	140,000	140,000	6.7
Platinum Sentral	670,000	675,000	32.2
Menara Shell	658,000	657,000	31.6
Total Investment Properties	2,081,000	2,137,000	100.0

Note:

* The disposal of Quill Building 5 was completed on 21 April 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL OVERVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(A) Portfolio Highlights (cont'd)

The annual valuation of SENTRAL's portfolio of properties was conducted at the close of FY2021. SENTRAL's total portfolio registered a portfolio value of RM2.081 billion for FY2021 compared to the Net Book Value as at 31 December 2021* of RM2.098 billion**, translating to a revaluation loss of RM15.701 million. The portfolio revaluation loss was mainly due to the devaluation of several properties in the portfolio.

* The Net Book Value as at 31 December 2021 (prior to the revaluation) for the properties comprise of the brought forward net book value as at 31 December 2020 together with asset enhancement related costs incurred during the year.

** Excludes the net book value of Quill Building 5.

The fair valuation loss on investment properties recognized in the Consolidated Statement of Comprehensive Income amounts to RM14.659 million. The reconciliation between the decrease in investment properties and fair value loss is as follows:

	RM'000
Decrease in investment properties as per 31 December 2021 valuation	(15,701)
Less: Unbilled lease income receivable	1,042
Fair value loss of investment properties (Unrealised)	(14.659)

Upon incorporating the fair value loss of investment properties, the total net asset value ("NAV") and NAV per unit (after income distribution) are RM1.318 billion and RM1.1898 per unit, respectively (FY 2020 total NAV and NAV per unit (after income distribution) is RM1.324 billion and RM1.1984 per unit respectively).

Property Portfolio Summary Information

Portfolio details	FY 2021	FY 2020
No of Assets – Commercial Real Estates ⁽¹⁾	9	10
Valuation of Investment Properties (RM'000)	2,081,000 ⁽³⁾	2,137,000 ⁽²⁾
Net Lettable Area ("NLA") (sq. ft.)	2,114,938 ⁽⁴⁾	2,196,540
Portfolio Occupancy rate (%)	90.0	90.0
Weighted Average Lease Expiry (years)	3.78	4.51
Renewal Rate (%)	66.0	85.0

Notes:

- 1) SENTRAL's composition of investment portfolio consist of only real estate assets.
- 2) After taking into account the accrued rental income of RM16.15 million as required under MFRS 140, paragraph 50, and the asset held for sale of RM40.0 million (Quill Building 5), the investment properties amount as shown in the Consolidated Statement of Financial Position is RM2.08 billion.
- 3) After taking into account the accrued rental income of RM15.11 million as required under MFRS 140, paragraph 50, the investment properties amount as shown in the Consolidated Statement of Financial Position is RM2.07 billion.
- 4) After taking into account the disposal of Quill Building 5 which was completed on 21 April 2021.

MANAGEMENT DISCUSSION AND ANALYSIS - OPERATIONAL OVERVIEW

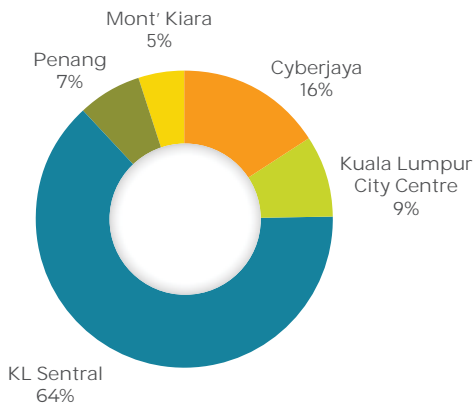
(cont'd)

BUSINESS PERFORMANCE (cont'd)

(A) Portfolio Highlights (cont'd)

Geographical Diversification (by Valuation)

9 properties well spread over Cyberjaya, Kuala Lumpur, Selangor and Penang.

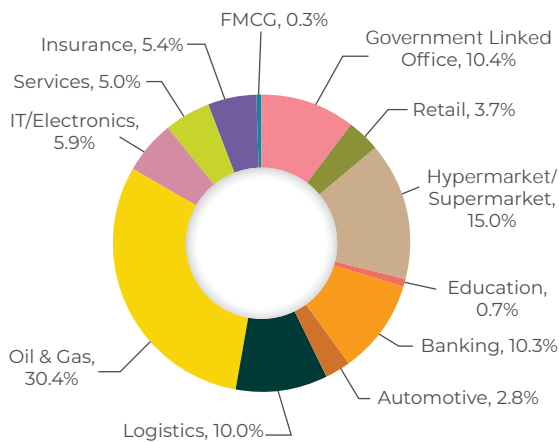


Klang Valley	77%
Cyberjaya	16%
Penang	7%

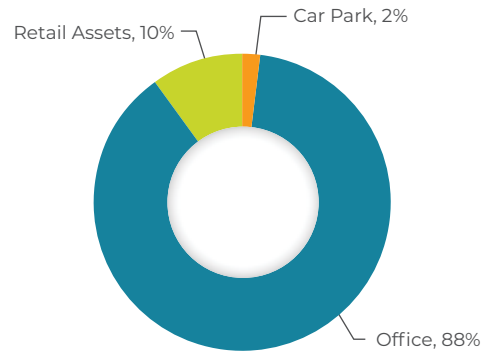
Note:

(1) Based on valuation dated 31 December 2021

A Well Balance Tenancy Mix (By Net Lettable Area)



Segmental Contributions (By Valuation)



Notes:

- (1) Office comprises Quill Buildings, Platinum Sentral, Menara Shell and Wisma TechnipFMC
- (2) Retail Assets refers to retail portion of Plaza Mont' Kiara & Lotuss Building Penang
- (3) Car Park refers to car parking bays in Plaza Mont' Kiara
- (4) Based on valuation dated 31 December 2021

(B) Investment and Asset Management 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 and to achieve long-term growth in the net asset value per unit of SENTRAL.

SENTRAL's investments are subject to the investment limits imposed under the Listed REIT Guidelines and Bursa Securities Main Market Listing Requirements ("Listing Requirements"). SENTRAL shall continue to comply with these guidelines and other requirements imposed by the relevant authorities from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS - OPERATIONAL OVERVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(B) Investment and Asset Management Strategies (cont'd)

We remain focused in achieving SENTRAL's key investment objectives while seeking additional income growth and enhancement of SENTRAL's property portfolio over time through the following strategies:

1. Acquisition growth and portfolio management strategy

The Manager seeks to selectively acquire additional properties that meet the investment criteria to enhance yields and return while improving portfolio diversification. The acquisition strategy takes into consideration rental yield, occupancy and tenant characteristics, location, value-adding opportunities, and building and facilities specifications.

SENTRAL intends to hold the properties on a long-term basis. However, at the appropriate time, the Manager will recommend an adjustment of the property portfolio mix through acquisition or sale of one or more of the authorised investments or commercial properties with the objective of maximising total returns to unitholders. The proceeds from such sales would be either deployed to purchase other attractive authorised investments or, in the absence of appropriate investments, distributed to unitholders or to pay down borrowings.

2. Active asset management strategy

To increase the property yield of existing commercial space and correspondingly maximising returns from the existing commercial space, the following strategies have been implemented:

- Continued minimization of property expenses without compromising the quality and services; and
- Asset enhancement by constantly improving and maintaining the quality and physical condition of the properties.

There were no changes in the strategies adopted during the financial year compared to the strategies employed in the preceding years and are consistent with those stated in the prospectus dated 11 December 2006. As the above strategies remain relevant to SENTRAL under the current operating environment and market condition, the Manager will continue to adopt them in the coming year.

Investment/Divestment activities in FY2021

The Trustee, acting solely in the capacity as trustee for SENTRAL had on 12 November 2020 entered into a sale and purchase agreement with Deriv Services Sdn Bhd for the disposal of Quill Building 5 for a cash consideration of RM45 million ("Disposal").

Notwithstanding movement control measures imposed during the year, SENTRAL managed to complete the Disposal within the requisite timeline, on 21 April 2021. Part of the proceeds from the Disposal were utilised for the early repayment of RM40 million term loan drawn in 2008 for the acquisition of the said building. Retiring part of this term loan is in line with the SENTRAL's proactive capital management strategy to ensure that the Trust maximizes returns to unitholders and also to maintain a comfortable debt headroom to pursue growth or future acquisitions.

Save for the above, there were no other acquisitions and/or disposals in FY2021.

- Maximization of tenant retention through proactive tenant management and efficient property related services;
- Diversification of tenant base to balance exposure to certain business sectors that are more susceptible to general economic cycles;
- Implementation of proactive marketing plans;



MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL OVERVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(C) Review of Operation Activities

The office property market has been challenging and undoubtedly this was further exacerbated by the COVID-19 pandemic and the resultant slowing down of the economic. SENTRAL was also not spared from this prolonged challenging operating environment. One of the most compelling impacts of COVID-19 is how it has altered the way of doing business and how businesses operate. Major office occupiers in Klang Valley such as the oil & gas and financial services sectors continue to be cautious in its rental commitments amid weaker corporate earnings and subdued business sentiment caused by the prolonged COVID-19 pandemic. After experiencing the hard lessons learnt from the pandemic, many corporates are now likely to revisit their office space requirements, and ramp up the necessary information & technology ("IT") infrastructure and facilities that would enable remote working, to ensure the continuity and sustainability of their business operations.

While we have seen business owners putting on hold their business expansion plans and real estate decisions due to the pandemic in 2020, leasing activities have picked up momentum towards the third and fourth quarter of 2021. We believe that business operators now are more comfortable with the "new normal" requirements and have a better understanding of how to adjust their business operations, post pandemic. Specifically, with the increased requirements for physical distancing in the workplace, businesses had to rethink their operations model whereby some office operations had to be split into multiple sites (i.e. decentralisation), provide bigger working spaces to employees and/or initiate work from home options. Some of the key office trends noted during the year include:

- Reevaluation of office space requirements leading to potential downsizing of office space with adoption of hybrid working models (working from office and home). Work from home programmes would be something inevitable going forward;

- Decentralisation of business/office operations. This could support the demand for office spaces outside of the central business districts. Some financial services companies have already begun its decentralisation exercise in 2021;
- Increased demand and requirement for fully fitted office spaces to accommodate the tenants' immediate business needs;
- Requirements for more flexible tenancy duration to cater for changes in resource allocation;

While there is an increasing trend of corporations in Malaysia practicing remote/flexible work arrangements, this new normal will not eliminate the importance of office space. Many companies will still want to retain a physical presence in key locations within the city centre or in key business districts.

In response to mitigating the challenges of the Klang Valley office market, we have during year continued with our strategy to focus our leasing efforts in improving SENTRAL's tenant retention rate, maintaining a high weighted average lease expiry ("WALE") and stabilizing of its portfolio's occupancy rate.

Almost all businesses have had a long and bumpy journey in 2021. The prolonged pandemic has left many businesses and economic sectors struggling to manage its cash flows and to stay afloat. However, with the easing of movement restrictions in line with the National Recovery Plan since the third quarter of 2021, more business activities and services had gradually resumed, subject to conditions and standard operating procedures ("SOP") set by the relevant authorities. The ability of tenants to ride out this pandemic is essential to the sustainability of SENTRAL's occupancy rate and income. With that in mind, we had continued with SENTRAL's tenant assistance programme to cater to the needs of affected tenants, mainly the SME retail tenants. Various forms of assistance i.e. rebates, payment deferment schemes, allowing tenants to swap cash security deposit with Bank Guarantees have been provided. The objective of these assistance is to elevate tenants' cash flow burdens due to the inability to operate during the MCO period and to ensure the sustainability of their operations in the longer run.

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL OVERVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(C) Review of Operation Activities (cont'd)

SENTRAL had approximately 440,000 sq. ft. or 22% of its total committed NLA due for renewal in 2021. Our leasing and asset management strategy throughout the year has confirmed a take-up rate of approximately 289,000 sq. ft. of NLA or approximately 66% of the total leases due in 2021. Correspondingly, SENTRAL recorded an average occupancy rate of 90% as at 31 December 2021 (2020: 90%) in terms of NLA and is above the Klang Valley office market average occupancy rate of 74.3% in 2021.

Moving forward, we expect competition in the Klang Valley office market to remain intense in a midst of a prolonged oversupply condition exacerbated by the pandemic. Competition from newer buildings offering competitive rental rates will be the key leasing risk to SENTRAL. To mitigate this, strong tenant management and tenant retention will continue to be the key focus in 2022, similar to the previous year. With the positive leasing outcomes achieved in 2021, we intend to continue to pursue our on-going marketing programmes and to adapt some of our leasing strategies to cater to the above-mentioned key office trends, with the aim to maintain a stable portfolio occupancy rate throughout 2022. We will also leverage on new and existing networks to market the available office spaces in SENTRAL's portfolio with the focus on bringing in new tenants from the IT, oil & gas, e-commerce, serviced office and shared services sectors.

Tenants' requirement for high-grade buildings with up-to-date specifications are key considerations when planning for SENTRAL's yearly asset enhancement plans. We believe that consistent quality and service of our portfolio of properties is crucial for our properties to remain competitive and relevant. On a yearly basis, we will embark on refurbishments and asset enhancement works mainly aimed at promoting a conducive work environment for tenants. This will also include providing a safer and greener/sustainable environment which can also assist the tenants to achieve their health, safety and environment ("HSE") and sustainability goals.

Due to the MCO restrictions in 2021, we had to rescheduled certain less critical planned 2021 enhancement works to the following year. In its place, resources have been deployed on assessing the risk of COVID-19 impacting SENTRAL's portfolio of properties. This is vital in order to improve the quality and service delivery of SENTRAL's properties to meet the requirements of the new normal.

Safety was one of the key focus in our 2021 enhancement initiatives. Various safety features have been included in SENTRAL's buildings including upgrading of Menara Shell's car park lifts with new safety features and installation of energy efficient LED lighting for improve visibility in Plaza Mont Kiara car park. In addition to the above, major enhancement work was initiated in Menara Shell and progress work is expected to pick up speed in 2022 with the relaxation of the movement control restrictions. We will also resume improvement works planned for Platinum Sentral in 2022. Specifically, building safety will be prioritized with the upgrade of the outdoor courtyard wood deck areas which could be a potential safety hazard for tenants if upgrading works are not done to reinforce the wood decks. In addition, enhancement of the lighting system to provide better visibility at dark secluded areas at Levels 2 and 3 of Platinum Sentral will also be part of the safety enhancement for the building.

(D) Risk Management

Risk management is an integral part of SENTRAL's business as it ultimately supports the business in meeting its business objectives and strategies, and consequently creating and preserving value for its unitholders. Explained below are the key risk affecting SENTRAL's operations and control measures adopted to mitigate such risks.

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL OVERVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(D) Risk Management (cont'd)

Business Risk / Leasing Risk

Strong competition, poor economic and market conditions and over supply are some of the key factors that could result in master lessees/key tenants not renewing their leases or reduced rental rates and adversely affect the leasing performance of SENTRAL's properties. To deal with such challenges, mitigating actions taken are:

- Establishing a diversified tenant base across its portfolio with a good mix of high-quality multinational and large local conglomerate tenants from various sectors/industries;
- Active engagement of key strategic tenants to understand and meet their needs;
- Asset enhancement and maintenance initiatives to maintain the quality of SENTRAL's properties to be the preferred choice for tenants; and
- Lease negotiation well ahead of lease expiry and locking tenants in for longer lease term.

Prolonged COVID-19 Pandemic Lockdowns

The uncontained spread of COVID-19 and the pervasiveness of the virus has caused extended lockdowns in Malaysia, which has poised a significantly drag on business activities. This has led of a sharp decline in private consumption and consequently, has had a rippled effect on corporate earnings and financial markets. Therefore, the risk of resurgence or subsequent wave of new COVID-19 infections, would be a downside risk to SENTRAL. The prolonged COVID-19 pandemic would delay the expected economic recovery and consequently effect the performance of SENTRAL as tenants are unable to operate and consequently may lead to inability to service obligations under the tenancy agreements.

Credit Risk

Credit risk is the potential earnings volatility caused by tenants' inability and/or unwillingness to fulfil their contractual lease obligations, as and when they fall due. There is a stringent collection policy in place to ensure that credit risk is minimised. In addition to the requirement for upfront payment of security deposit of an amount typically equivalent to three months' rent, the Manager also establishes vigilant monitoring and debt collection procedures. Specifically, we have an ageing analysis in place to monitor the credit quality of the receivables. More stringent monitoring of receivable with significant balances past due more than 30 days will be conducted as they are deemed to have higher credit risk.

To mitigate the credit/default risk which can lead to premature/early lease terminations by tenants effected by COVID-19, supporting SENTRAL tenants, especially the small and medium-sized enterprise tenants through these COVID-19 challenges remain our priority. Through our tenant assistance programme, we will provide assistance on a case to case basis and where necessary to the affected tenants.

Liquidity Risk

Liquidity risk exposure arises principally from SENTRAL's various payables, loans and borrowings.

SENTRAL maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to finance the operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows.

Amidst the COVID-19 pandemic, SENTRAL continues to prioritise managing cash flow and exercising financial discipline. Based on SENTRAL's current performance, it has continued to distribute semi-annually.

Interest Rate Risk

To mitigate interest rate fluctuations and to provide certainty of income contribution to SENTRAL, it is our interest rate risk policy to maintain majority fixed rate borrowings for all its existing debts.

MANAGEMENT DISCUSSION AND ANALYSIS - OPERATIONAL OVERVIEW

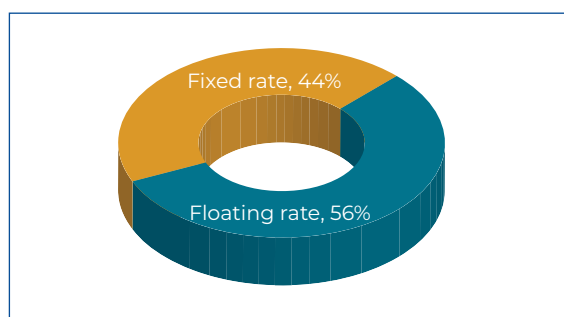
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BUSINESS PERFORMANCE (cont'd)

(D) Risk Management (cont'd)

Interest Rate Risk (cont'd)

However, in 2021 and subsequent to the refinancing of the RM260 million borrowings under Kinabalu Capital Sdn Bhd and the early redemption of RM40 million term loan under Trusmadi Capital Sdn Bhd, a sizeable portion of SENTRAL's borrowings were kept on floating interest rate.



We have kept 56% of the borrowings on floating rate in anticipation of continued low OPR by BNM, which will aid in lowering SENTRAL's overall financing cost. It is expected that Malaysia's monetary policy will continue to remain supportive of economic recovery throughout 2022 and any change in monetary policy will be guided how the overall domestic inflation and domestic growth performs.

Regular reviews will be carried out on the optimal mix of fixed and floating rate borrowings. If required, the Manager will enter into hedging transactions using interest rate swaps to convert the floating rate borrowing to fixed rate borrowings to mitigate exposure to a rising interest rate environment.

Compliance Risk

SENTRAL is required to comply with the relevant legislations and regulations that include the Capital Markets and Services Act 2007, the Listing Requirements, Listed REIT Guidelines and the tax rulings issued by the Inland Revenue Board of Malaysia on the taxation of SENTRAL and its Unitholders. As a listed REIT, non-compliance of the above will impact not only SENTRAL's financial performance, but will have deep repercussion of SENTRAL's reputation.

As part of the requirements set out in the Listed REIT Guidelines, SENTRAL a Compliance Officer who is required to proactively identify applicable laws and regulatory obligations, and any updates or changes therein and ensure that SENTRAL's day-to-day operations comply with these requirements. The Manager has in place a monitoring framework that tracks SENTRAL's compliance of these applicable legislations and regulations on an on-going basis. The Compliance Officer also periodically monitors the operations of SENTRAL to ensure that there are no breaches to the covenants of the Trust Deed and any other contracts/agreements entered into by SENTRAL with third parties. The Compliance Officer provides a compliance report to the Audit Committee on a quarterly basis.

Further details of our governance and internal control framework and can be found in the Corporate Governance Overview Statement and Statement of Risk Management and Internal Control sections of this Annual Report.

OUTLOOK AND PROSPECTS

The expected growth trajectory for Malaysia in 2022 is based on further expansion in global and domestic economic activities, fuelled by broader vaccine coverage and a further improvement in goods trade amid a slower recovery in services trade.

Almost all economic sectors are projected to expand on the supply side, led by the services and manufacturing sectors. The real estate and business services subsector is expected to decline by 5.1% in 2021. The annual performance was weighed down by the 10.5% contraction in the first half due to slower leasing and renting of properties and lower demand for professional services. However, the subsector is anticipated to improve marginally by 0.6% in the second half following the reopening of economic sectors and property companies' aggressive adoption of digital marketing. The expected improvement is also attributed to the extension of the RPGT exemptions as well as stamp duty exemptions and price discounts under the Home Ownership Campaign. The real estate and business services subsector is projected to rebound by 8.6% in 2022, mainly driven by business services provided particularly to property and financial-related activities.

(Source: Ministry of Financial Budget 2021 - Economic Outlook 2021)

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL OVERVIEW

(cont'd)

OUTLOOK AND PROSPECTS (cont'd)

The Kuala Lumpur office market down cycle is expected to persist in 2022 as future supply of office space continue to come on steam, coupled with weak absorption rates which was exacerbated by the pandemic. We expect to see these pressures on the Klang Valley office market be alleviated with the eventual improvement in the economy and the gradual improvement in consumer and business sentiments in 2022. Leasing activities are expected with pick up momentum as businesses resume operations under the “new normal” requirements, after having gained a better understanding of how to adjust its business operations, post pandemic. Leasing enquiries picked up after the third quarter of 2021 with office developments within the fringes of Central Kuala Lumpur such as KL Sentral, Mid Valley and Bangsar South still being the preferred choices. Leasing activities in these areas during the year have been encouraging, notwithstanding the on-going pandemic. These localities are strategic, have high concentration of office developments, and are supported by amenities, good public transportation and accessibility. Demand from the services sector, serviced offices, shared service operations, business process outsourcing sector (“BPO”), IT and technology based sectors continue to be prevalent and encouraging, as compared to the banking and oil & gas sectors which have traditionally bolstered the demand for the Klang Valley office space.

Many organisations have started to revamp existing operating workflow to cater for hybrid working options and to embrace technology in their business operations. This may benefit co-working operators, which are able to offer flexible contract arrangements as organisation rethink and adapt to alternative work models in this challenging business environment. Physical distancing measures may lead to a reversal of open office trends and opting for decentralised offices.

With the influx of new buildings with newer specifications, it is vital that landlords focus on asset management and enhancement initiatives that emphasises in adapting existing office buildings to meet the new normal requirements and specification required by tenants. Such initiatives together with leasing strategies that are centred on tenant retention will be essential for landlords to retain existing tenant,

improve their market competitiveness and to attract new occupiers. If Malaysia eases into an endemic environment in the future, where living with COVID-19 is imperative, health and safety measures will also be the centre of workplace planning. Landlords will have to ensure that their buildings continue to be fitted with the necessary facilities, health and safety features and carry out regular disinfecting and necessary preventive measures/SOPs to mitigate the risk of COVID-19 infections.

The challenging sector outlook is likely to exert pressure on SENTRAL's operation in the coming year. Notwithstanding, we believe that SENTRAL's operation will be able to sustain these challenges as we will continue to intensify our efforts to manage SENTRAL's operations efficiently underpinned by our proactive approach towards asset, portfolio and cost management. The focus will be on tenant retention and cost efficiency measures, while continuing to pursue growth by actively exploring acquisition opportunities based on a prudent acquisition strategy.

In terms of new investments, we will continue to expand SENTRAL's asset portfolio and increase market presence in line with its investment objective to acquire and invest in accretive commercial properties primarily in Malaysia. We are adopting a prudent acquisition strategy and focus will be on good quality commercial/office properties with strong recurring rental income and potential for revenue and capital growth. Prudent identification of right acquisition targets that meet our investment criteria will be essential to drive sustained growth going forward. All acquisition opportunities will be evaluated against stringent investment criteria, such as the following:

- Rental yield;
- Occupancy and tenancy characteristics;
- Location;
- Value-adding opportunities/potential asset enhancements; and
- Building and facilities specifications.

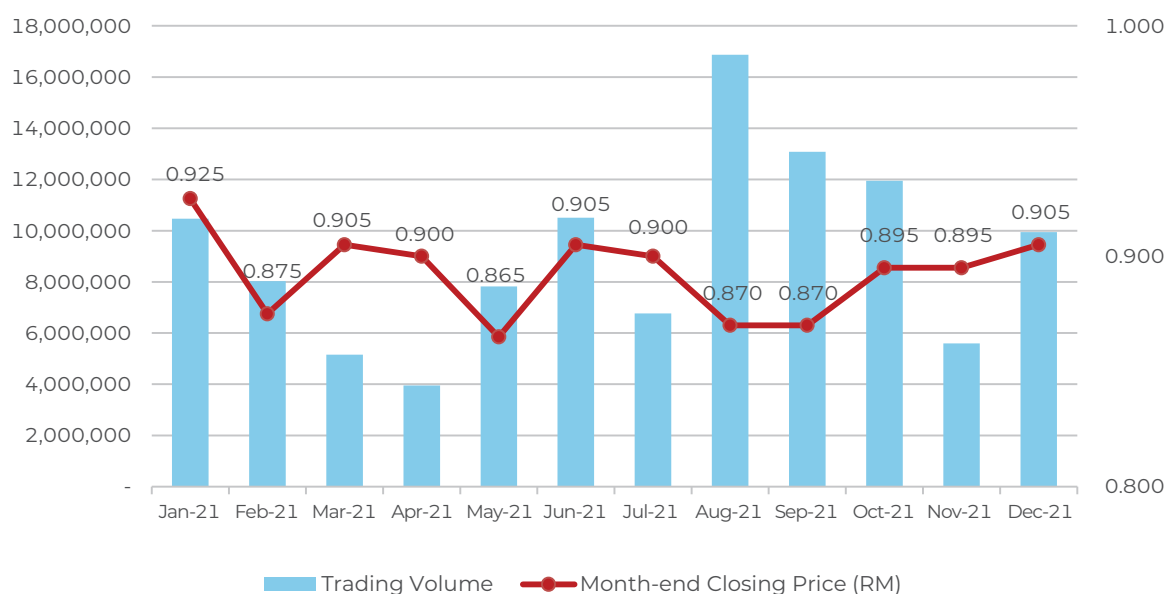
MANAGEMENT DISCUSSION AND ANALYSIS - TRADING PERFORMANCE AND INVESTOR RELATION

(A) Trading Performance

Unit Price Performance

SENTRAL's Monthly Trading Performance for 2021

Monthly Trading Performance for 2021



	Trading Volume	Month-end closing Price (RM)
Jan-21	10,466,600	0.925
Feb-21	8,029,100	0.875
Mar-21	5,155,900	0.905
Apr-21	3,953,600	0.900
May-21	7,823,200	0.865
Jun-21	10,504,800	0.905
Jul-21	6,766,100	0.900
Aug-21	16,873,600	0.870
Sep-21	13,078,100	0.870
Oct-21	11,945,800	0.895
Nov-21	5,596,900	0.895
Dec-21	9,943,000	0.905

MANAGEMENT DISCUSSION AND ANALYSIS

- TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

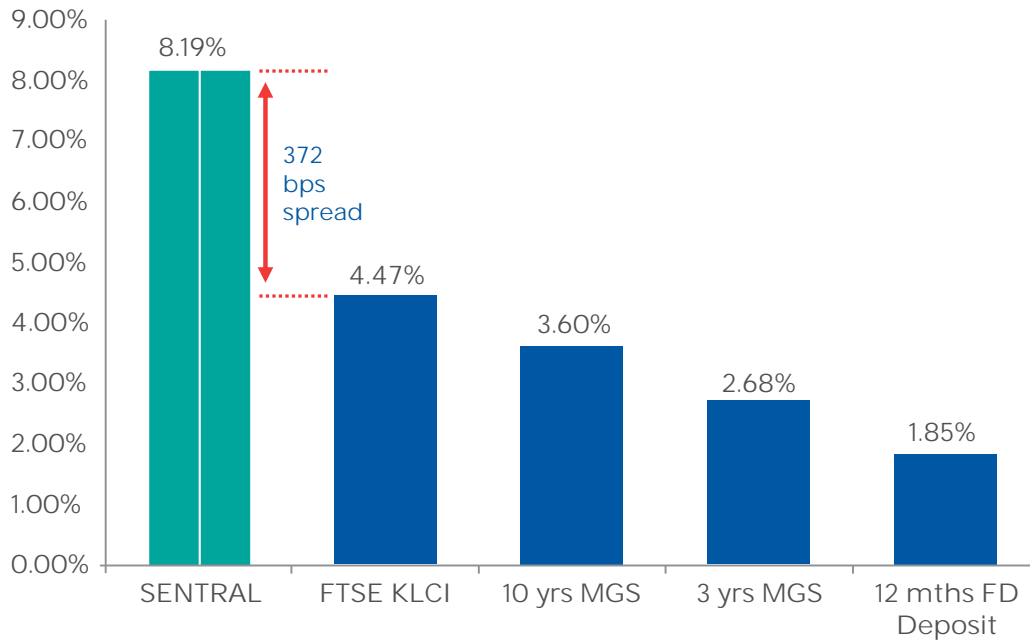
(A) Trading Performance (cont'd)

SENTRAL's Unit Price versus Performance Benchmarks

- 8 January 2007 (from Listing Date) to 31 December 2021



Comparative Yields



Source:

- 1) Rates for 5-yrs MGS & 10-yrs MGS rate was obtained from HSBC Daily Commentary Report dated 31 December 2021.
- 2) 12 months FD rate is from Maybank.
- 3) Dividend Yield of FTSE Bursa Malaysia KLCI as at 31 December 2021 is from Bloomberg.

MANAGEMENT DISCUSSION AND ANALYSIS

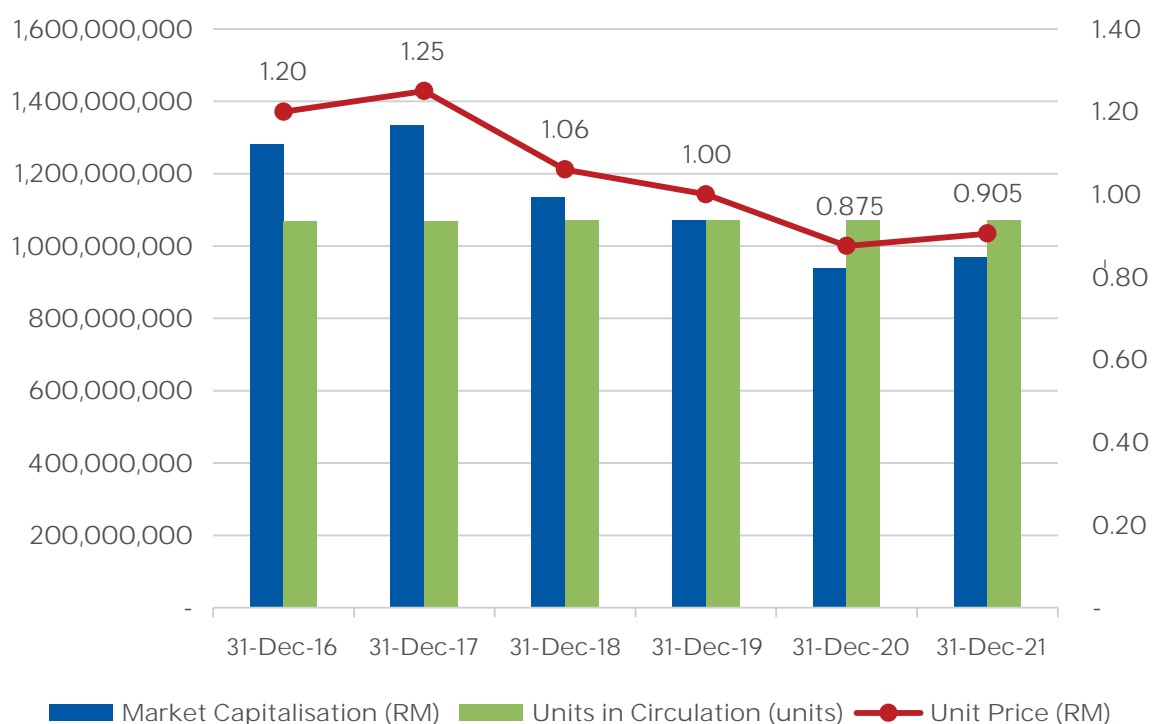
- TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

(A) Trading Performance (cont'd)

Market Capitalisation	
As at 31 Dec 2011 - RM421,341,480	As at 31 Dec 2017 - RM1,335,000,000
As at 31 Dec 2012 - RM479,861,130	As at 31 Dec 2018 - RM1,136,089,980
As at 31 Dec 2013 - RM460,354,580	As at 31 Dec 2019 - RM1,071,783,000
As at 31 Dec 2014 - RM456,453,270	As at 31 Dec 2020 - RM937,810,125
As at 31 Dec 2015 - RM714,291,480	As at 31 Dec 2021 - RM969,963,615
As at 31 Dec 2016 - RM1,281,600,000	

Market Capitalisation, Unit Price and Units in Circulation

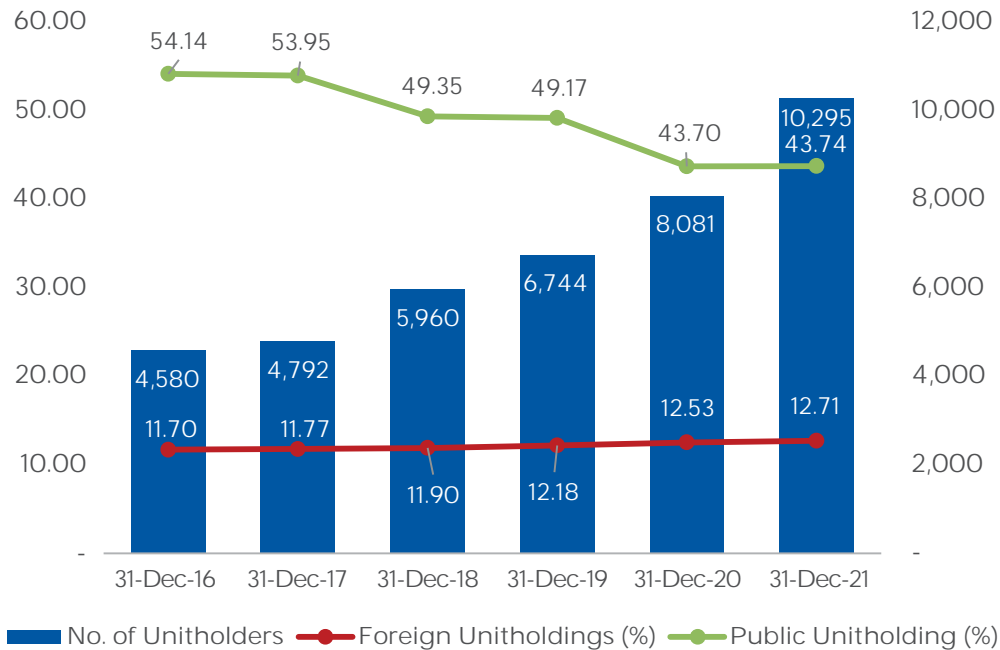


MANAGEMENT DISCUSSION AND ANALYSIS - TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

(A) Trading Performance (cont'd)

Unitholders Statistics (No. of Unitholders vs Foreign Unitholding % vs Public Unitholding %)



(B) Investor Relations Initiatives (“IR”)

We are committed to ensuring effective communication and proactive stakeholders’ engagement. It is crucial that we strengthen our communication with stakeholders especially in challenging times to allow stakeholders to make informed decisions.

We continuously enhance our communication channels to cater to the growing needs of the stakeholders through the following communication channels:

Communication Channel	Medium of Communication	Stakeholders
Analyst and investor briefings*/ one-on-one meetings*	<ul style="list-style-type: none"> ■ Quarterly financial earnings releases ■ Corporate exercise announcements 	<ul style="list-style-type: none"> ■ Institutional investors ■ Analysts
Property Tours^	<ul style="list-style-type: none"> ■ Group tour ■ One-on-one tour 	<ul style="list-style-type: none"> ■ Institutional investors ■ Analysts
Conferences*	<ul style="list-style-type: none"> ■ Investors conferences ■ Industry conferences ■ Non-deal roadshows 	<ul style="list-style-type: none"> ■ Institutional investors ■ Analysts
Corporate website and investor relation portal	<ul style="list-style-type: none"> ■ https://sentralreit.com ■ Corporate announcements ■ IR enquiry contact 	<ul style="list-style-type: none"> ■ Institutional investors ■ Retail investors ■ Analysts ■ Media

MANAGEMENT DISCUSSION AND ANALYSIS - TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

(B) Investor Relations Initiatives (“IR”) (cont'd)

Communication Channel	Medium of Communication	Stakeholders
Research coverage	<ul style="list-style-type: none"> ■ 6 research coverage reports 	<ul style="list-style-type: none"> ■ Institutional investors ■ Retail investors ■ Analysts ■ Media
Media engagement	<ul style="list-style-type: none"> ■ Media briefings ■ Media releases 	<ul style="list-style-type: none"> ■ Media ■ Public
Annual General Meetings*	<ul style="list-style-type: none"> ■ Reporting of financial performance 	<ul style="list-style-type: none"> ■ All unitholders ■ Public
Publications	<ul style="list-style-type: none"> ■ Annual reports ■ Company Presentations 	<ul style="list-style-type: none"> ■ All unitholders ■ Analysts ■ Media ■ Public

* These events were held virtually in compliance with the COVID-19 physical distancing requirements.

^ Not conducted in 2021 due to COVID-19.

Unitholders' Meetings

Ninth Annual Unitholders' Meeting

In the midst of the on-going COVID-19 pandemic, SENTRAL's 9th Annual General Meeting (“9th AGM”) was held on 7 April 2021 and conducted entirely via remote participation and electronic voting. The online 9th AGM was conducted in accordance with the practices that have already been adopted by other internationally developed capital markets.

During the 9th AGM, unitholders' approval was sought for the proposed authorisation and issuance of new units (“Proposed Unitholders' Mandate”) pursuant to Clause 6.59(1A) of the Listing Requirements, as well as to brief Unitholders about SENTRAL's financial results for FY2020. We are pleased to report that the resolution for the Proposed Unitholders' Mandate was duly passed.

Our stakeholders value timely and transparent disclosure of information and announcements as well as the accessibility to the Board and key management. Accordingly, the AGM will serve as a good platform for the Board and key management to share the highlights of the Trust's financial results for the fiscal year. In turn, unitholders can ask questions, clarify facts and provide feedback to the management about the SENTRAL's financial health, business performance, outlook and strategies.

We will continue to proactively engage with SENTRAL's unitholders regularly to ensure proper dissemination of information and consistency in messages for better understanding of the business and operating environment.

MANAGEMENT DISCUSSION AND ANALYSIS

- TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

(B) Investor Relations Initiatives ("IR") (cont'd)

Research Coverage in 2021

In 2021, SENTRAL was covered by 6 research houses. Below is a summary of the reports published for SENTRAL's 4Q 2021 results:

Coverage	Rating	Target Price (RM per unit)
RHB Research Institute	Buy	1.02
Hong Leong Investment Bank Research	Buy	0.95
Maybank IB Research	Buy	1.25
CGS CIMB Research	Buy	1.00
UOB Kay Hian Research	Buy	1.00
Kenanga Research	Market Perform	0.90

(C) Corporate Social Responsibility ("CSR")

SENTRAL's CSR initiatives are carried out by the REIT Manager – SENTRAL Management Sdn Bhd ("SRM"). In the wake of COVID-19 pandemic, our efforts in FY2021 have remained focused on supporting the welfare of needy children while also extending our support to the B40 and underprivileged communities for their basic needs.

Specifically, SRM's community sponsorship in 2021 were focus on the following two themes:

1. Supporting and facilitating children's online learning

The closure of schools due to the COVID-19 pandemic has disrupted the children's day to day learning. With the move to online learning, many children from the B40 communities are not equipped with the necessary hardware and software to participate in the school's online learning platform. Therefore, to support the children's online learning, the following sponsorships were completed during the year:

Donation of RM40,000 in cash to Yayasan Ozanam

Yayasan Ozanam is a non-profit organization set up to provide and care for poor, abandoned, underprivileged and single parent children. The RM40,000 cash donation to Yayasan Ozanam was utilized to provide more digital equipment and software/applications as well as improving the delivery of online school lessons and e-learning programs (i.e. internet subscription) at Yayasan Ozanam's children homes, Ozanam Service Centre, and Children of FINS, (friends in need from B40 income families) under the umbrella of Yayasan Ozanam.

Donation of RM45,000 in cash to Persatuan Kebajikan Kanak-Kanak Kajang ("PKKKK")

PKKKK is a registered voluntary non-government organization set up in 2010 with aim to provide free tuition classes and meals to the school going children from the poor, underprivileged families based in Semenyih and Kajang. The centre has become the only source for many of its students to access their daily online school lessons. However, with limited number of computers available, PKKKK was unable to accommodate the increase usage by its students. Therefore, the RM45,000 cash donation to PKKKK was utilised for various essential needs namely, the purchase new computers, teacher's salary, rent and utility expenses.

MANAGEMENT DISCUSSION AND ANALYSIS - TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

(C) Corporate Social Responsibility (“CSR”) (cont'd)

2. Distribution of food to the needy B40 communities

Many of the B40 breadwinners suffered loss of income/jobs due the lockdown restrictions. This has resulted in the inability to put food on the table for these families. During the year, the following sponsorships were completed:

Donation of RM50,000 to Grace Community Services (“GCS”) for Food Aid Program

GCS is a non-profit organization founded to serve the needs the underprivileged and the marginalized community who need assistance, regardless of race or religion mainly in the Klang area. Donation of RM50,000 to GCS was utilised to fund the purchase of monthly essential food packs worth RM72 each for 230 families, for 3 months i.e. from October 2021 to December 2021. Under GCS's Food Aid Program, each family will receive a food pack consisting of rice, cooking oil, flour, noodles, milk, sugar, and other non-food supplies. Most of the beneficiaries are from the B40 group with large family dependents of between 3 and 6 members, single parents i.e. the widowed, aged, separated, and divorced or unemployed and dependent on welfare aid.

Donation of RM41,360 to Pit Stop Community Café (“Pit Stop”)

Pit Stop operates a soup kitchen and prepares and packs meals for distributions to the various community centres in KL city center. Some of these community centres include:

- Anjung Singgah – a homeless transit center located at Jalan Hang Lekiu, Kuala Lumpur
- Pertubuhan Kesihatan dan Kebajikan Umum Malaysia (PKKUM) an outreach center at Jalan Chow Kit, Kuala Lumpur; and
- Rumah Kanak Kanak Trinity, Section 7, Petaling Jaya

SRM's donation under Pit Stop's community initiatives were utilised to fund the purchase of the following:

- Raw food and vegetable produce for the meal preparation at Pit Stop's soup kitchen's at Jalan Tun H. S. Lee for the period from June 2021 to December 2021.
- Buns as part of the dinner pack distribution to the street communities organized by Pit Stop, delivered twice weekly from June 2021 to December 2021.

All the sponsorship items above were purchased from SENTRAL's retail tenants.

Food donation of approximately RM21,400 to B40 communities in Lembah Pantau and Batu Adun

Many B40 communities continue to face hardship with the prolong lockdown. SRM has reached out to several community' leaders in Kuala Lumpur and identified several areas with high concentration of B40 communities. These B40 communities have been affected by the lockdown as the residents are unable to work or find suitable vocations to survive during the pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS - TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

(C) Corporate Social Responsibility ("CSR") (cont'd)

2. Distribution of food to the needy B40 communities (cont'd)

In view of the dire need for assistance, the following once off food donations were initiated:-

- Distribution of 200 food baskets and 400 packs of chicken rice for residents at Jalan Kubur, Project Perumahan Rendah ("PPR") Kerinchi, PPR Pantai Ria and Taman Bukit Angkasa.
- Distribution of 200 food baskets and 500 packs of chicken rice to communities at PPR Batu Muda, Taman Koperasi Polis 2, Bandar Baru Sentul and Kampung Batu Muda.

All the sponsorship items above were also purchased from SENTRAL's retail tenants.

Food Sponsorship of approximately RM1,500 to Pusat Penjagaan Kanak-Kanak Cacat Taman Megah ("PPKKCTM")

PPKKCTM is a home for handicapped and disable children located at Plot 13488, Jalan Jenjarum, Taman SEA, Petaling Jaya. It houses up to 138 children of all races. This sponsorship to the centre involves a once off distribution of bento meals and supply of essential such as milk, shower wash, disinfectants, children's face masks and laundry detergent.

PROPERTY MARKET UPDATES

PROPERTY MARKET OVERVIEW 2021 PREPARED BY KNIGHT FRANK MALAYSIA SDN BHD FOR SENTRAL

MARKET INDICATIONS

The COVID-19 pandemic continues to disrupt lives, economies and societies. The destructive impact of the prolonged pandemic, which has led to the country being placed under various phases of Movement Control Order (MCO) since 18 March 2020 to contain the spread of the novel coronavirus, is reflected in the country's poor economic performance for 2020, it registered an annual contraction of 5.6% compared to a 4.3% growth in 2019.

Year 2021, started on a more challenging note as MCO 2.0 was implemented and a state of emergency was announced in January as part of the containment measures of the COVID-19 pandemic. The economy contracted 0.5% in 1Q2021 as measures such as travel restrictions, enforced business closures and restricted social activities left many businesses and economic sectors struggling to stay afloat.

In 2Q2021, the economy expanded by 16.1% supported mainly by the improvement in domestic demand and continued robust exports performance. The re-imposition of strict containment measures following the surge in infections, however, led to sharper economic contraction with gross domestic product (GDP) shrinking 4.5% in the third quarter of 2021.

Malaysia's economic recovery in 2021 will be underpinned by the effective implementation of the National Immunisation Programme to curb the spread of COVID-19. The government's earlier GDP projection of between 6.0% and 7.5% for 2021 has been revised lower to between 3.0% and 4.0% following re-imposition of movement control orders and full lockdown since January 2021 (MCO 2.0, MCO 3.0 and FMCO) to rein in resurgence of COVID-19 cases.

To date, multiple economic stimulus packages totalling some RM530 billion have been unveiled to mitigate the adverse impact of the pandemic on the economy, business and society. The latest package, PEMULIH (National People's Well-Being and Economic Recovery Package) worth RM150 billion together with a RM10 billion fiscal injection, was announced on 28 June 2021.

The country's unemployment rate was recorded at 4.7% in 3Q2021, a slight decline from 4.8% in 2Q2021, driven by a slightly larger increase in employment relative to labour force expansion. For 2021, Malaysia's labour market is expected to register at 4.6% amid growing challenges due to the prolonged pandemic.

Malaysia's inflation moderated to 2.2% in 3Q2021 (2Q2021: 4.1%), primarily due to the dissipating base effect from fuel prices and the implementation of a three-month electricity bill discount effective July 2021. For the whole year of 2021, Bank Negara Malaysia (BNM) has projected that headline inflation will average between 2.0% and 3.0%.

The Business Conditions Index (BCI) improved by 9.5 points to settle at 97.0 points in 3Q2021 from 87.5 points in 2Q2021 mainly due to improved sales as well as domestic and external orders. The index expanded 10.7 points on the year, reflecting a slow recovery from the prolonged COVID-19 pandemic (3Q2020: 86.3 points).

The central bank cut the overnight policy rate (OPR) by 25 basis points to 1.75% on 7 July 2020, its fourth revision in 2020 to provide a more accommodative monetary environment to support the country's economy.

IMPACT OF COVID-19 ON MALAYSIA: RETAIL PERFORMANCE

Since 2012, the country's retail sales growth has been moderating, registering a miniscule growth rate of 1.4% in 2015. The upward adjustments in fuel prices and electricity tariffs, coupled with the implementation of the goods and services tax (GST) in April 2015, have collectively led to higher living cost.

Retail sales growth continued to remain lacklustre in the subsequent years, before peaking at 3.9% in 2018; a sluggish performance despite the three-month tax holiday following the Government's decision to zeroise the GST in June 2018.

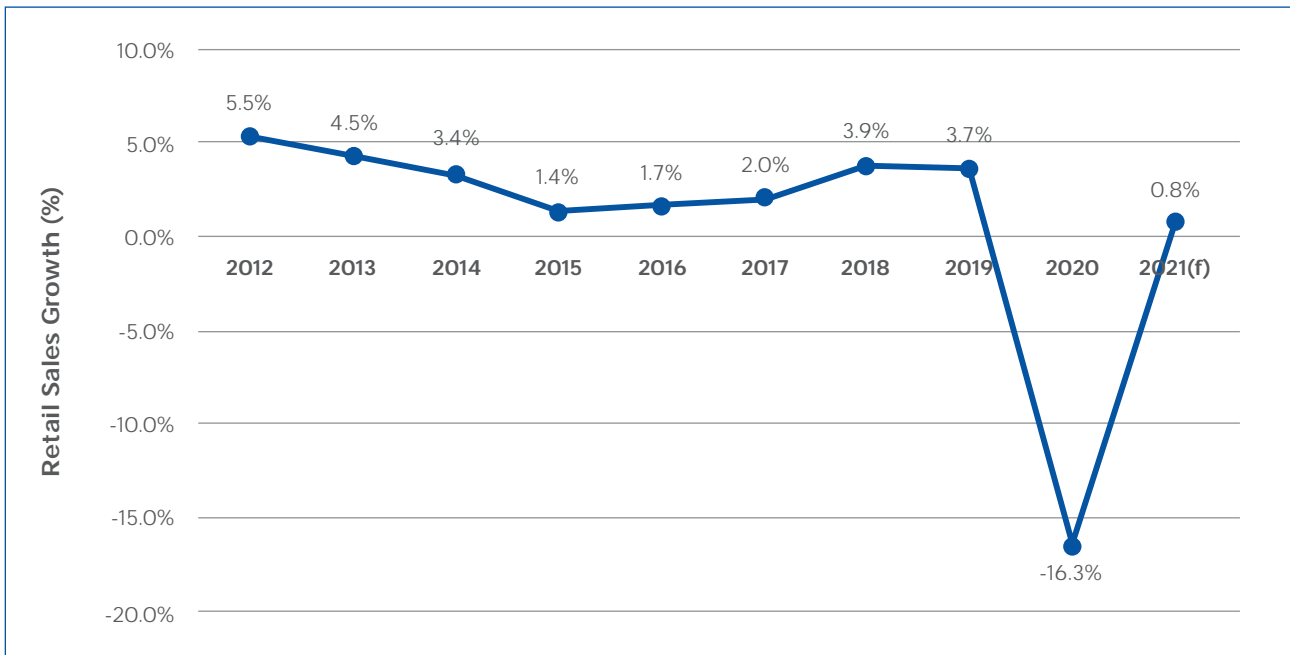
PROPERTY MARKET UPDATES

(cont'd)

IMPACT OF COVID-19 ON MALAYSIA: RETAIL PERFORMANCE (cont'd)

The onset of the COVID-19 pandemic in early 2020, leading to the country been placed under various phases of MCO since 18 March 2020, has severely impacted the economy, as majority of business activities slowed or came to a complete halt. Malaysia's retail industry registered its worst performance in two decades with sales growth contracting 16.3% on the year (2019: 3.7%).

Malaysia - Retail Sales Growth, 2012 to 2021(f)



Sources: Malaysia Retailers Association (MRA) / Knight Frank Research
Note: (f) = Forecast

During the second quarter of 2021, the Malaysian retail industry recorded a positive retail sales growth of 3.4%, mainly due to the low base effect a year earlier (1Q2021: -9.9%). In 2Q2020, the retail industry suffered a y-o-y contraction of 30.9% due to business closures. Taking into consideration the lower sales growth in the first half of the year and the revision of third quarter estimate (3Q2021(e): -15.1%), Retail Group Malaysia (RGM) had revised downwards the country's 2021 retail sales growth projection from 4.0% to 0.8%.

The MIER Consumer Sentiments Index (CSI) picked up 13.7 points on the quarter to record at 98.9 points in 1Q2021 (4Q2020: 85.2 points); its tenth quarter high since 4Q2018 before plummeting to 64.3 points in 2Q2021 due to weakened current finances and lacklustre employment outlook. In 3Q2021, the CSI rebounded to record at 101.7 points, above the 100-point optimism threshold since 3Q2018. The index, which is at its highest level since 3Q2013, signifies consumers' optimism for better income and employment opportunities following further easing of COVID-19 movement restrictions.

PROPERTY MARKET UPDATES

(cont'd)

OFFICE MARKET OVERVIEW

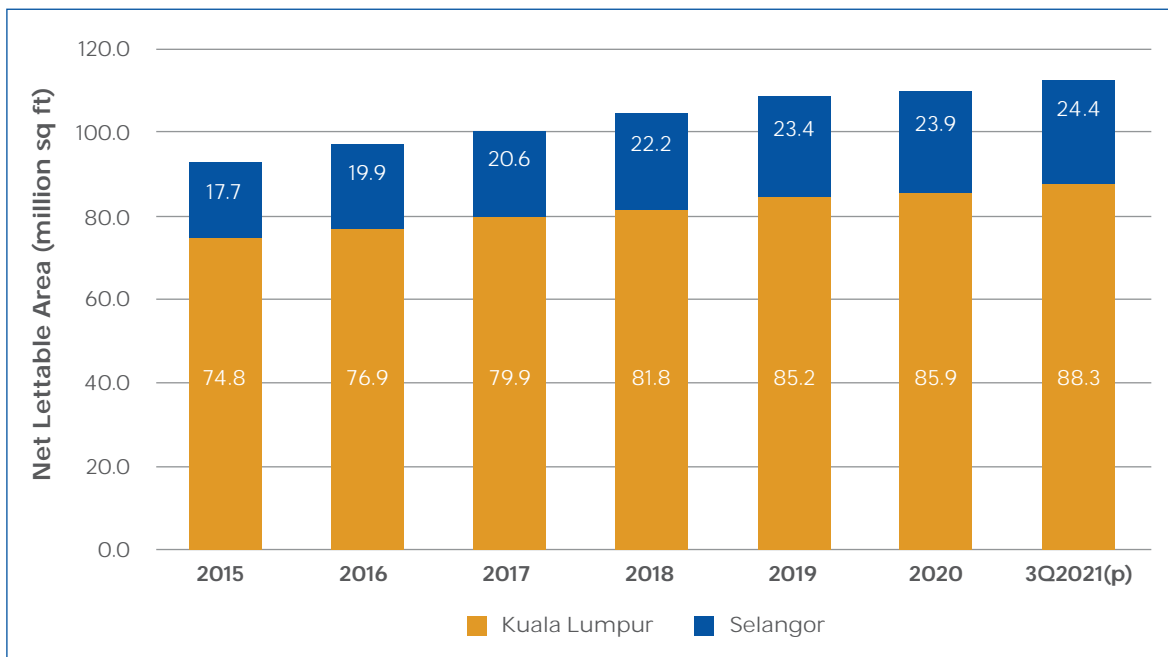
1.0 GREATER KUALA LUMPUR/KLANG VALLEY

1.1 Supply: Existing and Future

The existing supply of purpose-built office space in Greater Kuala Lumpur / Klang Valley, has been increasing at a steady pace over the years. As of 3Q2021(p), its cumulative existing supply stands at circa 112.7 million sq ft.

Kuala Lumpur saw the completions of TS Law Tower, Permata Sapura, Menara Great Eastern 2 and Menara IQ @ TRX with a total additional office space of circa 1.7 million sq ft in 2Q2021 and Plaza Conlay @ Conlay 301 (Tower 1) with circa 606,000 sq ft NLA in 3Q2021. Meanwhile, notable office completion in Selangor during the year include Imazium @ Uptown with NLA of circa 450,000 sq ft.

Greater KL/Klang Valley: Cumulative Supply of Purpose-Built Office Space, 2015 to 3Q2021^(p)



Source: Knight Frank Research
 Note: (p) = Preliminary data

In the supply pipeline is circa 10.4 million sq ft of space with scheduled completions by 2023. The bulk of incoming office supply at circa 8.3 million sq ft (79.5%) will be from Kuala Lumpur whilst the remaining space of circa 2.1 million sq ft (20.5%) will come from Selangor.

A total of 10 office buildings are due for completion by the first half of 2022 with five in KL City; two in KL Fringe; and the remaining three in Selangor. The upcoming office buildings in the capital city include Affin Tower @ TRX, PNB 1194, The Stride Strata Office, UOB Tower 2, Merdeka 118 Tower while in KL Fringe, they are The MET Corporate Towers and Aspire Tower. The remaining three upcoming buildings in Selangor are Quill 9 Annex as well as Block G and HCK Tower, both located within Empire City.

PROPERTY MARKET UPDATES

(cont'd)

OFFICE MARKET OVERVIEW (cont'd)

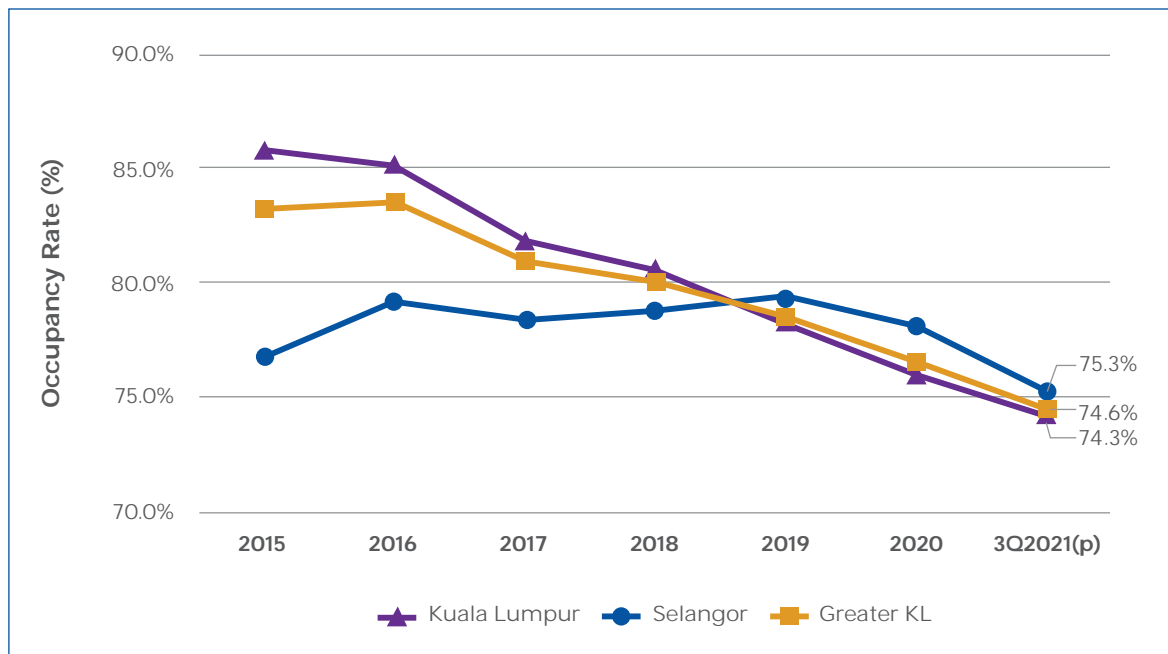
1.0 GREATER KUALA LUMPUR/KLANG VALLEY (cont'd)

1.2 Occupancy Rates

In 3Q2021, the overall occupancy rate of office space in Kuala Lumpur declined further to post at 74.3% (2020: 76.0%), impacted by the coronavirus pandemic.

Similarly, the occupational demand in Selangor also posted a fall to record at 75.3% in 3Q2021 (2020: 78.2%).

Greater KL/Klang Valley: Occupancy Trend for Purpose-Built Office Space, 2015 to 3Q2021^(p)



Source: Knight Frank Research

The overall occupancy rates for the sub-markets of Petaling Jaya, Subang Jaya and Cyberjaya declined by 3.8%, 2.0% and 2.2% to record at 74.7%, 79.1% and 73.4% respectively (2020: Petaling Jaya – 78.5%, Subang Jaya – 81.1% and Cyberjaya – 75.6%) while for Shah Alam, it was marginally lower by 0.7% to record at 79.5% (2020: 80.2%).

1.3 Rental Rates

The average rental rate of office space in Kuala Lumpur declined to RM6.39 per sq ft per month in 3Q2021(p) (2020: RM6.60 per sq ft per month). Moving forward, the scheduled completions of more office buildings in the next one to two years will further widen the supply – demand gap. With existing and newly completed buildings competing for the same pool of tenants, this will heighten competition in the tenant-led office market.

PROPERTY MARKET UPDATES

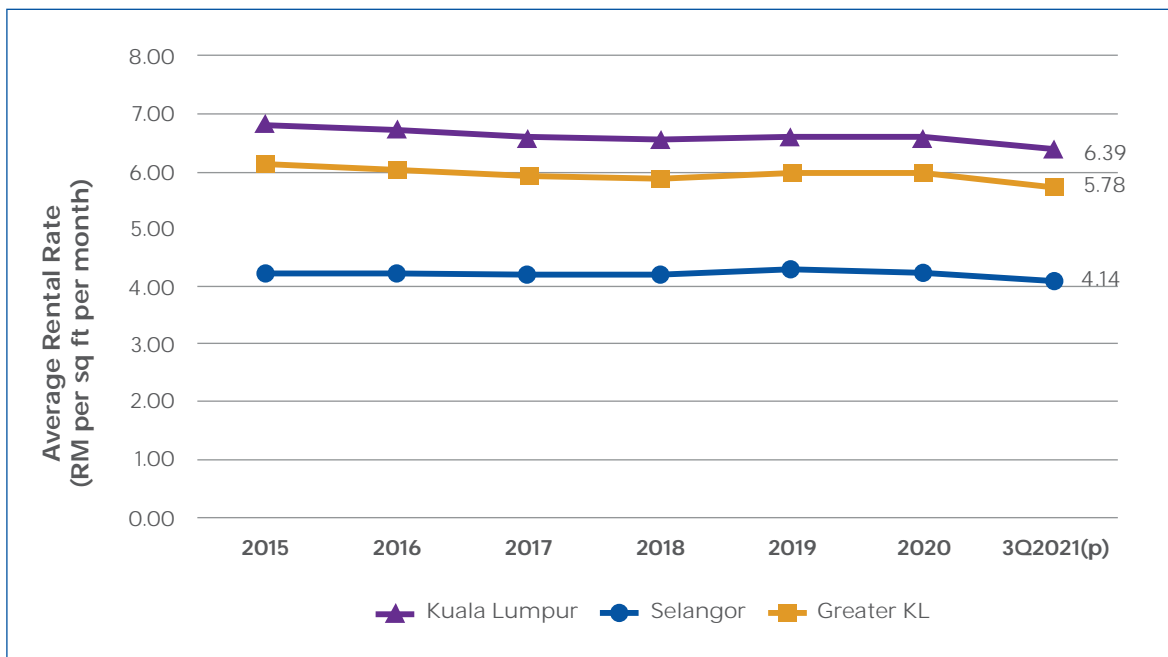
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OFFICE MARKET OVERVIEW (cont'd)

1.0 GREATER KUALA LUMPUR/KLANG VALLEY (cont'd)

1.3 Rental Rates

Greater KL/Klang Valley: Average Rental Rates, 2015 to 3Q2021^(p)



Source: Knight Frank Research
Note: (p) = Preliminary data

Similarly, the average office rent in Selangor was under pressure and was quoted at RM4.14 per sq ft per month in 3Q2021(p) (2020: RM4.28 per sq ft per month). In the sub-markets of Petaling Jaya, Subang Jaya, Shah Alam and Cyberjaya, the average monthly rentals were in the region of RM4.40 per sq ft; RM4.17 per sq ft; RM3.45 per sq ft and RM3.80 per sq ft respectively.

1.4 Capital Values

In 2020, notable office transactions in Greater Kuala Lumpur / Klang Valley include Menara Guoco, The Pinnacle Sunway, UOA Corporate Tower, Quill Building 5 and Menara MIDF with total value of circa RM1.58 billion.

Meanwhile, there is only one notable office transaction in 2021.

PROPERTY MARKET UPDATES

(cont'd)

OFFICE MARKET OVERVIEW (cont'd)

1.0 GREATER KUALA LUMPUR/KLANG VALLEY (cont'd)

1.4 Capital Values (cont'd)

Greater KL/Klang Valley: Notable Office Transactions, 2020 & 2021

Transaction Date	Building Name	Locality	Tenure	Estimated NLA (sq ft)	Consideration (RM)	Analysis (RM per sq ft)
2020						
March 2020	Menara Guoco ⁽¹⁾	Damansara Heights	Freehold	232,133	242,100,000	1,043
June 2020	The Pinnacle Sunway ⁽²⁾	Bandar Sunway	Leasehold	576,864	450,000,000	780
September 2020	UOA Corporate Tower ⁽³⁾	Bangsar South	Leasehold	732,871	700,000,000	955
November 2020	Quill Building 5 ⁽⁴⁾	Cyberjaya	Freehold	81,602	45,000,000	551
November 2020	Menara MIDF ⁽⁵⁾	Jalan Raja Chulan	Freehold	160,000	141,000,000	881
2021						
September 2021	Balai Berita ⁽⁶⁾	Bangsar	Freehold	327,310	156,397,500	478

Source: Knight Frank Research

Notes:

- (1) Menara Guoco: MTrustee Berhad, the trustee of Tower REIT ("Trustee"), entered into a conditional sale and purchase agreement with DC Offices Sdn Bhd for the acquisition of the 19-storey office building for a cash consideration of RM242.1 million. The building, with a gross floor area and net lettable area of 310,183 sq ft and 232,133 sq ft respectively, is 97.1% occupied and has a gross rental income of approximately RM15.6 million for the FYE 30 June 2019.
- (2) The Pinnacle Sunway: Sunway REIT Management Sdn Bhd (SRSB), the manager of Sunway Real Estate Investment Trust (Sunway REIT), had on 29 June 2020 entered into a conditional sale and purchase agreement for the acquisition of The Pinnacle Sunway for RM450 million. The deal was made via RHB Trustees Bhd, the trustee of Sunway REIT, with Sunway Integrated Properties Sdn Bhd and Sunway Pinnacle Sdn Bhd, both of which are wholly-owned indirect subsidiaries of Sunway Bhd. The 24-storey office building with GBI-certified and MSC-status is 100% occupied at the point of sale.
- (3) UOA Corporate Tower: RHB Trustees Berhad, the trustee of UOA REIT ("Trustee"), entered into a conditional sale and purchase agreement with Distinctive Acres Sdn Bhd and Paramount Properties Sdn Bhd for the acquisition of a stratified 38-storey office building with a penthouse level for a cash consideration of RM700mil. The property has gross floor area (GFA) and net lettable area (NLA) of 959,764 sq ft and 732,871 sq ft respectively.
- (4) Quill Building 5: Sentral REIT Management Sdn Bhd (formerly known as MRCB Quill Management Sdn Bhd), being the manager of Sentral REIT (formerly known as MRCB-Quill REIT) (SENTRAL), announced that Maybank Trustees Berhad, acting solely in the capacity as trustee for SENTRAL, had on 12 November 2020 entered into a sale and purchase agreement with Deriv Services Sdn Bhd for the proposed disposal of Quill Building 5 for a cash consideration of RM45 million. The 5-storey office building with 1 level of sub-basement and 1 ½ level of a basement car park has a gross floor area of 227,039 sq ft and net lettable area of 81,602 sq ft.
- (5) Menara MIDF: Permodalan Nasional Berhad (PNB) signed the sale and purchase agreement (SPA) to dispose of Menara MIDF to Singapore-based JD Hospitality Sdn Bhd at a cash disposal price of RM141 million. The 21-storey building has a gross floor area (GFA) of 190,000 sq ft and net lettable area (NLA) of 160,000 sq ft.
- (6) Balai Berita: Media Prima Bhd had, on 3 September 2021, entered into a conditional sale and purchase agreement with PNB Development Sdn Bhd for the proposed acquisition of two (2) pieces of freehold land and the buildings erected thereon, for a total purchase consideration of RM156,397,500 to be satisfied entirely by cash. The total land size and total net lettable area of the buildings erected thereon are approximately 151,814 sq ft and 327,310 sq ft respectively.

PROPERTY MARKET UPDATES

(cont'd)

OFFICE MARKET OVERVIEW (cont'd)

2.0 OFFICE MARKET OUTLOOK

In mid-June 2021, the government had introduced the four-phase National Recovery Plan (NRP) as an exit strategy from the COVID-19 crisis. The progress and speed of the national immunisation programme, which kicked off on 24 February 2021, coupled with the on-going fiscal and monetary support are key to the country's economic recovery.

Although more economic sectors and businesses are allowed to reopen under Phase 4 of the NRP (effective 18 October 2021), it is anticipated that it will take some time for the office market to be back to pre-pandemic era as a number of companies, especially MNCs, are still evaluating their future workplace strategy.

Remote and hybrid working models are still in consideration while physical office space remains important for purposes of collaboration and to ensure high productivity.

The growing sense of uncertainty in the office market amid the unprecedented crisis as well as the need to preserve cash and reduce capital expenditure will result in lower level of leasing / transactional activity as businesses and occupiers review or put on hold their real estate decisions. Thus, co-working or flexible space may be a good option for new occupiers and businesses looking to expand to navigate in the near term before committing to a longer-term plan.

Prior to the COVID-19 pandemic, strong expansion in the co-working, technology and shared services sectors together with active "flight to quality" hinted positive development in the corporate office market in 2020. However, the scenario changed during the pandemic where co-working or flexible space faced challenging times as well. The occupiers, mainly SMEs, struggle to cope with the economic downturn with many companies downsizing and some unfortunately ceasing business operations.

The unprecedented crisis has also compelled many organisations to rethink their standard operating mode while embracing technology such as cloud-based IT solutions and communication channels in their business operations. Moving forward, Business Continuity Plan measures such as working from home, split-team arrangement and de-densification requirements may be the new normal for some while physical distancing measures may lead to a reversal of open office trend. The office space and design will continue to evolve where there will be a clear appetite for the workplace to be elevated in quality and richer in amenities.

In the near term, the rental rates and occupancy levels of office buildings in Malaysia, especially in Klang Valley where there is also an imbalance in supply and demand, will continue to experience downward pressure. Additionally, as companies downsize and relocate during the pandemic, plenty of fit-out units are left behind in the market. Landlords, therefore, are ready to negotiate for more competitive rents, thus, resulting in declining rental trend in KL City. On the other hand, KL Fringe managed to stabilise its occupancy as landlords are forthcoming to negotiate rentals to retain tenants.

Overall, the Kuala Lumpur office market is seen to be sustaining the pandemic with landlords continuing to offer incentives such as rent-free period, refurbishment cost amortization, flexible tenancy terms and space usage to remain competitive in the market.

Meanwhile, the Selangor office market is expected to remain relatively resilient in the medium to longer term supported by a wider pool of tenants / occupiers, attractive rental and leasing packages as well as improved rail network that continue to drive demand for office space in these decentralised locations.

Amid challenges in the office market, selected REITs or landlords of well-located buildings which are dated and older are shifting their focus on asset management and enhancement initiatives by refurbishing / revamping their office buildings. They are also motivated to offer attractive leasing packages that are centered on tenant retention to improve their market competitiveness and attract new occupiers.

PROPERTY MARKET UPDATES

(cont'd)

RETAIL MARKET OVERVIEW

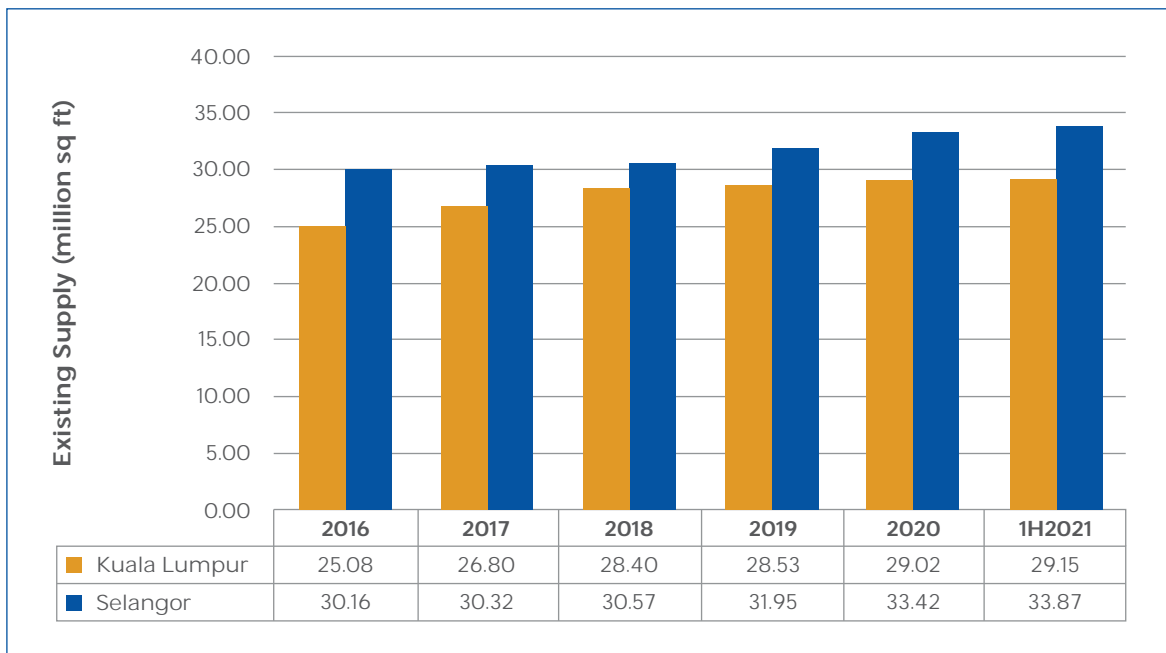
3.0 GREATER KUALA LUMPUR/KLANG VALLEY

3.1 Supply

The existing cumulative supply of retail space in Kuala Lumpur currently stands at circa 29.15 million sq ft. The bulk of retail supply comes from KL Fringe with about 18.37 million sq ft (63.0%) while KL City accounts for the remaining 10.77 million sq ft (37.0%) of space.

Meanwhile, the cumulative supply of retail space in Selangor stood at circa 33.87 million sq ft as of 1H2021, following the completion of Setia City Mall Phase 2 with approximately 450,000 sq ft NLA.

Greater KL/Klang Valley: Cumulative Supply of Retail Space, 2016 to 1H2021



Source: Knight Frank Research

Note: Putrajaya supply is included in Selangor

Pavilion Bukit Jalil, which is scheduled to open on 3 December 2021, will add circa 1.80 million sq ft of space to the existing retail stock. Together with another ten upcoming retail developments, five each in Kuala Lumpur and Selangor, the retail stock in Klang Valley will increase by circa 8.57 million sq ft by 1H2022.

PROPERTY MARKET UPDATES

(cont'd)

RETAIL MARKET OVERVIEW (cont'd)

3.0 GREATER KUALA LUMPUR/KLANG VALLEY (cont'd)

3.1 Supply (cont'd)

Greater KL/Klang Valley: Retail Centres/Retail Components Scheduled for Completion/Opening, 2H2021 & 1H2022

Name of Development	Location	Locality/State	Expected Completion/Opening	Estimated Net Lettable Area (sq ft)
Pavilion Bukit Jalil	Bukit Jalil	Kuala Lumpur	2H 2021	1,800,000
Retail Component of Lot 91 @ KLCC	KLCC	Kuala Lumpur	1H 2022	73,000
Mitsui Shopping Park Lalaport	Bukit Bintang			840,000
The Exchange TRX	TRX			1,300,000
118 Mall	City Centre			1,000,000
Pavilion Damansara Heights	Damansara Heights			1,170,000
Retail Component of Pacific Star	Petaling Jaya	Selangor	1H 2022	240,000
Retail Component of Datum Jelatek	Ampang			326,000
EcoHill Walk Mall	Semenyih			170,000
KSL Esplanade Mall	Klang			650,000
IOI City Mall Phase 2	Putrajaya			1,000,000
Total				8,569,000

Source: Knight Frank Research

3.2 Occupancy

The average occupancy rate of shopping centres in Kuala Lumpur peaked at 89.8% in 2014 and has since continued to downtrend. Despite recording a slight improvement in 2019 at 83.4% (2018: 82.8%), the average occupancy level declined to 82.0% in 3Q2021 following the adverse impact of the prolonged COVID-19 pandemic.

Similar to the trend in Kuala Lumpur, the average occupancy rate of shopping centres in Selangor peaked at 87.9% in 2015 before declining to 79.2% in 3Q2021.

It is encouraging to note that the average occupancies for Kuala Lumpur and Selangor have continued to hover above the 80.0% threshold despite the high supply pipeline of retail space coming into the market coupled with the challenging business operating environment.

PROPERTY MARKET UPDATES

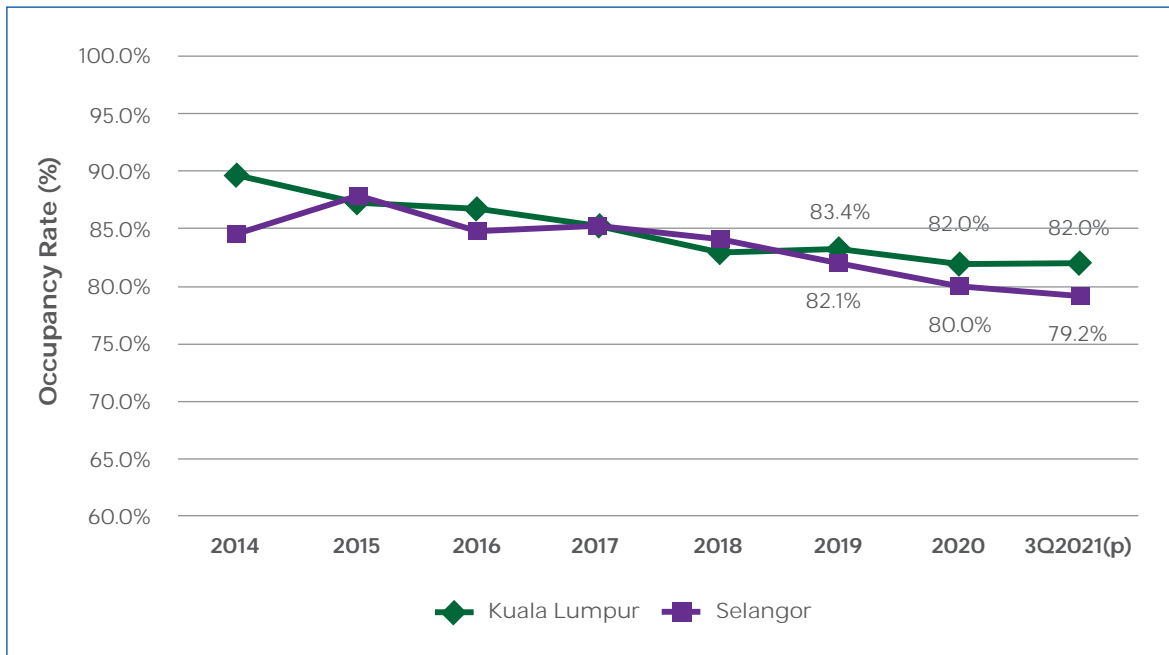
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RETAIL MARKET OVERVIEW (cont'd)

3.0 GREATER KUALA LUMPUR/KLANG VALLEY (cont'd)

3.2 Occupancy (cont'd)

Greater KL/Klang Valley – Average Occupancy Rates of Shopping Centres, 2014 to 3Q2021^(p)



Source: NAPIC

Note: (p) = Preliminary data

3.3 Rental Rates

Kuala Lumpur's premier shopping destination, namely Suria KLCC, command high rental rates ranging from RM36.54 per sq ft to RM213.84 per sq ft per month. In KL Fringe, rentals at popular shopping centres such as Mid Valley Megamall and The Gardens Mall currently range between RM15.00 per sq ft and RM80.00 per sq ft per month.

During the review period, the lower band of rental rates of selected shopping centres in Selangor range from about RM4.12 per sq ft to RM25.00 per sq ft per month while the rental rates in the upper band are from RM8.40 per sq ft to RM50.00 per sq ft per month.

The rental rates for retail space within shopping centres vary depending on location/positioning of retail lots, size of occupied space, floor level, unit orientation and other value factors.

PROPERTY MARKET UPDATES

(cont'd)

RETAIL MARKET OVERVIEW (cont'd)

3.0 GREATER KUALA LUMPUR/KLANG VALLEY (cont'd)

3.3 Rental Rates (cont'd)

Greater KL/Klang Valley: Rental Levels of Retail Space in Selected Shopping Centres, 2020 to 1H2021

Retail Development	Location	Floor	Built-up Area (sq ft)	Analysis of Rental Rate (RM per sq ft / month)	
				2020	1H2021
KL Sentral, Kuala Lumpur					
Suria KLCC	Jalan Ampang	Concourse (LG)	151 – 4,047	42.55 – 223.00	46.00 – 213.84
		Ground	301 – 2,928	41.64 – 165.47	41.64 – 152.44
		1	215 – 904	96.62 – 113.84	96.62 – 113.84
		2	323 – 1,819	36.54 – 89.23	36.54 – 100.54
		3	205 – 1,679	50.64 – 100.94	49.19 – 100.94
		4	570 – 2,368	47.59 – 60.09	45.39 – 62.79
Mid Valley City, Kuala Lumpur					
Mid Valley Megamall	Mid Valley City	Lower Ground	1,076 – 1,851	25.00 – 35.65	25.00 – 35.65
		Ground	560 – 958	45.00 – 80.00	45.00 – 80.00
		1	398 – 883	33.35 – 38.00	33.35 – 38.00
		2	431 – 700	23.35 – 25.00	23.35 – 25.00
		3	420 – 969	15.00 – 21.00	15.00 – 21.00
The Gardens Mall	Mid Valley City	Lower Ground	517 – 926	27.00 – 40.00	27.00 – 40.00
		Ground	1,001 – 1,819	31.50 – 38.15	31.50 – 38.15
		1	1,485 – 1,862	23.50 – 30.00	23.50 – 30.00
		2	1,098 – 1,658	18.50 – 21.00	18.50 – 21.00
		3	2,077 – 2,777	17.00 – 18.00	17.00 – 18.00
Selangor					
1 Utama Shopping Centre	Bandar Utama	Lower Ground	323 – 1,981	11.88 – 36.74	12.00 – 50.00
		Ground	1,345 – 2,669	19.50 – 35.00	14.00 – 34.00
		1	560 – 1,378	18.70 – 34.10	13.00 – 37.00
		2	463 – 1,830	19.00 – 22.00	7.00 – 31.00
The Mines	Seri Kembangan	1 (Fashion)	172 – 1,647	10.41 – 20.69	10.41 – 20.69
		1 (Food)	560 – 1,604	7.50 – 17.80	7.50 – 17.80
		2 (Fashion)	667 – 2,099	8.30 – 17.85	8.30 – 17.85
		3 (Fashion)	786 – 1,776	5.40 – 8.40	5.40 – 8.40
		3 (Food)	474 – 3,907	5.85 – 14.77	5.85 – 14.77
		3 (Others)	775	23.85	23.85
		4(Telco)	527 – 1,991	9.00 – 19.00	9.00 – 19.00
IOI City Mall	Putrajaya	LG (East Wing)	366 – 1,313	17.19 – 33.00	17.00 – 37.00
		LG (Centre Court)	344 – 3,143	27.19 – 45.18	25.00 – 44.00
		LG (West Wing)	226 – 3,380	9.75 – 36.19	14.30 – 36.19
		G (East Entrance)	861 – 5,974	6.00 – 22.19	4.12 – 26.00
		G (Centre Court)	1,076 – 2,809	9.75 – 18.00	9.00 – 18.00
		L1 (East Wing)	1,539 – 2,508	7.50 – 12.00	7.50 – 12.00
		L1 (Centre Court)	549 – 1,615	17.69 – 43.18	15.50 – 43.00
		L1 (West Wing)	452 – 3,832	9.40 – 10.50	5.00 – 16.00
		L2 (East Wing)	538 – 1,152	20.19 – 23.19	18.00 – 23.19
		L2 (Centre Court)	484 – 1,163	19.50 – 32.19	18.00 – 32.19
		L2 (West Wing)	484 – 1,023	17.19 – 22.19	16.00 – 22.19

Sources: NAPIC/Knight Frank Research

PROPERTY MARKET UPDATES

(cont'd)

RETAIL MARKET OVERVIEW (cont'd)

3.0 GREATER KUALA LUMPUR/KLANG VALLEY (cont'd)

3.4 Capital Values

Notable transactions of shopping centres in Klang Valley since 2015 include the following:

Greater KL/Klang Valley: Notable Transactions of Shopping Centres, 2015 to 1H2021

Date of Transaction	Building Name	Location	Estimated NLA (sq ft)	Consideration (RM)	Price (RM/sq ft)	Purchaser
Selangor						
2018	SStwo Mall ⁽¹⁾	Petaling Jaya	460,000	180,000,000	391	DK Group of Companies
2017	AEON Mahkota Cheras	Cheras	308,000	88,000,000	286	Foremost Wealth Management Sdn Bhd
2017	Empire Shopping Gallery ⁽²⁾	SS16/1, Subang Jaya	350,000	570,000,000	1,629	Pelaburan Hartanah Bhd (PHB)
2015	da:mén USJ Shopping Mall ⁽³⁾	USJ 1, Subang Jaya	420,920	486,844,000	1,157	Pavilion REIT
2015	Tropicana City Mall ⁽⁴⁾	SS20, Petaling Jaya	448,248	540,000,000	N/A	CapitaMalls Malaysia Trust
2015	Subang Avenue	SS16, Subang Jaya	213,354	139,500,000	654	Sime UEP Properties Bhd and Subang Mall Property
Kuala Lumpur						
2020	Setapak Central ⁽⁵⁾	Danau Kota, Setapak	512,806	318,000,000	620	Frasers Property Gold Pte. Ltd.
2019	Pavilion Bukit Jalil ⁽⁶⁾	Bukit Jalil	1,839,914	1,480,000,000	804	Regal Path Sdn Bhd
2017	Elite Pavilion Mall ⁽⁷⁾	Bukit Bintang	241,929	580,000,000	2,397	Pavilion REIT
2015	Intermark Mall	Jalan Tun Razak	225,014	160,000,000	711	Pavilion REIT
2015	Sooka Sentral	KL Sentral	97,210	90,800,000	934	Cardiac Vascular Sentral Kuala Lumpur

Source: Knight Frank Research

PROPERTY MARKET UPDATES

(cont'd)

RETAIL MARKET OVERVIEW (cont'd)

3.0 GREATER KUALA LUMPUR/KLANG VALLEY (cont'd)

3.4 Capital Values (cont'd)

Notes:

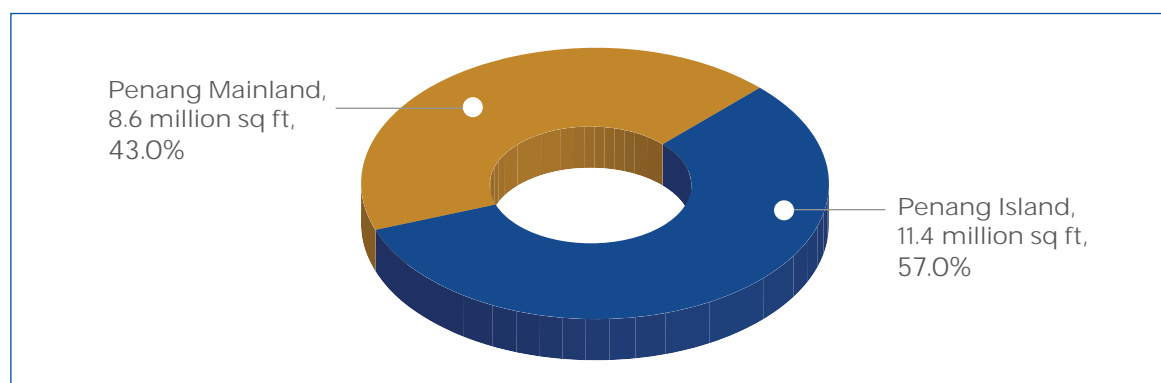
- (1) The Puchong-based DK Group of Companies has completed the deal at the end of July. The deal is done between AsiaMalls Sdn Bhd and DK Group of Companies. The mall which was shut down five years ago is set to reopen as a healthcare centre with Life Care Diagnostics Medical Centre as its new tenant.
- (2) Empire Shopping Gallery: The Mammoth Empire Holding Sdn Bhd has been granted a call option to buy back the shopping mall on the fifth anniversary of the sale. It also has the right of first refusal to buy the mall should PHB decide to dispose of it within the five years.
- (3) da:mén USJ Shopping Mall is part of an integrated commercial development comprising the shopping mall, 41 units of contemporary shops and offices, as well as 480 units of apartments housed in two tower blocks with six levels of podium car parks. The total consideration was revised to RM486,844,000 from the initial total consideration of RM488,000,000 due to the reduction of car parking bays.
- (4) The total purchase consideration of RM540 million include the purchase of both Tropicana City Mall with Tropicana City Office Tower. The apportionment of value is not available.
- (5) Frasers Property Gold Pts Ltd., a wholly-owned subsidiary of Frasers Property Limited purchased 131,443,060 shares representing the entire issued and paid-up share capital of Mallco Pte. Ltd, which indirectly holds Setapak Central. The agreed property value for Setapak Central at RM318.0 million was negotiated on a willing-buyer and willing-seller basis with reference to the independent valuations.
- (6) The development of Pavilion Bukit Jalil Mall is still on-going as of 30 June 2021 with expected completion by 2H2021. Payment of consideration is to be paid according to the stages stipulated in the schedule of payment appended in the announcement. The mall is scheduled to open on 3 December 2021.
- (7) Elite Pavilion Mall – The consideration includes the strategic linkages, tenancies, 50 car park bays, utilities and other ancillary components for seamless connectivity with Pavilion KL Mall.

4.0 PENANG

4.1 Supply

The cumulative supply of retail space in Penang was recorded at 20.1 million sq ft as of 3Q2021 (source: NAPIC). Penang Island accounted for 57.0% share (11.4 million sq ft) of the total supply while the remaining 43.0% share (8.6 million sq ft) are located in Penang Mainland.

Penang - Existing Supply of Shopping Centres, Arcades and Hypermarkets. 3Q2021^(P)



Sources: NAPIC/ Knight Frank Research

PROPERTY MARKET UPDATES

(cont'd)

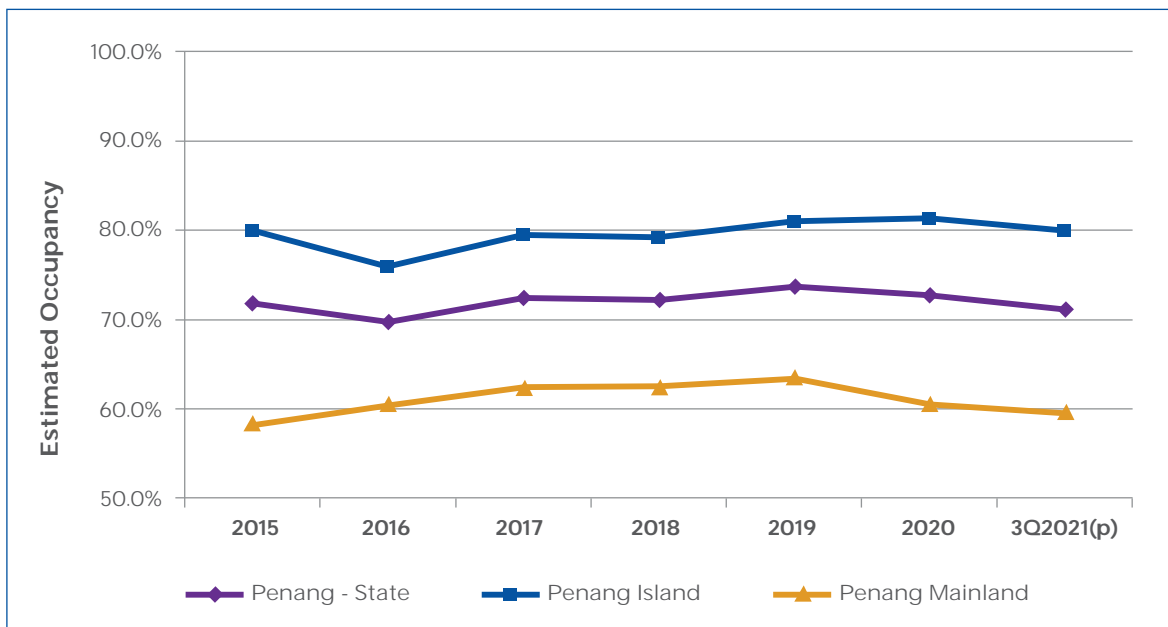
RETAIL MARKET OVERVIEW (cont'd)

4.0 PENANG (cont'd)

4.2 Occupancy

The average occupancy rate of retail space (inclusive of shopping centres, arcades and hypermarkets) in Penang (include Penang Island and Penang Mainland) has been fairly stable since 2015 and it peaked at 73.8% in 2019.

Penang – Average Occupancy Rate of Shopping Centres, Arcades & Hypermarkets, 2015 to 3Q2021



Sources: NAPIC / Knight Frank Research
Note: (p) = Preliminary data

In 3Q2021, however, the overall average occupancy rate dipped to 71.2% amid the unprecedented pandemic. Higher vacancies in the localities of Kepala Batas and Bukit Mertajam led to an overall decline in the occupancy of Penang Mainland, dropping from 60.6% in 2020 to 59.7% (2020: 60.6%) while in Penang Island, it also declined to record at 79.9% (2020: 81.3%).

4.3 Rental Rates

In 1H2021, the rental rates of retail space in selected established shopping centres in the central town prime area on Penang Island were marginally lower.

The rental rates range from as low as RM1.80 per sq ft to as high as RM48.50 per sq ft per month, depending on factors such as location and building condition of the mall, floor level and size of retail lots amongst others.

PROPERTY MARKET UPDATES

(cont'd)

RETAIL MARKET OVERVIEW (cont'd)

4.0 PENANG (cont'd)

4.3 Rental Rates (cont'd)

Penang - Rental Rates of Selected Shopping Centres, 2H2020 to 1H2021

Shopping Centre	Floor	Built-up Area (sq ft)	Analysis of Rental Rate (RM per sq ft / month)	
			2H2020	1H2021
Gurney Plaza	Ground Floor	215 – 5,393	13.70 – 53.85	12.35 – 47.85
	First Floor	140 – 14,564	12.10 – 46.95	17.35 – 37.70
	Second Floor	140 – 9,182	4.90 – 51.95	4.00 – 48.50
	Third to Fourth Floor	140 – 7,492	1.25 – 31.45	1.80 – 32.35
Gurney Paragon	LG	312 – 2,260	6.75 – 12.35	4.80 – 12.90
	First Floor	2,573 – 3,294	12.75 – 31.75	10.35 – 22.65
	Second Floor	603 – 1,905	12.75 – 27.35	15.85 – 21.05
	Third to Sixth floor	323 – 8,902	4.35 – 19.40	4.15 – 17.40
1st Avenue	Ground Floor	484 – 1,001	10.05 – 32.80	10.05 – 35.00
	First to Second Floor	388 – 4,801	3.30 – 10.95	5.00 – 10.95
	Third to Fourth Floor	1,367 – 9,096	4.90 – 7.40	5.00 – 7.40

Sources: NAPIC/Knight Frank Research

5.0 RETAIL MARKET OUTLOOK

The recovery of Klang Valley's retail industry has been hindered by the prolonged periods of lockdown since March 2020. Malaysia's gross domestic product (GDP) growth for 2021, has been revised downwards to range between 3.0% and 4.0% while the country's retail sales growth forecast for 2021 has also been lowered to 0.8% from an earlier projection of 4.0%.

The prolonged strict containment measures on the various economic sectors (including non-essential retail) have led to concern of increasing retail closures due to the inability to fulfil monthly obligations (rental, salary and debt). This is despite the government's multiple economic stimulus packages totalling RM530 billion, which include, among others, wage subsidy programmes, grants, utilities reduction, etc.

Encouraged by the accelerated vaccination rate and decreasing trend of daily COVID-19 cases, Klang Valley returns to a semblance of normalcy as it entered Phase 4 of the National Recovery Plan (NRP) on 18 October 2021. The recovery of the retail sector, however, is expected to be gradual although footfalls to shopping centres have improved, supported by consumers' pent-up desire to go out and about following long periods of lockdown. Consumers generally remain prudent and cautious towards their spending and travel plans.

The rental and occupancy levels of Klang Valley's retail market are expected to experience further downward pressure in the short to mid-term, with expiry of the COVID 19 Act 2020 on 31 December 2021 coupled with the high supply pipeline of retail space and weak demand.

PROPERTY MARKET UPDATES

(cont'd)

RETAIL MARKET OVERVIEW (cont'd)

5.0 RETAIL MARKET OUTLOOK (cont'd)

There, however, continues to be windows of opportunities for retailers amid the pandemic-riddled economy, including record low interest rates and attractive leasing packages from landlords (rent-free periods, rental concessions, financial/marketing assistance), as tenant retention remains a priority.

Spurred by changing consumer preferences, we continue to see openings and expansions of selected business segments including grocery, convenience store and home improvement. To spur the local retail scene, the government has allocated RM33 million towards the “buy local” campaigns in the tabling of Budget 2022, as well as to continue the Shop Malaysia Online and Go-eCommerce Onboarding campaigns, with an allocation of RM250 million.

The COVID-19 pandemic has created lasting impact, as retail premises are expected to continuously embrace strict standard operating procedures by health officials, placing security, health and hygiene at the forefront.

Supported by nation's high population of digital consumers, the surge in e-commerce and accelerated digital transformation will transcend the pandemic. Driven by structural changes including shifting consumer behaviour and flexible working arrangements, retailers and stakeholders are expected to further enhance their omnichannel strategies to provide consumers with a seamless shopping experience, in both physical and digital platforms.

Following the rise in popularity of convenience services which include, among others, home delivery, buy-online-pickup-in-store (BOPIS), drive-through pickup, as well as financial services such as e-wallets, e-payments and buy-now, pay-later (BNPL), investment in digitalisation and automation are likely to accelerate. As COVID-19 moves into an endemic phase, the adoption of technological innovation in retail will create a convenient yet safe retail experience, reassuring consumers.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the “Board”) of Sentral REIT Management Sdn Bhd (“SRM” or the “Manager”) as the manager of Sentral REIT (“SENTRAL” or the “REIT”) presents this Corporate Governance Overview Statement, outlining the corporate governance approach, focus areas and priorities for the financial year ended 31 December 2021.

The Manager is cognisant on the importance of having well-balanced, purposeful and comparable corporate governance disclosures which empower stakeholders to appreciate the strategic course that SENTRAL is charting towards and how the intended outcomes of good corporate governance will be attained.

The Board endeavours to provide stakeholders with an informational and comprehensive disclosure of how corporate governance better practices are infused into the fabric of the SENTRAL’s overall decision-making process.

This Corporate Governance Overview Statement is augmented with a Corporate Governance Report, based on the updated prescribed format so as to provide a detailed account on the application of SENTRAL’s corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance (“MCCG”) during the financial year ended 31 December 2021. The Corporate Governance Report is made available on SENTRAL’s corporate website, <https://sentralreit.com/> as well as via an announcement on the website of Bursa Malaysia Securities Berhad (“Bursa Securities”). The Corporate Governance Overview Statement and Corporate Governance Report are made pursuant to paragraph 15.25 of the Main Market Listing Requirements by Bursa Securities (“Listing Requirements”) and are narrated with reference to the guidance provided in Practice Note 9 of the Listing Requirements and the Corporate Governance Guide (4th Edition) issued by Bursa Securities.

The disclosure of the Corporate Governance Report by SENTRAL is a discretionary step taken in the spirit of epitomising paragraphs 13.34 and 13.35 of the Guidelines on Listed Real Estate Investment Trusts (“Listed REIT Guidelines”) issued by the Securities Commission Malaysia (“Securities Commission”) that call for the adoption of a higher standard of corporate governance practices.

As a testament to the Board’s commitment to pursuing better practices promulgations, SENTRAL has also taken note of the observations on disclosure practices as availed by the Securities Commission in its Corporate Governance Monitor 2021 as well as the expectations set out by Bursa Securities.

This Corporate Governance Overview Statement should also be read in tandem with the other statements in this Annual Report (e.g. Statement on Risk Management and Internal Control, ARC Report as well as the Sustainability Statement) as the application of certain corporate governance enumerations may be better expounded upon in the respective statements or reports.

CORPORATE GOVERNANCE APPROACH

SRM is aware that purposeful design and focused implementation of SENTRAL’s corporate governance framework is of paramount importance in ensuring efficacious execution of strategies and business plans, informed monitoring of performance and prudent risk management. In particular, the Board and Management of SRM are aware of their responsibility to act in good faith, with due care and diligence, and in the best interests of its Unitholders by exemplifying the principles of accountability, objectivity and transparency.

SENTRAL’s approach to corporate governance is premised on:

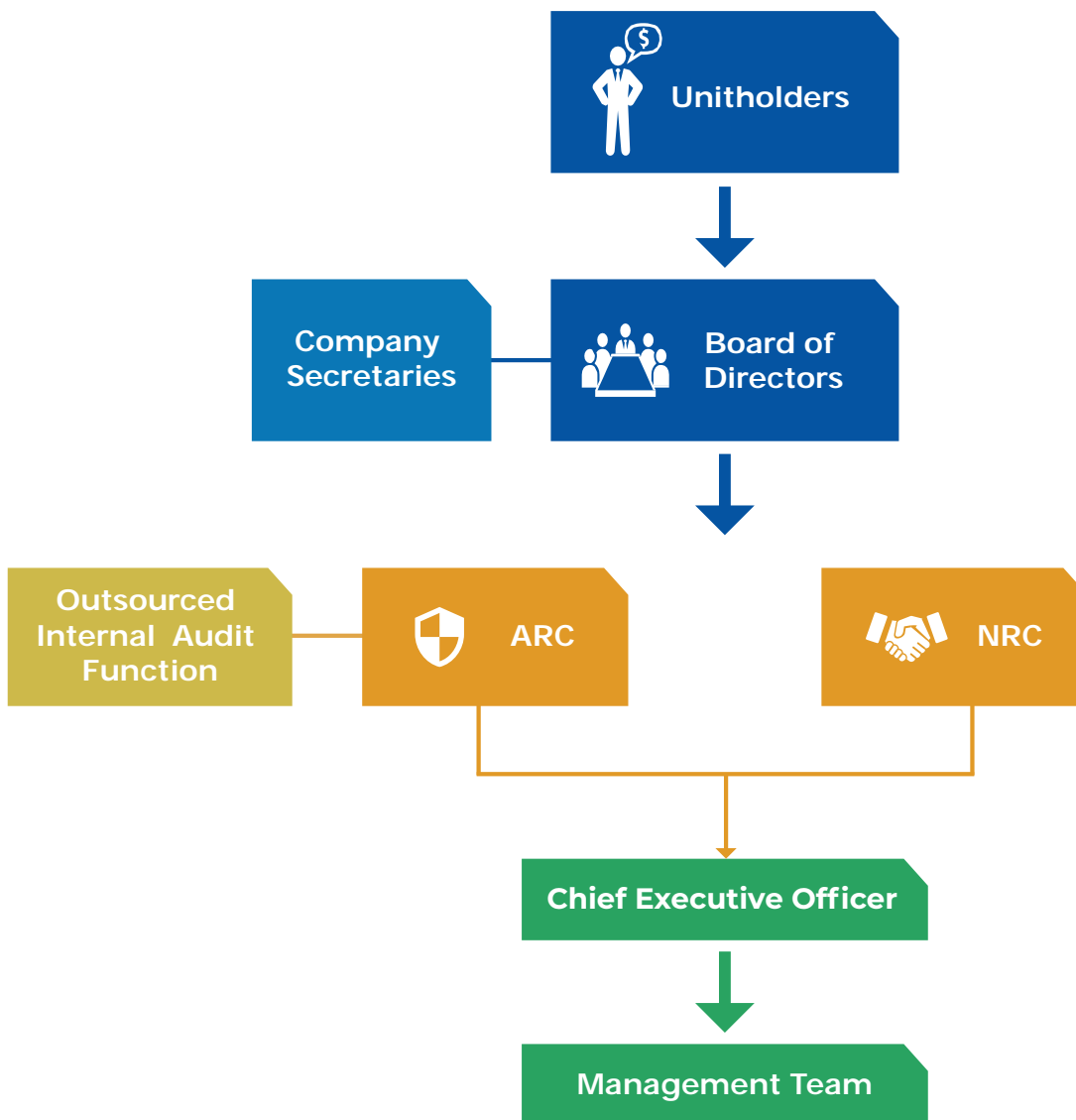
- driving sustainable value for Unitholders over the long-term through the alignment of the interests of SENTRAL’s Unitholders with that of the Board and Management of SRM;
- promoting the long-term growth and profitability of SENTRAL whilst prudently managing risks; and
- meeting stakeholder expectations of sound corporate governance as part of SENTRAL’s broader responsibility to Unitholders, tenants, creditors and the community in which it operates.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

The Manager's governance architecture is one of a robust yet flexible nature, designed to underpin the day-to day activities of SENTRAL with sound processes and procedures. Given its fundamental role in promoting a healthy corporate culture, the Board exercises sustained oversight on the predominant corporate governance policies and procedures to ensure they replicate the ever-changing expectations of stakeholders, market trends and globally recognised better practices, whilst remaining applicable to the unique needs of SENTRAL's businesses and core values.

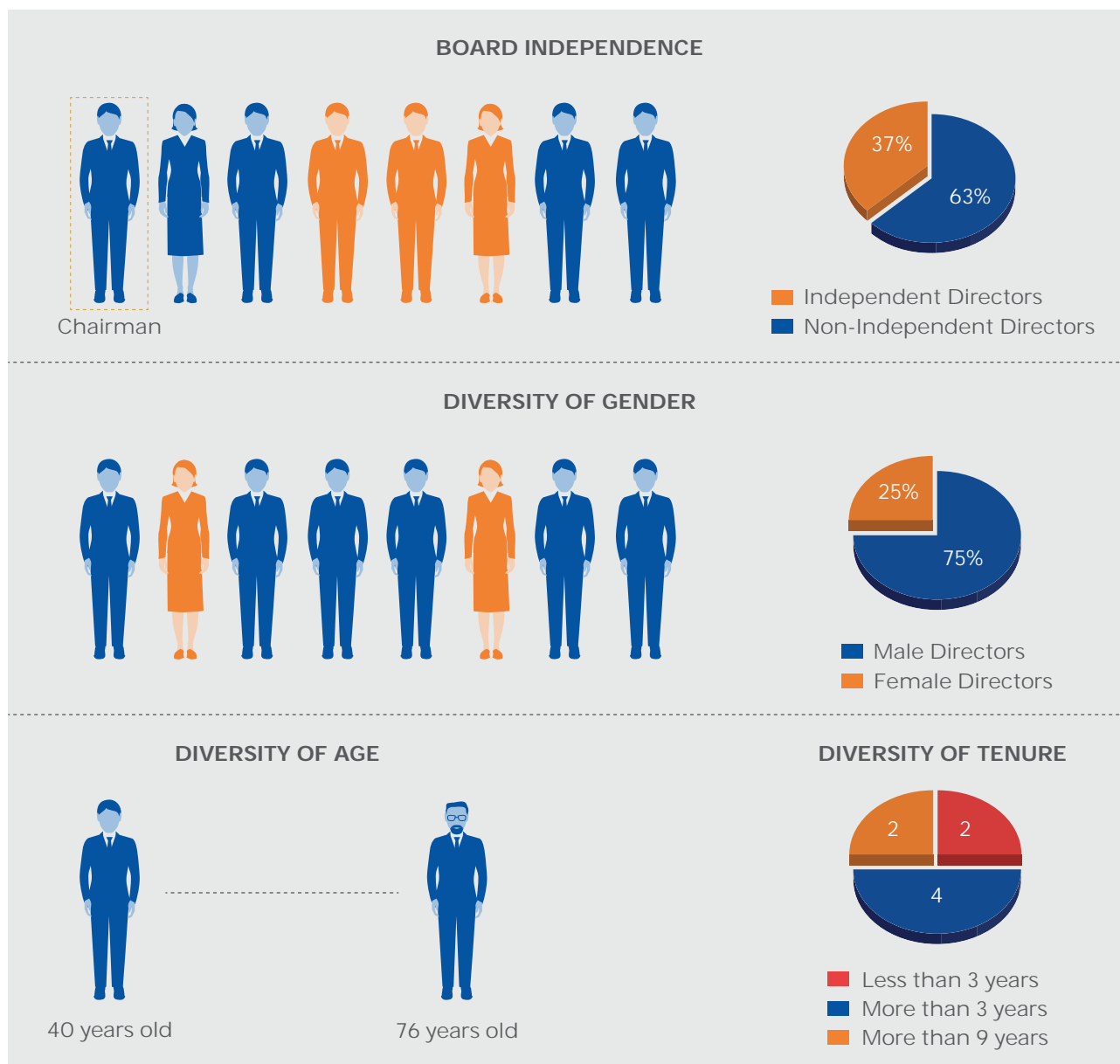
In order to discharge its oversight and governance roles and responsibilities, the Board has established two (2) Board Committees, namely, the Audit & Risk Committee ("ARC") and the Nomination & Remuneration Committee ("NRC"). The Board retains collective oversight over the Board Committees and is regularly apprised on the proceedings of these Committees through the respective Board Committee Chairmen. Any recommendations would be subsequently escalated to the Board for the requisite approval. In order to avert any potential self-review threat, the Board Chairman does not occupy membership in any of the Board Committees. The governance architecture in place is illustrated below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

OUR GOVERNANCE AT A GLANCE



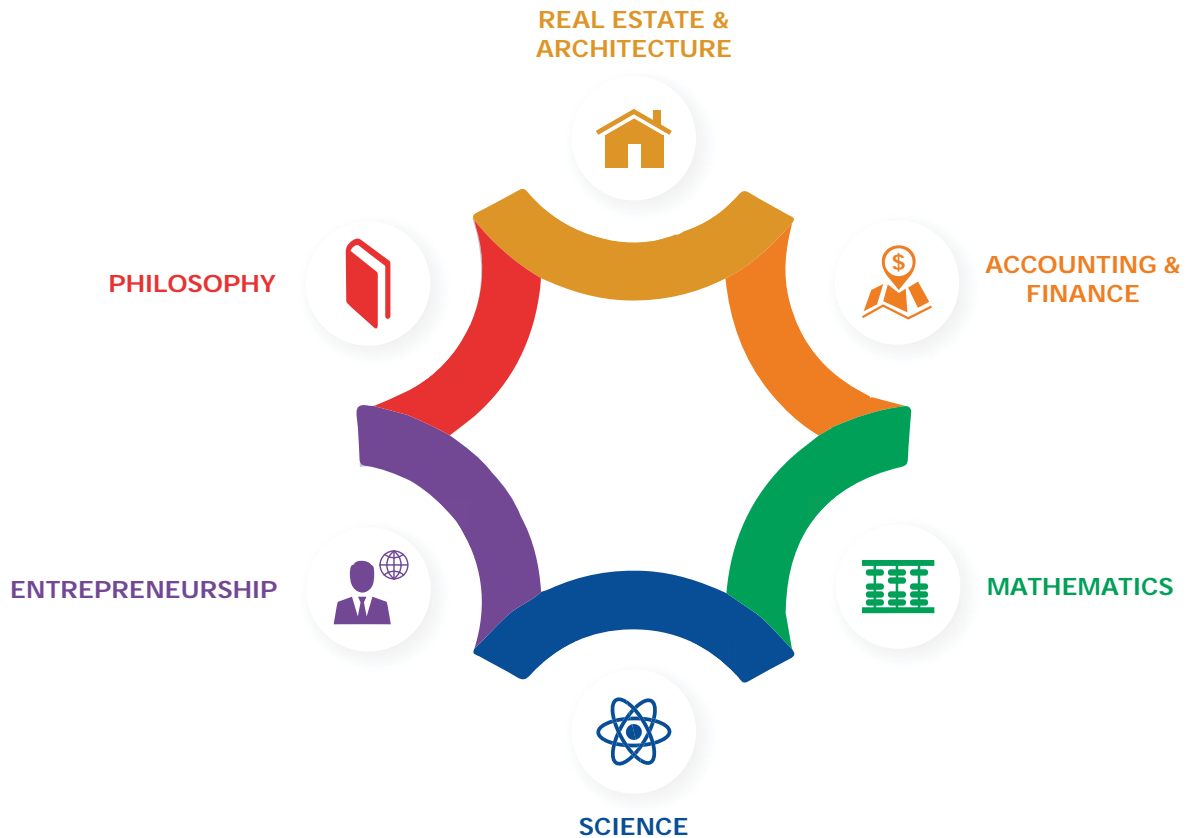
The Board is of the view that the current configuration epitomises an appropriate fit with the present scope and scale of SENTRAL's business operations. The wealth of experience and diverse set of skills enable the Directors to provide valuable perspectives in order to exercise robust oversight of SENTRAL's strategic objectives. The Board is composed of members with diverse experience and multi-disciplinary expertise from the domains of real estate and architecture, accounting and finance, mathematics, science, entrepreneurship and philosophy which in turn allows for a diverse and multi-faceted approach to Board-level deliberations and ultimate decision-making.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

(cont'd)

A non-exhaustive illustration of some of the Directors' skill sets is outlined below:



SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Manager has applied all the Practices encapsulated in the MCGG for the financial year ended 31 December 2021, save for the following:

- Practice 5.2 (At least half the Board to comprise a majority of Independent Directors);
- Practice 5.9 (Board to comprise 30% women Directors);
- Practice 5.10 (Disclosure of company policy on gender diversity in Annual Report);
- Practice 7.1 (The Board has a remuneration policy and procedures document); and
- Practice 8.2 (Disclosure of top five Senior Management personnel's remuneration on a named basis and in bands of RM50,000).

In addition to the standard Practices encapsulated within the MCGG and as a higher order practice, the Manager has adopted the following Step Up Practices:

- Step Up Practice 5.4 (Nine-year tenure limit for Independent Directors); and
- Step Up Practice 9.4 (ARC should comprise solely of Independent Directors).

SRM has provided meaningful explanation on its departures from the said practices based on the leeway accorded in the application mechanism of the MCGG. As SENTRAL emerges from a challenging operating environment, SRM is committed to accelerating efforts to implement the departed Practices within the timeframes outlined within the Corporate Governance Report.

The explanations provided on the said departures are supplemented with a description on the alternative measures that are in place to achieve the Intended Outcome of the departed Practices, measures that SENTRAL has taken or intends to take to adopt the departed practices as well as the timeframe for adoption of the departed Practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

These measures and timeframes represent the Manager's unwavering commitment to adopt higher order practices, given that it is not mandatory for companies that fall outside of the MCCG's definition of a Large Company to do so.

Additional details on SRM's application of each individual Practice of the MCCG are available within the Corporate Governance Report which is published on SENTRAL's corporate website as well as via an announcement on the website of Bursa Securities.

A summary of SENTRAL's corporate governance practices with reference to the MCCG is outlined below and in the ensuing pages of this Corporate Governance Overview Statement.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and responsibilities of the Board

The Board is collectively accountable for setting the strategic course and overseeing the subsequent execution of these strategies. The Board is accountable to the Unitholders and various other stakeholder groups in ensuring that it provides effective oversight over Management conduct, ensures prudent risk management and robust internal control systems are in place as well as incorporating regular reviews over SENTRAL's systems to ensure their adequacy, veracity and efficacy.

The Board is guided by the Board Charter which sets out the purpose, composition, and principal responsibilities of the Board as well as acts as the source literature for Board members in the discharge of their fiduciary duties. The Board Charter incorporates provisions that provide for the clear demarcation of the respective roles and responsibilities of the Board and Management and includes "Reserved Matters" for the Board as illustrated below:



The Board Charter and the Terms of Reference of the respective Board Committees are periodically reviewed and revised to integrate the variations to the Companies Act 2016, Listing Requirements, Listed REIT Guidelines as well as the MCCG so as to ensure acquiescence to mandatory requirements and better practices. The Board Charter is made available on SENTRAL's website at <https://sentralreit.com/>.

The Board and Board Committees are supported by two qualified and experienced joint Company Secretaries, who provide the Board with periodic updates on the latest regulatory developments. The Company Secretaries are members of the Malaysian Institute of Chartered Secretaries & Administrators ("MAICSA") with the officers being Mohamed Noor Rahim Bin Yahaya and Ho Ngan Chui respectively. The Company Secretaries also advise and support the Board in upholding high standards of corporate governance and facilitate the flow of information from Management to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

As counsels to the Board, the Company Secretaries possess the knowledge and experience to carry out their duties which have evolved from merely advising on administrative matters to one of multifarious nature as illustrated by the “FAME” moniker below:



The roles, responsibilities and authorities of the Board, Board Committees, individual Directors and Company Secretaries are clearly outlined in the Board Charter, which serves as an authoritative governance document and induction literature. As mentioned, the Board Charter is made available on the SENTRAL's website and is reviewed periodically to ensure it reflects the ever-changing environment in which the Manager operates so as to remain contemporaneous.

In relation to Board meetings, the Board and its Committees have met with sufficient regularity to deliberate on matters under their purview. Directors have devoted sufficient time to prepare, attend and actively participate during the Board and Board Committee meetings. Led by the Chairman, Directors are frequently called upon to express their views and play a part in making the Board meetings a participatory environment. During the year, the Board has met on a frequency of five times to hold discussions on key matters pertaining to the SRM and SENTRAL.

The attendance of individual Directors for the meetings of the Board and Board Committees are illustrated below:

Director	Board	ARC	NRC
Non-Independent Non-Executive Directors			
Tan Sri Chaw Choo Boon	5	-	-
Dato' Dr Low Moi Ing, J.P.	5	-	-
Dato' Michael Ong Leng Chun	5	-	-
Ann Wan Tee	5	-	-
Kwan Joon Hoe	5	-	-
Datuk Dr Roslan bin A. Ghaffar	5	4	4
Datuk Kamalul Arifin bin Othman	5	4	4
Frances Po Yih Ming	5	4	4
Legend:			

■ Board/Board Committee Chairman

■ Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

The Board is assisted by the ARC and the NRC which are entrusted with specific responsibilities in order to provide critical support in discharging its oversight function. The Board Committees are granted the authority to function in accordance with their respective Terms of Reference to ensure that enhanced objectivity and independence within Board Committee deliberations. The ultimate responsibility for the final decision on all matters deliberated at Board Committees are vested with the Board. Memberships of the established Committees and their respective Terms of Reference are refreshed periodically.

The primary responsibility of an Independent Non-Executive Director is to act as a safeguard to the interests of minority Unitholders and other stakeholders. As such, the Independent Directors play a cardinal role in ensuring transparency and preserving accountability. This is further fortified by the placement of Independent Directors as Chairmen of the two respective Board Committees as well as fully independent committee members which serves to infuse greater impartiality in the Board's decision-making process. The presence of Non-Independent Non-Executive Directors on the other hand also play a crucial role in their responsibilities for strategy and business performance. Their views are balanced by their duty to act in the best interest of SRM while being entrusted to relay the viewpoints of their nominators.

In line with good corporate governance practices, there is a clear distinction between the role of the Chairman and the CEO. The Chairman oversees the conduct, governance and effectiveness of the Board while the CEO is tasked with managing SENTRAL's business operations and implementing policies, strategies and decisions adopted by the Board. This provides for a balance of power and authority, increased accountability and greater capacity of the Board for objective decision making.

The Board acknowledges its role in "leading from the front" and laying the groundwork in embedding an ethical culture across the Manager's operations. Premised on this, the Board has formalised and implemented a Code of Business Ethics ("The Code"), which is regularly reviewed and monitored to foster an ethical culture within all facets of the operations. The Code serves as a guide and reference to Directors and employees to live up to high ethical business standards. It provides guidance on the conduct of business and their duties, in a manner that is efficient, effective and fair.

An illustration covering selected salient areas captured within the Code is shown below:



In terms of structural oversight over sustainability including strategies, priorities and targets, it is reposed at the Board level with Management being responsible for operational execution. The Board appreciates the fact that SENTRAL's internal and external stakeholders should be well informed on the Manager's sustainability strategies, priorities, targets as well as overall performance and accordingly, the Sustainability Statement provides a detailed articulation on this front. The Board also keeps itself apprised with contemporaneous sustainability developments through capacity building efforts and the proactivity as well as responsibility of the Board on this front are evaluated through the Board Effectiveness Evaluation exercise. As for Senior Management personnel, a weighted proportion of their key performance indicators are pegged to sustainability considerations with a nexus to executive compensation packages.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

(cont'd)

Board composition

The Board endeavours to ensure that its configuration appropriately reflects the requisite boardroom “ingredients” with respect to skill sets, experience and diversity.

In 2021, the Board comprises three (3) Independent Non-Executive Directors and five (5) Non-Independent Non-Executive Directors. The Board is cognisant that this practice falls short of Practice 5.2 of the MCCG which stipulates that at least half the Board should comprise Independent Directors. Currently, the Board comprises exclusively of Non-Executive Directors. Non-Executive Directors are external to the day-to-day operational duties of the Manager. By virtue of having all Non-Executive Directors on the Board, a facilitative environment is created for policy making at the Board-level as well as ensuring effective oversight of Management.

To add a layer of further reinforcement, the clear demarcation of responsibilities between the Board and Management also allows key operational and investment decisions by Management to be challenged and questioned by the Board in a rigorous manner. The Board believes that the current configuration allows for adequate checks and balances, safeguarding against disruptive power plays and divisive factionalism within the boardroom.

Appointments to the Board are made via a formal, rigorous and transparent process and taking into account the objective criteria set by the Board which are evaluated by the NRC such as leadership experience, skill sets, knowledge, diversity of background, integrity, professionalism and time commitment. In the context of Independent Non-Executive Directors, the NRC assesses the candidate's ability to bring the element of detached objectivity and impartial judgment to boardroom deliberations. The NRC also conducts review of the Board size and composition to identify any gaps in its configuration.

The Board is of the view that its composition represents a good fit with the present scope and scale of the Manager's business operations. The wealth of experience and diverse set of skills enable the Directors to provide valuable perspectives in order to exercise robust oversight of the Manager's strategic objectives.

The Board also acknowledges that a cognitively diverse board is better placed to avert 'group think', 'blind spots' and insularity, particularly in the context of the dynamic REIT sector in which the SRM and SENTRAL operates in. The Board is cognisant of the clear and compelling need for members who appreciate disruptions to business, understand the challenges and oversee what changes are needed to ensure sustainability.

Within the domain of gender, the Board presently has 25% female representation on the Board. The Board is aware that this is marginally lower than the 30% yardstick as propounded in the MCCG. However, the proportion trails only slightly behind the average benchmark reported by the top 100 companies¹ whereby women hold approximately 25.5% of the board positions. The Board is committed to not only bridging this shortfall but will endeavour to join the 37% of top 100 companies which have met the 30% target as stipulated in the MCCG as a higher order corporate governance aspiration. To this end, the Board through the NRC shall remain steadfast in continuously identifying and assessing suitably qualified female candidates for nomination.

Board Evaluation

On a periodic basis, the Board, Board Committees and individual Directors including Independent Directors are subjected to a formal and comprehensive assessment of their performance and effectiveness. The assessment is administered using instruments that deploy both qualitative and quantitative criteria, based on a self and peer rating assessment model. During the next financial year, the Manager will conduct the exercise under the oversight of the NRC.

¹ Companies or issuers on the FTSE Bursa Malaysia Top 100 Index; or companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Directors' Training and Continuing Education Programmes

The list of training programmes in the course of continuing professional education attended by the Directors of the Manager are outlined below:

Attended by	Date	Particulars of training programmes attended
Tan Sri Chaw Choo Boon	27 January 2021	Legal Guidelines on Digital Assets
	17 March 2021	Economic Outlook 2021: Investing at the Right Time and Sector
	14 April 2021	Digital Acceleration and Innovation for Business Recovery and Growth
	20 April 2021	Navigating the Next Stage of Malaysia's Development
	28 April 2021	Asian Provident Funds
	16 & 17 June 2021	SRI 2021 - Paving the Way for Profitability through Sustainability
	2 September 2021	Adapting to the New Normal – Lessons for the Board
	22 & 23 September 2021	Business Foresight Forum 2021 – Transformative Innovation Reshaping Business Realities in Extraordinary Times
Dato' Dr Low Moi Ing, J.P.	27 July 2021	2021 Malaysian Housing & Property Summit "Resetting and Rebuilding the Housing and Property Industry in the New Normal"
Dato' Michael Ong Leng Chun	18 – 20 November 2021	Business & Tax Conference: Moving Forward into 2022
Ann Wan Tee	2 September 2021	Adapting to the New Normal – Lessons for the Board
	22 & 23 September 2021	Business Foresight Forum 2021 – Transformative Innovation: Reshaping Business Realities in Extraordinary Times
	6 October 2021	Case Discussion: Post Section 17A Malaysian Anti-Corruption Commission (MACC) Implementation
Kwan Joon Hoe	2 September 2021	Adapting to the New Normal – Lessons for the Board
	22 & 23 September 2021	Business Foresight Forum 2021 – Transformative Innovation: Reshaping Business Realities in Extraordinary Times
	6 October 2021	Case Discussion: Post Section 17A Malaysian Anti-Corruption Commission (MACC) Implementation
Datuk Dr Roslan bin A. Ghaffar	7 July 2021	Corporate Liability on Corruption under MACC Act 2009 – Implications of Section '17A & Developing Adequate Procedures
	2 September 2021	Adapting to the New Normal – Lessons for the Board
	29 September 2021	The Updated Malaysian Code of Corporate Governance 2021 – Implications to the Companies, its Directors, Management, Company Secretaries & Auditors
Datuk Kamalul Arifin bin Othman	15 & 16 March 2021	Nominating and Remuneration Committees – Beyond Box-Ticking & Enhancing Effectiveness
	1 June 2021	Implementing Amendments in the Malaysia Code of Corporate Governance Confirmation
	2 September 2021	Adapting to the New Normal – Lessons for the Board

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Attended by	Date	Particulars of training programmes attended
Frances Po Yih Ming	12 January 2021	Risk, Strategy and Governance – How Integrated Thinking Can Support Boards in Creating Long-Term Value
	15 January 2021	Primer on Climate Governance
	4 February 2021	The Return on Experience Webinar series Reinventing the Customer journey
	15 & 16 March 2021	MIA Audit Committee Conference 2021 Agility, Empathy and Resilience: How the Audit Committee will Thrive in the New Normal
	22 to 26 March 2021	ICDM PowerTalk Series
	14 April 2021	Monitoring Your Organisation's Anti-Corruption Compliance Program MACC Section 17A
	22 April 2021	ASEAN Leaders programme: Conversations that matters – New ways of working
	28 April 2021	MIA Women Leadership conference
	21 May 2021	The Future of Work
	1 June 2021	Implementing Amendments in the Malaysian Code on Corporate Governance
	8 - 10 June 2021	MIA International Accountants Conference 2021 – Navigating a Sustainable Future with Agility and Resilience
	22 June 2021	Round table with Ministry of Finance : Low emission pathways for Malaysia
	23 - 25 June 2021	FinanceforChange conference 2021 – The Time is Now: Choose a Brighter Future
	22 July 2021	Directors' Duties and Climate Change
	18 August 2021	MICG: Getting it right at the Board - <i>what does it take?</i>
	2 September 2021	Adapting to the New Normal – Lessons for the Board
	15, 17 & 24 September 2021	<u>PwC Asia Pacific Risk Symposium</u> <ul style="list-style-type: none"> • Managing Risk on digital adoption • Cyber, managed security services (MSS) and data protection • Responsible AI
	22 & 23 September 2021	Business Foresight Forum 2021 – Transformative Innovation Reshaping Business Realities in Extraordinary Times
	15 November 2021	Budget Seminar 2022
	29 November 2021	Audit Oversight Board conversation with Audit Committee
10 December 2021	Fraud Risk Management Workshop 2021 (PwC)	

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Remuneration

The NRC assists the Board in developing a remuneration framework for Directors and Senior Management. The NRC ensures the remuneration framework is kept robust and competitive, designed to attract and retain the best of talents and is aligned to the long-term strategies and risk appetite of SENTRAL. The remuneration policy stipulations are encapsulated within the Terms of Reference of the NRC.

As an incremental measure and as a commitment to better corporate governance practices, the Board had during the year, engaged KPMG Management & Risk Consulting Sdn Bhd to conduct a remuneration benchmarking exercise for its Non-Executive Directors and facilitate the formulation of a Remuneration Policy and Procedures for Directors and Senior Management document.

A fair remuneration package is instrumental in attracting, retaining and motivating Directors and Senior Management personnel as well as ensuring goal alignment. Within this context, the Manager has adopted a remuneration framework that takes into consideration the structure of the Manager and the complexities of the competitive REIT industry. The NRC assesses and determines the suitability of the remuneration packages for Directors and Senior Management, prior to apprising the Board.

The remuneration of Non-Executive Directors is set to be commensurate with their responsibilities, time commitment, experience, expertise and the complexity of SRM's activities and business and is in line with market norms. Directors are remunerated via fees and meeting allowances and such allowances are paid by SRM, not SENTRAL.

As for Senior Management, the components of remuneration packages have been structured to link rewards to individual and corporate performance including sustainability considerations whilst for the Non-Executive Directors, the remuneration packages are based on their position in the Board, participation in boardroom activities and specific skills or expertise that they bring. Independent Non-Executive Directors are compensated competitively but not excessively to the extent that they become "dependent" Directors.

The detailed disclosure of the remuneration of individual Directors are disclosed in the Manager's Corporate Governance Report under Practice 8.1.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit & Risk Committee

On 5 August 2021, the Audit Committee was renamed as Audit & Risk Committee ("ARC"), with the responsibility of the Committee being extended to include overseeing the risk management function.

ARC was established to assist in safeguarding the integrity over SENTRAL's financial reporting, internal and external audit and risk management as well as internal control processes as part of the Board's commitment to provide stakeholders with a clear, balanced and comprehensive assessment of SENTRAL's financial performance.

The Committee has a Terms of Reference, which sets out its key roles and responsibilities. The Terms of Reference was updated to incorporate the expanded role of the Committee and is disclosed in SENTRAL's website. The expanded role of the Committee includes reviewing the effectiveness of the risk management framework adopted and the risk management processes employed and providing assurance to the Board on the adequacy and effectiveness of the risk management framework.

Recognising that independence is the cornerstone of a well-performing audit committee, the Board has decided to adopt the higher order practice of having an ARC that comprises solely of Independent Directors, chaired by Datuk Dr Roslan bin A. Ghaffar. The vast experience of the members in the areas of accounting, finance and auditing allows the ARC to collectively possess the requisite financial literacy and business acumen which are prerequisites for sound understanding of the financial matters of SENTRAL.

The ARC has unrestricted access to both the outsourced internal and external auditor, who in turn reports directly to the ARC. The ARC has established prescribed and transparent arrangements to maintain an appropriate relationship with the external auditor. During the year under review, the external auditor has provided assurance that its personnel are and have been independent throughout the conduct of the audit in accordance with the terms of relevant professional and regulatory requirements.

CORPORATE GOVERNANCE

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The ARC Report, which provides detailed articulation on the composition of the ARC, its responsibilities and main activities during the year, is outlined on pages 78 to 81 of the Annual Report.

Risk Management and Internal Audit

In an increasingly complex and ever-evolving marketplace, it has become imperative to have a robust yet dynamic risk management and internal control framework to stay ahead of disruptive forces that are inherent in the core businesses of SENTRAL. The Board as aided by the ARC performs periodic review and closely monitors the resilience of the risk management and internal control framework to ensure its adequacy and effectiveness. Risk assessments are tabled to the ARC as well as the Board with the items being prioritised in terms of risk severity vis-à-vis the likelihood of that risk materialising. The risk management framework put in place covers the structures, policies, processes and resources to identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risks.

During the year, the Manager had engaged an external third party, BDO Governance Advisory Sdn Bhd ("BDO Governance") to carry out its internal audit function. The services of BDO Governance were enlisted with a view of assessing the adequacy and effectiveness of internal controls and risk management processes. The internal audit function reports directly and functionally to the ARC. The internal audit function has direct access to the Board through the Chairman of the ARC.

The Statement of Risk Management and Internal Control which provides details of the internal review, is outlined on pages 82 to 85 of the Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Manager is committed in keeping all of its stakeholders abreast in a timely manner of all material business matters that impact the Manager and SENTRAL. To this end, the Board ensures that mandatory disclosures are made through announcements to Bursa Securities as well as on the SENTRAL's corporate website. The website is intuitively set up to ensure that pertinent information such as recent announcements, quarterly financial results as well as copies of recent notices and minutes of general meetings are easily accessible to all stakeholders.

This Annual Report is made publicly available on the corporate website and contains extensive details about SENTRAL's business activities and performance on both financial and non-financial fronts during the financial year. Whilst SENTRAL endeavours to be as transparent as possible to its stakeholders, SENTRAL is simultaneously mindful of the need to balance out legal and regulatory requirements governing the release of potentially material and price-sensitive information to the market.

The Board is cognisant that a proactive approach towards stakeholder engagement will enhance the ability of stakeholders to make informed investment decisions that are based not only on SENTRAL's retrospective performance but also on its business proposition and outlook. In light of the global pandemic and non-feasibility of holding physical meetings with its stakeholders, the Manager has continuously reached out to analysts by scheduling virtual meetings with analysts and investors to keep them apprised of SENTRAL's performance. SENTRAL welcomes stakeholder views and as such, may be contacted via the following avenues:



Mail

Level 35, Menara NU2,
No. 203, Jalan Tun
Sambanthan,
Kuala Lumpur Sentral
50470 Kuala Lumpur,
Malaysia



Telephone

(603) 2786 8080
(603) 2780 7988



Email

General Enquiries:
enquiries@sentralreit.com

Investor Relations Enquiries:
joyce.loh@sentralreit.com

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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Conduct of General Meeting

The Annual General Meeting (“AGM”) serves as the principal platform for the Board and Senior Management of SRM to present SENTRAL’s financial highlights, investment portfolio updates, operational performance, market outlook and strategic trajectory. Unitholders are encouraged to actively participate during AGMs by raising questions and providing feedback to the Board and Senior Management.

On 7 April 2021, SENTRAL conducted its ninth (9th) AGM in a virtual manner through live streaming from the broadcast venue at KL Sentral Room, Level 30, Menara Allianz Sentral, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur. The Chairman, CEO, Company Secretary, external auditors and independent scrutineers were present at the broadcast venue while all other Directors attended the AGM via video conferencing.

The notice for the AGM was provided 40 days in advance to enable Unitholders to make adequate preparation. Unitholders were able to log on and participate remotely as well as pose queries online via the technology platform provided by the poll administrators, Boardroom Share Registrars Sdn Bhd. All resolutions tabled during the AGM are voted by poll and the results and procedures were validated by Boardroom Corporate Services Sdn Bhd, an independent scrutineer.

Feedback gathered during the AGM were evaluated and considered for further action by the Board and Senior Management. Minutes of the AGM were made available on the corporate website of SENTRAL within 30 days upon conclusion of the said proceedings.

Focus areas during the year (2021)

In 2021, the corporate governance focus areas of the Manager constituted the following:



Cyber Technology

As highlighted in the Global Risks Report 2022 (17th ed.) published by the World Economic Forum, the growing dependency placed upon digital tools has rapidly intensified due to strategic pivots made necessary by pandemic-induced complications. As a result, cybersecurity threats have increased in prevalence – in 2020, malware and ransomware attacks increased by a whopping 358% and 435% respectively according to the report.

The Manager is attuned this global trend towards digitalisation as seen by its increased reliance and use of remote working tools and disruptive digitisation technology. As a safeguard against cybersecurity breaches, the Manager has placed a concerted emphasis on email privacy and protection of tenant data information during the year. Periodic reminders on cyber security and information technology protocols are sent to ensure all employees are informed of the importance of practicing safe data security practices.

In the near future, SENTRAL is also planning to introduce an automated system that would link the facilities management system to the central office to reflect and track real time issues.



Reinforcing Board Configuration and Dynamics

Following the externally-facilitated Board Evaluation Exercise in 2020 by KPMG Management & Risk Consulting Sdn Bhd, the Board had substantiated concrete action plans to address the findings of the exercise. Specifically, the Board had, during the year, instituted plans to recalibrate SRM’s Board size in line with SENTRAL’s footprint and succession planning consideration.

Moving forward, Board composition along the lines of Board-level independence, gender diversity and casting a wider net through use of external sources for potential Board nominees remain a key focus area for the Manager as further elucidated in the subsequent section.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

(cont'd)

Corporate governance priorities (2022 and beyond)

In subsequent years, the corporate governance priorities of the Manager shall constitute the following:



Boardroom Composition

According to the 2022 ASEAN Board Trends report published by the Institute of Corporate Directors Malaysia (ICDM), one of the top five trends to impact boardrooms going forward into 2022 is board refreshment. In fact, 51% of respondents said that refreshing board composition is the most effective measure in improving board effectiveness. Meanwhile 41% of respondents said that having greater diversity on the Board is the most effective measure.

Along the same lines, the report also highlighted that the top aspects to improve board composition include the appointment of new independent directors (65%).

To this end, the Board is cognisant of the multifarious benefits that may benefit SENTRAL as a whole should there be a focused and strategic approach to altering Board-level composition. Specifically, the Board has in place a three-pronged focus within the realms of Board-level independence, gender diversity and casting a wider net when sourcing candidates.

With respect to Board-level independence, the Board recognises that having at least half Independent Directors on the Board, as stipulated in the MCCG, would imbue objectivity and independence into Board-level deliberations whilst simultaneously laying the foundation for more effective management oversight mechanisms. To this end, the Board through the NRC will continue to dedicate effort in scouring the market for suitably qualified candidates who abide by the required tenets and have a simultaneous appreciation for the nuances of the SENTRAL's operating environment.

With respect to Board-level gender diversity, the Board recognises that there is an evidence-based business case for introducing diversity in gender to the boardroom which ultimately may benefit the Manager's efforts in achieving its strategic objectives. In this regard, the Board through the NRC will continuously endeavour to achieve the stipulated 30% female director target as put forth in the MCCG. Notwithstanding this, the Board is steadfast in its view that overriding priority will always be given to enhancing the overall strength of the Board and sourcing the best candidates for the Manager as a whole.

With respect to casting a wider net for sourcing candidates, the Board is aware that this may have the intended impact of identifying the most suitable candidates to steer the SENTRAL forward.

To this end, the NRC shall, where necessary, continue to enlist external search firms, head hunters, consultants, directors' registries and industry associations to maximise the chances of a successful search for candidates.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)



Boardroom Policy & Procedures

The Board is cognisant of the need to keep boardroom policies and procedures current in line with the relevant updated authoritative promulgations.

One such promulgation are the latest updates to the MCCG which came into effect in April 2021. Another fundamental component in the corporate governance algorithm comes in the form of the updated Listing Requirements of Bursa Securities, particularly with regards to the fit and proper criteria for Directors which shall take effect in 2022.

The Board shall endeavour to imbue all necessary updates accordingly, particularly in the Board Charter, Terms of Reference of Board Committees as well as through stand-alone policy documents with a view of achieving better corporate governance outcomes.



Environmental, Social & Governance Considerations

As highlighted in the 2022 ASEAN Board Trends report published by the ICDM, Boards across the region are placing increased emphasis on internalisation of Environmental, Social and Governance ("ESG") principles within their organisations.

The Board is fully committed to embedding ESG-related considerations into the fabric of the SENTRAL's operational landscape pursuant to this regional and global trend.

The Board has placed a long-term goal of adopting integrated reporting to allow for more informed assessments by stakeholders on SENTRAL's value accretion course. To this end, the Board will endeavour to take necessary incremental steps to adopt integrated reporting.

AUDIT AND RISK COMMITTEE REPORT

During the year under review, the Audit Committee was renamed as Audit & Risk Committee (“ARC”) with effect from 5 August 2021 to reflect its roles and responsibilities in overseeing the risk management governance of Sentral REIT (“SENTRAL”). The Board has reviewed and updated the Terms of Reference of the ARC to be in line with the latest requirements and recommendations of the applicable practices and guidance of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the best practices recommended in the Malaysian Code of Corporate Governance (“MCCG”).

The ARC is led by Datuk Dr Roslan bin A Ghaffar, an Independent Non-Executive Director, who is not the Chairman of the Board. Currently, the ARC comprises three (3) members all of whom are Independent Non-Executive Directors in line with Practice 9.4 (Step Up) of MCCG, which recommends that ARC should comprise solely of Independent Directors.

ARC play an active role in assisting the Board in discharging its governance responsibilities and the Board is of the view that the ARC members have the relevant expertise to discharge the functions of an ARC.

The ARC assist the Board to fulfill its oversight responsibilities over the activities of the Company. The key duties and responsibilities of the ARC as specified in its Terms of Reference are as follows:

- To consider the appointment of the external auditor, the audit fee and the reason given for their resignation or dismissal;
- To review the audit plans and scope of audit examination of the external auditors;
- To review with external auditors with regards to problems and reservations arising from their interim and final audits;
- To review the quarterly and year-end financial statements, focusing particularly on:
 - Any changes in accounting policies and practices
 - Significant and unusual events
 - Significant adjustments and issues arising from the audit
 - The going concern assumption
 - Compliance with the applicable approved accounting standards and other legal requirements
- To review the external auditor’s management letter and management’s response;
- To do the following, in relation to the internal audit function:
 - Review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out the work
 - Review the internal audit programme, control and processes, internal audit reports or investigation undertaken and whether appropriate action is taken to rectify any control weaknesses reported by the internal audit function
- To promptly report to Bursa Securities, where the ARC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
- To review procedures established to address allegations raised by whistleblowers, to ensure independent investigations is conducted and follow-up action is taken;
- To review any related party transaction and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises questions of management integrity;
- To assess the risks and control environment, to determine whether management has implemented policies ensuring the risks are identified and evaluated and those internal controls in place and effective to address the risks;
- To consider the report, major findings and management’s response of any internal investigations carried out by the internal auditors; and
- To undertake such other responsibilities as may be agreed by the ARC and the Board.

The Terms of Reference of the ARC is available at the website <https://sentralreit.com> of SENTRAL.

The ARC is authorised to investigate any matters within its terms of reference. It is entitled to full access to and co-operation of the management and the internal auditor and enjoys full discretion to invite any Director or executive officer of the Manager to attend its meetings. The internal auditor and external auditor have unrestricted access to the ARC. The ARC has full access to reasonable resources to enable it to discharge its functions properly.

AUDIT AND RISK COMMITTEE REPORT

(cont'd)

The ARC also meets Sentral's external auditor and internal auditor, without the presence of management at least once annually. Sentral's external auditor carries out, in the course of its annual audit, a review on the effectiveness of the Manager's material internal controls over the financial reporting, including financial and risk management to the extent of the scope of audit as set out in its audit plan. Sentral's internal auditor provides an assessment on the adequacy and integrity of the system of internal control. Any non-compliances and internal control weaknesses noted during the audit and auditor's recommendations to address such non-compliances and weaknesses are reported to the ARC. Management follows up and implements Sentral's external and internal auditor's recommendation.

The ARC keeps abreast with the developments in relation to regulatory requirement by attending the training organised by Bursa Securities, Securities Commission Malaysia, Malaysian Institute of Accountants and any other professional bodies from time to time to better understand their roles on corporate governance, risk management and internal controls.

In its review of the audited financial statements for the financial year ended 31 December 2021, and based on its discussions with the management and where required, in consultation with the external auditors, the ARC is of the view that the financial statements are fairly presented, and conform to generally accepted accounting principles in all material aspects.

For all non-audit services provided by the external auditors, if any, the ARC conducts a review to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The ARC also review arrangements by which employees of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

MEETINGS AND ATTENDANCE

For the financial year ended 31 December 2021, a total of four (4) ARC meetings were held and the attendance of the members at the ARC meetings was as follows:

ARC Member	Designation	Attendance
Datuk Dr Roslan Bin A Ghaffar	Chairman	4/4
Datuk Kamalul Arifin Bin Othman	Member	4/4
Frances Po Yih Ming	Member	4/4

HOW THE ARC SPENT ITS TIME IN 2021

During the year under review, the activities carried out by the ARC included the deliberation and review of the following:

Financial results

- i) Reviewed the quarterly and annual audited financial results of Sentral, and accompanying announcements and made the relevant recommendations to the Board for consideration, and focused particularly on matters related to changes in major accounting policies, significant and unusual events, compliance with accounting standards and disclosure requirements.

AUDIT AND RISK COMMITTEE REPORT

(cont'd)

HOW THE ARC SPENT ITS TIME IN 2021 (cont'd)

Internal Audit

- i) Reviewed and approved the Annual Internal Audit Plan and resource requirements proposed by BDO Governance Advisory Sdn Bhd ("BDO Governance");
- ii) Reviewed the findings of internal audit reports on SENTRAL presented by the BDO Governance;
- iii) Reviewed the effectiveness and adequacy of management's corrective actions in response to the internal audit reviews conducted;
- iv) Reviewed the findings of follow-up audits to determine the status of implementation of management's corrective actions; and
- v) Reviewed the ARC Report and its recommendation to the Board for inclusion in the Annual Report.

External Audit

- i) Reviewed and approved the external auditor's Audit Plan, approach and scope of review prior to commencement of their annual audit;
- ii) Deliberated on matters arising from the audit of SENTRAL in a meeting with the external auditor without the presence of any executive officer of SENTRAL;
- iii) Deliberated on the external auditor's reports on audit and accounting issues that arose from its audits;
- iv) Deliberated on updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board; and
- v) Assessed the performance of the external auditor, including their independence.

Risk Management

- i) Deliberated and decided that a risk oversight function should be set up to establish a structured risk management function for SENTRAL. Initiatives proposed include the enhancement of a risk awareness culture and the development of a Risk Management Framework.
- ii) Reviewed and deliberated the Corporate Governance Overview Statement, Corporate Governance Report and Statement on Risk Management and Internal Control, and recommended to the Board for inclusion in the Annual Report.

Related Party Transactions

- i) Reviewed the fairness, transparency of related party transactions with appropriate disclosures made as required under SC REIT Guidelines, the Trust Deed and the Listing Requirements, and ascertain that the transactions are conducted at arm's length, on normal commercial terms and in the best interests of the Unitholders of SENTRAL prior to submission for the Board's consideration and, where appropriate, unitholders' approval

INTERNAL AUDIT FUNCTION

During the year under review, the internal audit function was outsourced and carried out by an independent consultancy firm, BDO Governance in order to assist the ARC in discharging its duties and responsibilities. The internal audit activities were carried out in accordance with the internal audit plan which comprise the following:

- Reviewed internal controls systems and ascertain the extent of compliance with the established policies, procedures and statutory requirements; and
- Identified areas to improve operation controls and processes.

The findings by BDO Governance were presented to the ARC with subsequent follow up reports to ensure that appropriate actions are being taken to improve the current internal control systems.

AUDIT AND RISK COMMITTEE REPORT

(cont'd)

RELATIONSHIP WITH THE EXTERNAL AUDITOR AND INTERNAL AUDITOR

The Board, via the ARC, maintains a formal and transparent relationship with the external auditor as well as the internal auditor. The ARC has direct and unrestricted access to both the external and internal auditors.

The ARC also meets the external auditor and internal auditor, without the presence of management at least once annually. The ARC had, during the year, held two meetings with the external auditor without the presence of Management, to discuss issues, problems and reservations (if any) that the external auditor wished to highlight to the ARC. A private session was also held between the ARC and the internal auditor for the same purpose.

Both the external and internal auditors had been extended good cooperation from the management and they were able to access information to carry out their functions effectively.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“Board”) of Sentral REIT Management Sdn Bhd (“the Manager”), as the manager of Sentral REIT (“SENTRAL”), has adopted the relevant corporate governance disclosure under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”). In addition, the Board also observes the provisions of the Malaysian Code on Corporate Governance 2021 issued by the Securities Commission Malaysia (“Securities Commission”). Further information on SENTRAL’s corporate governance framework is also set out on pages 63 to 77. These efforts are all part of the Board’s recognition that a strong corporate governance framework is important. The Board also recognises that an effective corporate governance culture is critical to the Manager’s performance and consequently to the success of SENTRAL. The Board is committed to maintain a sound system of risk management and internal control with a view to safeguard the interest of the Unitholders, its investment and SENTRAL’s assets and to provide the following statement, which outline the nature and scope of internal control of the Manager during the financial year ended 31 December 2021.

BOARD RESPONSIBILITY

In discharging the Board’s principal responsibilities, the Board assumes the responsibility for the Manager’s system of risk management and internal control. The Board is responsible for the adequacy and integrity of the system of risk management and internal control. It is an essential part of the Board’s responsibilities to identify principal risks and ensuring that there are appropriate systems and policies in place to manage these risks; and reviewing the adequacy and integrity of these internal control system and policies. However, the Board acknowledged that this system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve the business strategies and objectives of SENTRAL. It therefore can only provide reasonable and not absolute assurance against material misstatements, losses or fraud.

The Board assesses principal risks when making property investment decisions by SENTRAL in order to mitigate any potential loss of value of Unitholders’ investment in SENTRAL. The Board also considers the changes during the period under review, in particular the business and economic environment and the property industry risk to ensure that there are policies and processes appropriate to manage any potential risk when making property investment decisions and to consider SENTRAL’s ability to respond to such changes.

The Board defines the processes to be adopted for its review of the adequacy and integrity of internal control. This includes both the scope and frequency of the reports it receives and reviews during the year and for such reports to be accompanied and supported with sound and appropriately assessed documents. The Board’s assessment of the adequacy and integrity of SENTRAL’s system of risk management and internal control includes identifying any significant failings or weaknesses in risk management and internal control and whether necessary actions are being taken promptly to remedy any such significant failings or weakness.

Our Chief Executive Officer has also provided the Board an assurance that SENTRAL’s risk management and internal control system is operating adequately and effectively, in all material aspect, based on the risk management and internal control system of SENTRAL.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The corporate governance framework established within the structure of SENTRAL includes the adoption of an Internal Audit function where BDO Governance Advisory Sdn Bhd ("BDO Governance") was appointed by the Manager to carry out an independent internal audit on the operations of SENTRAL. BDO Governance confirms its internal audit methodology adopts the International Professional Practices Framework (IPPF) and is in compliance with the Institute of Internal Auditors Malaysia (IIAM) international auditing standards. In addition, this Statement on Risk Management and Internal Control is also a voluntary disclosure on the part of the Board in subscribing to a good corporate governance disclosure. The key processes that have been established in reviewing the adequacy and integrity of the on-going system of risk management and internal control include the following:

- (a) The Manager has in place an independent internal audit function which is outsourced to BDO Governance who reports directly to the Audit and Risk Committee ("ARC") on its findings. The principle role of the internal audit function is to conduct regular reviews on the system of internal control of SENTRAL, and report on the effectiveness and efficiency of its operations, highlighting to the ARC significant findings in respect of non-compliances, if any;

The internal audit review undertaken by BDO Governance for the financial year 2021 and the findings arising from the review reported to the ARC include the following:

- (i) internal control review ("ICR") on tenancy management to collection of rentals; and
- (ii) review of related party transactions for the financial year 2021 for compliance with established internal policies and procedures and applicable provisions of the Listing Requirements and the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission ("SC REIT Guidelines") relating to related party transactions

and when required, undertake investigations as directed by the ARC. All findings and conclusion, including the recommended action plans, arising from the ICR, which was executed based on a risk-based approach, for financial year 2021 were tabled to the ARC. The reviews were conducted based on an internal audit plan developed together by the management and BDO Governance based on an entity risk assessment thereafter presented to ARC for approval.

The cost incurred for the internal audit function in respect of the financial year 2021 is RM43,000 (excluding services tax and disbursements) and is borne by the Manager.

The Board is satisfied that the current system of internal control for the Manager is adequate based on the reports from BDO Governance;

- (b) The ARC reviews, monitors and evaluates the effectiveness and adequacy of SENTRAL's internal control, financial and risk management issues raised by the external and internal auditors, regulatory authorities and management. The reviews include reviewing written reports from the internal and external auditors, to ensure that where deficiencies in internal control have been identified, appropriate and prompt remedial action is taken by the management. The ARC also convenes meetings with external auditors, internal auditors, or both excluding the attendance of the other directors and management/employees of the Manager (where necessary). The Audit and Risk Committee also reviews the adequacy of the scope, functions and competency of the internal audit function. The ARC also reviews and evaluates the procedures established to ensure compliance with applicable legislations, the SC REIT Guidelines and the Listing Requirements. At the same time, BDO Governance conducts a follow-up review on the agreed remedial actions with the management. This is to ascertain if management has resolved the concerns on key risks and weaknesses identified during the ICR on a timely basis. The status of remedial actions are reported to the ARC on an annual basis;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (cont'd)

- (c) At the beginning of every financial year, the Board reviews and approves the yearly budget and yearly asset enhancement works prepared by the management. The yearly budget which amongst others will entail revenue to be generated by SENTRAL and operating expenses, trust expenses and capital expenditure to be incurred by SENTRAL. The management prepares management report on a quarterly basis to update and explain any major variation to the Board on SENTRAL's financial results against the yearly budget approved by the Board at the beginning of the financial year, the status of major asset enhancement works carried out on the properties that has been approved by the Board, the status of expiry/renewal of tenancies/leases and other operational matters;
- (d) A risk management framework that provides a structure and framework under an Operation Manual in managing and accessing risk which includes amongst others, policies and procedures for the acquisition of property, financial and operational reporting, continuing listing and compliance obligations. The Operation Manual is subject to periodic review and provides a structured context for the Manager and personnel to undertake a review of the past performance and to profile the current and future risks facing their area of responsibility;
- (e) There is a set of risk management and internal control system which sets out the approval/authority limits imposed on directors and management for operating and capital expenditure, investments and divestments, bank borrowings, lease renewals and other operational matters. A set of authorized signatories were also established for cheque signatories' arrangements. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Board Committees. Appropriate delegation of authority is also provided at management level to facilitate operational efficiency. Further, the Board and its committees operate within a clearly defined terms of reference with delegation of responsibilities clearly set out;
- (f) Internal control procedures to ensure that related party transactions are undertaken in compliance with the SC REIT Guidelines, the Listing Requirements and the Trust Deed; and are carried out on arm's length basis and on normal commercial terms, which are in the best interests of the Unitholders of SENTRAL. The Manager incorporates into its annual internal audit plan, a review of all related party transactions. The ARC reviews the internal audit reports to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with;
- (g) In order to deal with any potential conflict of interest situations that may arise, the Manager's policy is that any such related party transaction, dealing, investment and appointment carried out for and on behalf of SENTRAL are to be executed on terms that are best available to SENTRAL and which are no less favourable to SENTRAL than on arm's length transactions between independent parties;
- (h) Whistle-blowing Policy and Anti-Bribery and Corruption Policy to provide employees of the Manager with well-defined procedures and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to SENTRAL and the Manager, and for independent investigation of any reports by employees and appropriate follow up action. The Whistle-blowing Policy is established to promote fraud awareness and the aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible be protected from reprisal; the Anti-Bribery and Corruption Policy is aimed at providing guidance to deal with improper solicitation, requests for bribes and other corrupt activities and issues that may arise in the course of business;
- (i) Scheduled regular meetings of the Board and ARC with representation from the management provide the key to systematic monitoring of SENTRAL's activities and for identifying, evaluating and managing the significant risks faced by SENTRAL. The Chief Executive Officer is entrusted to manage the daily operations of the Manager and SENTRAL and holds the responsibility of leading the respective heads of departments towards achieving the identified objectives; and

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (cont'd)

- (j) In order to maintain quality and efficiency, the Manager's personnel across all functions are given the opportunity to attend relevant trainings. A systematic staff performance appraisal mechanism has also been adopted to ensure adequate and sufficient rewards are awarded to well-deserving personnel.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement of Risk Management and Internal Control for inclusion in the annual report for financial year 2021 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

CONCLUSIONS

The Board is of the view that the risk management and internal control system in place for the financial year ended 31 December 2021 under review and up to the date of issuance of the annual report and financial statements is sound and sufficient to safeguard the interest of the Unitholders, its investment and SENTRAL's assets.

STATEMENT ON DIRECTORS' RESPONSIBILITY

For preparing the Annual Audited Financial Statements

In accordance with Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("Directors") of Sentral REIT Management Sdn Bhd, is responsible to ensure that the financial statements for the financial year ended 31 December 2020 have been prepared and drawn out in accordance with the applicable Financial Reporting Standards in Malaysia, applicable provisions of the Restated Deed of Trust Constituting Sentral REIT ("SENTRAL") dated 02 December 2020, as amended by Supplemental Deed dated 24 December 2020 and the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia, so as to give a true and fair view of the financial position of SENTRAL as at 31 December 2021 and of its financial performance and cash flows for the year then ended.

In preparing the financial statements for the financial year ended 31 December 2021, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.