

SENTRAL REIT (“SENTRAL”)

- (I) PROPOSED ACQUISITION OF MENARA CELCOMDIGI BY MAYBANK TRUSTEES BERHAD, ACTING SOLELY IN THE CAPACITY AS TRUSTEE FOR SENTRAL (“TRUSTEE”), FROM PUNCAK WANGI SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MALAYSIAN RESOURCES CORPORATION BERHAD (“MRCB”), FOR A PURCHASE CONSIDERATION OF RM450.0 MILLION TO BE SATISFIED ENTIRELY IN CASH (“PROPOSED ACQUISITION”);
- (II) PROPOSED PLACEMENT OF UP TO 123,720,000 NEW UNITS IN SENTRAL (“UNITS”) (“PLACEMENT UNITS”), REPRESENTING UP TO APPROXIMATELY 11.5% OF THE EXISTING TOTAL UNITS IN ISSUE, AT AN ISSUE PRICE TO BE DETERMINED LATER BY WAY OF BOOKBUILDING (“PROPOSED PLACEMENT”); AND
- (III) PROPOSED PLACEMENT OF UP TO 34,568,734 NEW UNITS TO MRCB, BEING A MAJOR UNITHOLDER OF SENTRAL, PURSUANT TO THE PROPOSED PLACEMENT (“PROPOSED PLACEMENT TO MRCB”)

(COLLECTIVELY REFERRED TO AS “PROPOSALS”)

1. INTRODUCTION

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

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

For the purpose of this announcement, the latest practicable date prior to the date of this announcement is 3 July 2023 (“**LPD**”).

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Description of the Proposed Acquisition

The Proposed Acquisition entails the acquisition of the Property by the Trustee from Puncak Wangi for the Purchase Consideration subject to the terms and conditions of the SPA. The Purchase Consideration shall be satisfied entirely in cash.

The salient terms of the SPA are set out in **Appendix I** of this announcement.

2.2 Description of the Property

The Property is a 27-storey purpose-built office building erected on 6 levels of podiums and 3 levels of basement car park with a total of 788 car parking bays and 287 motorcycle parking bays.

A summary of the salient information on the Property is as follows:

Address	:	Menara CelcomDigi, No. 6, Persiaran Barat, Seksyen 52, PJ Sentral, 46200 Petaling Jaya, Selangor Darul Ehsan
Land details	:	HSD 277413, Lot No. PT 11 Seksyen 52, Town of Petaling Jaya, District of Petaling, State of Selangor
Tenure	:	Leasehold 99 years expiring on 10 November 2110 (unexpired term of approximately 87 years)
Land area	:	8,326 square metres (approximately 89,620 square feet / 2.057 acres)
Gross floor area	:	98,378.3989 square metres (approximately 1,058,935 square feet) as per the approved building plan
Net floor area	:	42,063.00 square metres (approximately 452,762 square feet) as per the floor measurement survey plan
Net lettable area (" NLA ")	:	450,000 square feet as per the lease agreement dated 20 January 2020
Property use	:	Lease to Celcom Berhad (formerly known as Celcom Axiata Berhad) (" Celcom ") for 15 years commencing from 1 January 2020 and expiring on 31 December 2034, and an automatic extension of 2 further terms of 3 years each expiring on 31 December 2040 pursuant to the lease agreement dated 20 January 2020
Age of building	:	Approximately 5 years as per the Certificate of Completion and Compliance (CCC) issued on 17 January 2018
Number of car park bays	:	788 bays
Occupancy rate based on the NLA as at the date of valuation	:	100.0% (single tenant)
Category of land use	:	Building
Restriction in interest	:	The land can be transferred, leased or charge upon obtaining the approval of the state authority
Encumbrances/Endorsements	:	A 15-year lease bearing presentation number 111056/2022 created in favour of Celcom
Express condition	:	Commercial building

Gross rental income for the financial year ended (“FYE”) 31 December 2022	:	RM36,044,945 based on the audited financial statements of Puncak Wangi
Audited net book value as at 31 December 2022	:	RM373,866,000 based on the audited financial statements of MRCB
Market value	:	RM450,000,000
Date of valuation	:	23 June 2023
Independent valuer	:	CBRE WTW Valuation & Advisory Sdn Bhd (formerly known as C H Williams Talhar & Wong Sdn Bhd) (“CBRE” or “Valuer”)
Method of valuation	:	Income approach of valuation by investment method

(Source: Unless otherwise stated, extracted from the valuation certificate dated 20 July 2023 prepared by CBRE (“Valuation Certificate”))

2.3 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a willing buyer willing seller basis after taking into consideration the market value of the Property of RM450,000,000 as ascribed by CBRE.

The Valuer has adopted the income approach of valuation by investment method as the primary method of valuation in arriving at the market value of the Property and the comparison approach as a check. The description of these methodologies are set out below:

<u>Valuation approach</u>	<u>Methodology approach</u>
Income approach by investment method	This method entails determining the net current annual income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the market value.
Comparison approach	This approach entails analysing recent transactions and asking prices of similar property in the locality for comparison purposes with adjustments made for differences in location, size, age and condition of the building, tenure, title restrictions if any and other relevant characteristics to arrive at the market value.

The market value of the Property derived from the income approach by investment method and comparison approach is the same at RM450,000,000. The Valuer considers the market value derived from the income approach by investment method as a fair representation of the market value of the Property after taking into consideration the nature of the Property being a commercial asset and an income generating property.

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

The Purchase Consideration does not represent any discount or premium to the market value of RM450,000,000 as ascribed by the Valuer.

2.4 Liabilities to be assumed

SENTRAL will not assume any liabilities, including contingent liabilities and/or guarantees, arising from the Proposed Acquisition.

2.5 Additional financial commitment

Save for the borrowings to be obtained to partly fund the Purchase Consideration and expenses relating to the Proposals, SENTRAL does not expect to incur any other financial commitment arising from the Proposed Acquisition.

2.6 Original cost and date of investment

The original carrying value of the Property upon completion of construction on 17 January 2018 is approximately RM426.95 million.

2.7 Estimated total funding required and source of funds

The purposes of the total funding required to undertake the Proposals are set out below:

Purpose	RM' million
Purchase Consideration	450.0
Estimated expenses relating to the Proposals ⁽¹⁾	4.8
Total	454.8

Note:

- (1) *The estimated expenses relating to the Proposals comprise of professional fees, placement fees, fees payable to the relevant authorities, borrowing related cost, cost of convening the meeting of unitholders of SENTRAL (“Unitholders”) to be convened for the Proposals (“Unitholders’ Meeting”) and other incidental expenses.*

An additional cost representing the acquisition fee of 1.0% of the Purchase Consideration due to the Manager amounting to RM4.5 million will be funded via internally generated funds of SENTRAL.

The Purchase Consideration and the expenses relating to the Proposals will be funded via combination of the proceeds from the Proposed Placement and borrowings. The amount of borrowings to partly fund the Proposed Acquisition will depend on the eventual proceeds to be raised from the Proposed Placement which in turn will depend on, among others, market conditions, issue price and demand for the Placement Units.

For illustrative purposes only, assuming the maximum number of 123,720,000 Placement Units are issued at an issue price of RM0.75 per Placement Unit, representing a discount of approximately 10.0% to the 5-day volume weighted average market price (“**VWAP**”) of the Units up to and including 21 July 2023 of RM0.83, the gross proceeds from the Proposed Placement is approximately RM92.8 million and accordingly, the breakdown of the source of funds is set out below:

Source of funds	RM' million
Gross proceeds from the Proposed Placement	92.8
Borrowings	362.0
Total	454.8

In the event the proceeds from the Proposed Placement is less than the amount illustrated above, other options and sources of alternative funding will be considered and assessed to complete the Proposed Acquisition subject to the total borrowings of SENTRAL not exceeding 50.0% of its total asset value. Nevertheless, in the event the proceeds from the Proposed Placement is higher than the amount illustrated above, the Manager may reduce the amount of borrowings required to partly fund the Purchase Consideration and the expenses relating to the Proposals which is expected to reduce the gearing level of SENTRAL.

2.8 Information on the Vendor and its holding company, MRCB

Puncak Wangi was incorporated as a private limited company in Malaysia under the Companies Act 1965 on 25 September 1995 and is deemed registered under the Act. As at the LPD, the issued share capital of Puncak Wangi is RM1,671,749 comprising the following:

- (i) RM291,749 comprising 200,000 ordinary shares; and
- (ii) RM1,380,000 comprising 1,380,000 redeemable preference shares.

The principal activities of Puncak Wangi are property investment and management.

As at the LPD, the directors of Puncak Wangi are Tan Sri Abdul Halim Bin Ali, Ann Wan Tee and Kwan Joon Hoe who do not have any shareholding in Puncak Wangi.

Puncak Wangi is a wholly-owned subsidiary of MRCB.

MRCB was incorporated in Malaysia on 21 August 1968 under the Companies Act 1965 as a private limited company under the name Perak Carbide Corporation Sendirian Berhad and is deemed registered under the Companies Act 2016 ("**Act**"). It was converted into a public company on 28 June 1969 and listed on the Stock Exchange of Malaysia and Singapore (*now known as the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**")*) on 22 March 1971. It subsequently changed its name to Malaysian Resources Corporation Berhad on 12 October 1981.

MRCB and its subsidiaries are principally engaged in property development, property investment, engineering and construction related activities, environmental engineering, facilities management and parking services.

As at the LPD, the issued share capital of MRCB is RM4,356,105,775.58 comprising 4,467,509,508 ordinary shares in MRCB.

The directors and substantial shareholders of MRCB and their respective shareholdings in MRCB as at the LPD are as follows:

	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of ordinary shares</u>	<u>%</u>	<u>No. of ordinary shares</u>	<u>%</u>
<u>Directors</u>				
Datuk Seri Amir Hamzah Azizan	667	*	-	-
Tan Sri Mohamad Salim Fateh Din	1,388,800	*	691,624,394 ⁽¹⁾	15.5
Mohd Imran Mohamad Salim	468,200	*	-	-
Mohamad Hafiz Kassim	-	-	-	-
Dato' Mohamad Nasir Ab Latif	-	-	-	-
Dato' Wan Kamaruzaman Wan Ahmad	286,875	*	-	-
Dato' Dr Junaidah Kamarruddin	-	-	-	-
Lim Fen Nee	-	-	-	-
<u>Substantial shareholders</u>				
Employees Provident Fund Board (" EPF ")	1,617,485,447	36.2	-	-
Gapurna Sdn Bhd (" Gapurna ")	691,624,394	15.5	-	-
Lembaga Tabung Haji	255,187,546	5.7	-	-

Notes:

* Negligible, less than 0.1%.

(1) Deemed interested by virtue of his shareholding in Gapurna pursuant to Section 8 of the Act.

(Source: MRCB)

3. DETAILS OF THE PROPOSED PLACEMENT

3.1 Description of the Proposed Placement

The Proposed Placement entails the issuance of up to 123,720,000 Placement Units, representing up to approximately 11.5% of the existing total Units in issue as at the LPD, by way of bookbuilding.

The actual number of Placement Units to be issued cannot be determined at this juncture and will depend on the actual placement size and the issue price of the Placement Units, which can only be determined upon completion of the bookbuilding exercise for the Proposed Placement. The basis to determine the actual placement size will be decided based on, among others, the optimal debt to equity ratio and the expected effects on the earnings per Unit (“**EPU**”) and distribution per Unit (“**DPU**”).

To determine the maximum number of Placement Units to be issued for the purposes of seeking the approval of the non-interested Unitholders’ at the Unitholders’ Meeting for the Proposed Placement, the Manager has adopted an illustrative issue price of RM0.75 per Placement Unit, which would result in the issuance of a maximum number of 123,720,000 Placement Units. Notwithstanding this, subject to the maximum number of 123,720,000 Placement Units, the actual issue price for the Placement Unit can only be determined later and may be higher or lower than the illustrative issue price of RM0.75 per Placement Unit.

3.2 Basis and justification for the issue price

The issue price for the Placement Units shall be based on the price from the bookbuilding exercise, where the bookbuilding price range will be determined based on, among others:

- (i) indicative demand and feedback from potential investors;
- (ii) precedent transactions; and
- (iii) market price of the Units.

In any event, the Placement Units will be issued at not more than 10.0% discount to the 5-day VWAP of the Units immediately prior to the price-fixing date to be announced at a later date.

3.3 Placement arrangement

The Proposed Placement will not be implemented in stages over a period of time and the Placement Units will be placed out by way of an accelerated bookbuilding by one or more placement agents appointed by the Manager. CIMB and Maybank IB have been appointed as the placement agents for the Proposed Placement. The Manager may appoint additional placement agents in due course and such appointment will be announced at the relevant time.

The Placement Units are intended to be placed out to institutional investors to be identified later, where such investors shall fall within Schedule 6 and Schedule 7 of the Capital Markets and Services Act 2007. The Proposed Placement will not be an offer of securities for sale into the United States of America (“**US**”). The Placement Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). The Placement Units are being offered and sold pursuant to an exemption from the registration requirements of the Securities Act, outside the US in offshore transactions, in reliance on, and in compliance with Regulation S under the Securities Act. This announcement does not constitute an offer to any person in the US. Distribution of this announcement to any person within the US is unauthorised.

Assuming that the other major Unitholder(s) of SENTRAL, being a person who has a direct and/or indirect interest in SENTRAL of more than 10.0% of the total Units issued (“**Other Major Unitholder(s)**”), participate in the bookbuilding exercise, the Placement Units may be placed out to the Other Major Unitholder(s) and/or persons connected with them, subject to compliance with Paragraph 6.06 of the Main Market Listing Requirements of Bursa Securities (“**Listing Requirements**”) where the Manager is required to seek the approval of the non-interested Unitholders at the Unitholders’ Meeting for the specific issuance of the Placement Units to the participating Other Major Unitholders and/or persons connected with them.

3.4 Ranking of the Placement Units

The Placement Units shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Units, save and except that the Placement Units will not be entitled to the Advance Distribution (as defined in Section 3.7 of this announcement) and shall not be entitled to any distributable income, rights, benefits, entitlements and/or any other distributions, unless the allotment of the Placement Units were made on or prior to the entitlement date of such distributable income, rights, benefits, entitlements and/or any other distributions.

3.5 Listing and quotation of the Placement Units

The Placement Units will be listed and quoted on the Main Market of Bursa Securities. An application will be made to Bursa Securities for the listing and quotation of the Placement Units on the Main Market of Bursa Securities.

3.6 Utilisation of proceeds

The gross proceeds to be raised from the Proposed Placement will be utilised within 1 month from the listing of the Placement Units to partly fund the Purchase Consideration and the expenses relating to the Proposals as set out in Section 2.7 of this announcement.

In the event that the Proposed Placement is completed but the Proposed Acquisition is not completed for whatsoever reason, the proceeds shall be reallocated to fund SENTRAL’s acquisitions of other assets to be identified by the Manager. This will allow the Manager to capitalise on suitable and viable investment opportunities as and when it arises which will contribute positively to SENTRAL’s future earnings and DPU. As at the date of this announcement, apart from the Proposed Acquisition, the Manager has not identified any other assets to be acquired.

Pending the full utilisation of the gross proceeds to be raised from the Proposed Placement in the event that the Proposed Acquisition is not completed as described above, the Manager will place the proceeds or the balance thereof in interest-bearing deposit account(s) with licensed financial institution(s) or short-term money market deposits or any other permissible investments allowed under the restated deed of trust constituting SENTRAL dated 2 December 2019 and the supplemental deed dated 24 December 2020 (“**Trust Deed**”), as it may deem fit in the best interest of SENTRAL and the Unitholders.

3.7 Advance Distribution (as defined below)

Pursuant to the terms of the Trust Deed, the Manager shall, with the approval of the Trustee, distribute the distributable income of SENTRAL at the quantum and intervals to be determined in its absolute discretion. The Board intends to declare an advance distribution of SENTRAL’s distributable income (“**Advance Distribution**”) for the period commencing on the day immediately after the relevant distribution up to such date to be determined by the Board, which is before the date on which the Placement Units are allotted to identified investors (“**Advance Distribution Period**”). The Placement Units will not be entitled to the Advance Distribution and hence, the entitlement date for the Advance Distribution will be prior to the date of allotment of the Placement Units. The Advance Distribution is meant to ensure fairness to the existing Unitholders and is intended to be implemented to ensure that the distributable income accrued during the Advance Distribution Period is only distributed to the existing Unitholders.

3.8 Proposed Placement to MRCB

To demonstrate its commitment to support the continued growth of SENTRAL and its confidence in the future prospects of SENTRAL, MRCB, being a major Unitholder holding approximately 27.9% of the existing total Units in issue as at the LPD, has given an undertaking via its letter dated 25 July 2023 to unconditionally subscribe for up to 34,568,734 Placement Units in order to maintain its unitholding in SENTRAL immediately prior to the Proposed Placement at the issue price to be determined by way of bookbuilding. The undertaking is subject to the following:

- (i) the approval of the non-interested Unitholders for the Proposals;
- (ii) the approval of the non-interested shareholders of MRCB for the disposal of the Property by the Vendor and MRCB's subscription of up to 34,568,734 Placement Units;
- (iii) the Proposed Placement being implemented in a single tranche and SENTRAL obtaining the approval of Bursa Securities for the listing and quotation of the Placement Units on the Main Market of Bursa Securities; and
- (iv) the total Units in issue is maintained at 1,071,783,000 from the date of the SPA to immediately prior to the implementation of the Proposed Placement.

As MRCB will not be influencing the bookbuilding for the Proposed Placement and the determination of the issue price for the Placement Units, MRCB, as a price-taker, shall accept the final issue price for its Placement Units which will be determined upon completion of the bookbuilding exercise and announced on Bursa Securities.

4. RATIONALE AND BENEFITS OF THE PROPOSALS

4.1 Proposed Acquisition

The rationale and benefits of the Proposed Acquisition are as follows:

4.1.1 Quality office building within a satellite city with good connectivity

The Property is strategically located in a prime commercial hub within Petaling Jaya New Town in Petaling Jaya, Selangor which comprises mainly office buildings, hotels, government offices, shopping mall, shop/offices and hypermarket.

To the immediate west of the Property are Quattro West, Hilton Hotel Petaling Jaya, Wisma MCIS Zurich which are all located along Persiaran Barat. PJ Sentral Garden City, an ongoing mixed development which consists of hotel, office, retail, serviced apartment and public park is located to the immediate south of the Property. To the immediate east of the Property are the National Registration Department Petaling Jaya, Petaling Jaya Courthouse, Jabatan Pengangkutan Jalan (JPJ) Petaling, Jaya Kelab PJ, PJ Palms Sport Centre, Dataran Petaling Jaya and Shah's Village Hotel.

In addition, the Property is in a well-placed satellite city with good connectivity to the capital city of Kuala Lumpur through convenient access to the light rail transit ("LRT") Kelana Jaya Line from the nearby Taman Jaya LRT Station and the Federal Highway.

4.1.2 Augments SENTRAL's green footprint

SENTRAL has over the years introduced multiple initiatives across its portfolio to minimise operational energy consumption and carbon emissions, and such initiatives have been initiated in tandem with its tenants' sustainability efforts. These include carbon reduction and avoidance approaches consisting of energy efficiency measures and generation of renewable energy such as solar energy to power its operations.

The Property is certified as a Leadership in Environmental & Energy Design (“LEED”) Gold⁽¹⁾ Green Building in November 2020 and was constructed based on the criteria and design requirements set for this certification, which will translate into significant energy savings over the long-term.

Featuring the latest in green building technology, the Property will further augment SENTRAL's green footprint and boost SENTRAL's existing portfolio of green buildings and buildings with green features such as Menara Shell and Platinum Sentral. The Proposed Acquisition is also in line with SENTRAL's environmental target of reducing energy usage and carbon emission intensity levels.

Note:

(1) *The certification is known as LEED 2009 Core and Shell Gold, given under the LEED Green Building Rating System, run by the United States Green Building Council.*

4.1.3 Fully occupied with a long-term lease by Celcom with built-in rental escalation clauses and renewal options

Celcom, a leading telecommunications provider in Malaysia, entered into a 15-year lease of the Property's entire NLA of 450,000 square feet in January 2020, with an automatic extension of 2 terms of 3 years each up to December 2040.

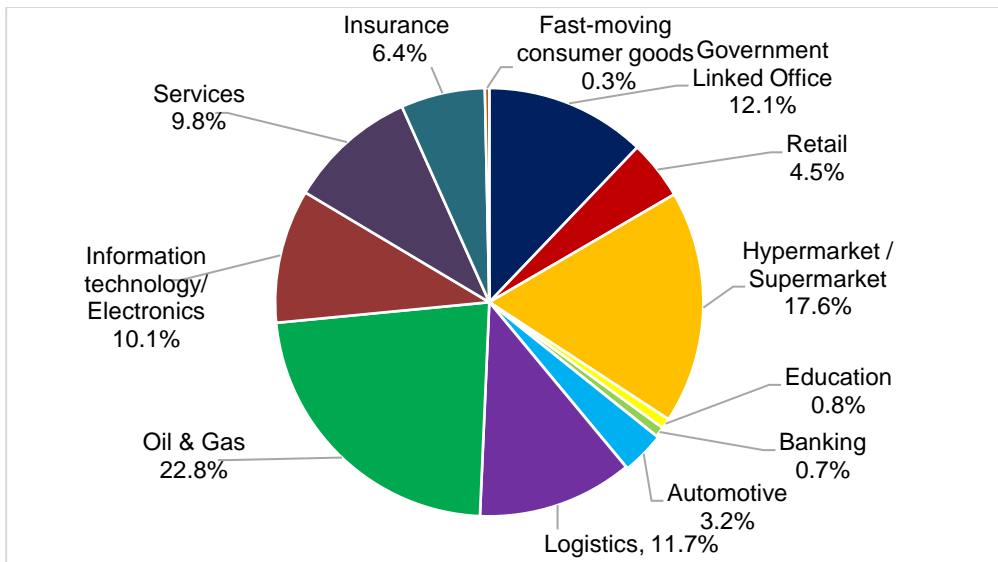
The long-term lease with rental reversions during the lease period and at the start of the two extension periods will provide income stability and resilience to SENTRAL's portfolio. To protect the Unitholders from potential downside risks, in the event of an early termination of the lease agreement by Celcom, Celcom will have to pay SENTRAL as the lessor all the lease obligations under the remaining tenure of the agreement.

4.1.4 Further enhances and rebalances SENTRAL's portfolio

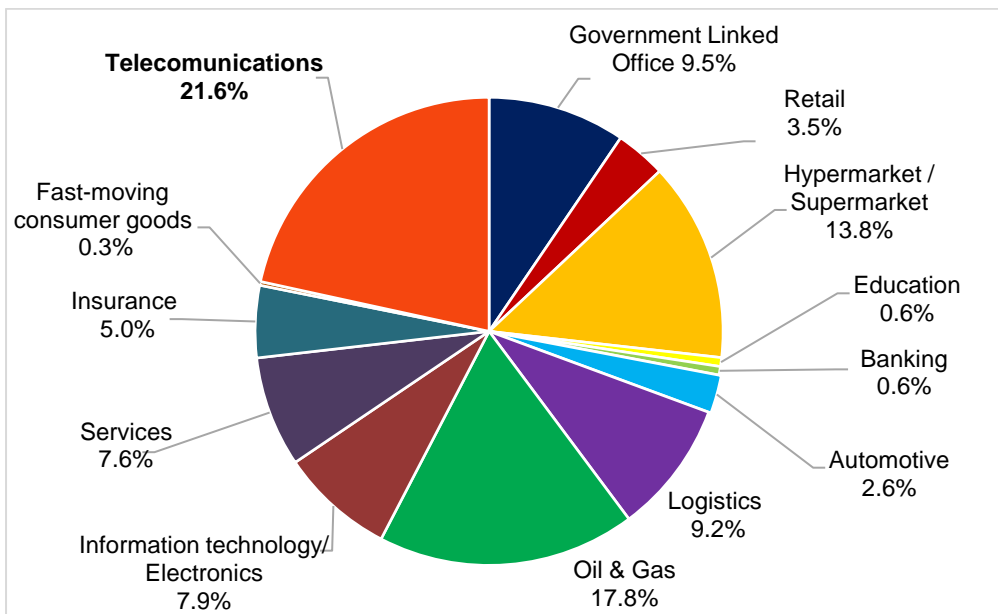
Post the Proposed Acquisition, the fully occupied Property will uplift the overall SENTRAL's portfolio's weighted average lease to expiry (by NLA) by 1.6 years, from 3.3 years (for the 4th quarter of 2022) to 4.9 years on a pro forma basis. The portfolio occupancy rate (by NLA) will also increase by 4.0%, from 77.2% (for the 4th quarter of 2022) to 81.2% on a pro forma basis.

In addition, the Proposed Acquisition is expected to further strengthen and improve the quality of SENTRAL's tenant base with the addition of a high quality and established tenant in the telecommunications sector. This also enhances SENTRAL's income diversification by entering into a new resilient tenant sector in the provision of essential services, and reduces its exposure to any one or more major trade or service sectors.

Tenancy Mix Before the Proposed Acquisition



Tenancy Mix After the Proposed Acquisition



4.1.5 Increases total asset size and portfolio geographical diversification

The Proposed Acquisition will further strengthen SENTRAL’s position as a sizeable and geographically diversified commercial real estate investment trust with assets well-spread across Kuala Lumpur Sentral, Kuala Lumpur City Centre, Petaling Jaya, Cyberjaya, Mont Kiara and Penang in Malaysia. For illustrative purposes only, based on the Purchase Consideration, SENTRAL’s total asset size will increase from approximately RM2.1 billion to approximately RM2.6 billion upon the completion of the Proposed Acquisition.

4.1.6 DPU yield is expected to be neutral or mildly accretive but it will enhance SENTRAL's distribution and improve total Unitholders' returns in the long-run

The Proposed Acquisition is in line with the investment objective of the Manager to continuously pursue an acquisition strategy to acquire and invest in properties used or predominantly used for commercial purposes primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to the Unitholders, and achieve long-term growth in the net asset value ("**NAV**").

Based on the envisaged parameters of the Proposals as detailed in Section 7.3 of this announcement, the Proposed Acquisition is expected to be DPU yield-neutral or mildly accretive on a pro forma basis. Further, the Manager expects the DPU yield to increase moving forward through its active asset management strategies to improve the net property income ("**NPI**") of its current portfolio and the Property which includes continuing efforts in enhancing the physical quality and built as well as managing property expenses of the enlarged portfolio.

4.2 Proposed Placement

After due consideration of the various funding options available to SENTRAL, the Board is of the view that the Proposed Placement is the most appropriate means to raise funds to partly fund the Proposed Acquisition as it is expected to:

- (i) allow the Manager to raise fund expeditiously and cost effectively as compared with other fund-raising exercises involving pro-rata issuance of securities such as rights issue;
- (ii) allow SENTRAL to potentially attract more institutional investors to invest in SENTRAL, thereby potentially widening its Unitholders' base;
- (iii) allow the Manager to optimise SENTRAL's returns while maintaining its gearing at a healthy level as well as to maintain sufficient headroom for SENTRAL to undertake future acquisitions; and
- (iv) increase the total Units in issue which in turn may improve the trading liquidity of the Units.

SENTRAL has not undertaken any equity fund-raising exercises in the past 12 months prior to this announcement.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of Malaysian economy

Malaysia's gross domestic product ("**GDP**") grew 5.6% in the 1st quarter of 2023 as compared to 7.1% recorded in the previous quarter. In terms of seasonally adjusted growth, the GDP increased by 0.9% (4th quarter 2022: -1.7%). On the supply side, all economic sectors grew in the 1st quarter of 2023 especially services and manufacturing sectors. In addition, the performance was also reflected on the demand side, primarily driven by private final consumption expenditure and gross fixed capital formation. Overall, Malaysia's GDP at current prices was amounted to RM444.0 billion, while at constant prices it was RM380.9 billion in 1st quarter of 2023.

(Source: Gross Domestic Product First Quarter 2023, Department of Statistics Malaysia, Ministry of Economy)

For 2023, the Malaysian economy is expected to continue to expand amid slower external demand. Growth will be driven by domestic demand, supported by improving labour market conditions, higher tourism activity and further progress of multiyear investment projects. Domestic financial conditions also remain conducive to financial intermediation.

The risks to Malaysia's growth outlook are fairly balanced. Upside risks are mainly from domestic factors such as stronger than expected tourism activity and implementation of projects including those from the re-tabled Budget 2023. Meanwhile, downside risks stem from weaker-than-expected global growth and more volatile global financial market conditions.

For 2023, headline and core inflation are projected to moderate over the course of the year but remain elevated at an average of between 2.8% and 3.8%. The moderation is mainly attributed to lower global cost factors, amid the easing of supply chain disruptions and lower commodity prices. However, core inflation will remain at elevated levels due to firm demand conditions. Upward pressures to inflation are expected to continue to be partly contained by existing domestic policy on price controls and fuel subsidies. The balance of risk to the inflation outlook is tilted to the upside, as it remains subjected to changes to domestic policy measures on administered prices, financial market developments and commodity price developments.

(Source: BNM Quarterly Bulletin Vol. 38 No. 1 for the First Quarter of 2023, Bank Negara Malaysia)

5.2 Overview and prospects of the office and retail property in Klang Valley

As of the 1st quarter of 2023, the cumulative supply of the purpose-built office ("PBO") in Klang Valley was 59.6 million square feet, with Metropolitan Kuala Lumpur ("MKL") accounting for 24.8 million square feet. About 39.0% of the total PBO supply in MKL is located in MKL with a focus on Petaling Jaya ("MKL-PJ"), totalling approximately 9.7 million square feet. The completion of Aspire Tower in 2023 and Menara Felcra in 2024 is projected to add approximately 841,500 square feet of new PBO supply to the MKL market. In the study area, there is only one incoming supply, known as Finas Tower (PJ Garden Sentral), is scheduled to be completed in 2025 with 154,000 square feet.

Klang Valley posted an occupancy rate of 81.0% for the PBO space in the 1st quarter of 2023, while MKL and MKL-PJ remained resilient at 80.2% and 84.6%, respectively. The rental rates for PBO in MKL have mostly maintained the same from the previous quarters to the 1st quarter of 2023, ranging from RM5.00 to RM5.50 per square feet (for older buildings) and RM6.00 to RM7.00 per square feet (for newer buildings).

The PBO performance in MKL will be moderate growth in 2023 following the rise in economic activity and enhanced business sentiments.

As organisations strive to achieve their sustainability objectives, the demand for green-rated buildings is projected to rise substantially in years to come. Tenants are expected to relocate to newer, more modern, and more energy-efficient buildings as environmental, sustainable and governance (ESG) becomes the focal point of corporate strategy.

With an upcoming influx of new PBO supply in Klang Valley, both occupancy and rental rates are set to come under pressure. Landlords will continue to struggle to maintain competitive rental rates amidst rising vacancy rates and costs for conducting business. Nonetheless, office spaces in PJ Sentral, being a transit-oriented-development, are expected to derive demand opportunities from occupiers seeking for green-rated buildings.

(Source: CBRE)

5.3 Prospects of the Property

The Property is strategically located in the prime commercial hub within Petaling Jaya New Town in Petaling Jaya, Selangor which comprises mainly office buildings, hotels, government offices, shopping mall, shop/offices and hypermarket. The Property is in proximity with various establishments including government offices and commercial developments, and has good connectivity to the capital city of Kuala Lumpur through convenient access to the LRT Kelana Jaya Line from the Taman Jaya LRT station and the Federal Highway.

Other than its prime location, the Property obtained the LEED Gold Green Building rating in November 2020, as it was constructed based on the criteria and design requirements set for the certification, which will translate into great energy savings over the long term. The addition of the Property as a green building to the portfolio of SENTRAL will further enhance its sustainability performance especially from an environmental angle.

The Property also enjoys long-term steady stream of rental income with built-in rental escalation clause from a reputable tenant, namely Celcom.

The prospects of the Property are expected to be positive in view of its strategic location, good accessibility, high quality specifications that meet the requirements of green building and long term stable income stream. Premised on the above, the Manager believes that the Property will add value to the Unitholders in long run.

(Source: The Manager)

6. RISK FACTORS

The Proposed Acquisition may be subject to certain risk factors inherent in the property market, which SENTRAL is currently subjected to as a commercial real estate investment trust. The following are some non-exhaustive risk factors that may be inherent to SENTRAL in relation to the Proposed Acquisition.

6.1 Risks relating to the Proposed Acquisition

6.1.1 Delay or non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is conditional upon the conditions precedent as set out in Section 3 of **Appendix I** of this announcement being fulfilled. The non-fulfilment of the conditions precedent may result in the SPA being terminated. In addition, there can be no assurance that the Proposed Acquisition can be completed within the time period permitted under the SPA. Nevertheless, the Manager and the Trustee will take the necessary steps to facilitate the fulfilment of the conditions precedent which are within the Manager's and the Trustee's control within the timeframe stipulated in the SPA.

6.1.2 Financing risk

There can be no assurance that SENTRAL may be able to raise sufficient funds to fund the Proposed Acquisition and/or on terms acceptable to SENTRAL. Where SENTRAL is unable to raise the required funds for the Proposed Acquisition, the Proposed Acquisition will not be completed. In addition, SENTRAL will also need to obtain external borrowings to partly fund the Proposed Acquisition. The incurrence of debt to fund the Proposed Acquisition will result in new interest/principal servicing obligations for SENTRAL. In the event that the Proposed Acquisition is partly funded via floating rate debt facilities, any future significant increase in interest rates could have an adverse effect on SENTRAL's cash flows and profitability which in turn may affect its ability to make stable distributions to the Unitholders.

In mitigating such risk, SENTRAL will actively review its debt portfolio taking into account the level, structure and nature of borrowings, and will seek to adopt cost effective and optimal mix of financing options. The Manager believes that its prudent capital management will be able to address and mitigate SENTRAL's financing and interest rate risk in a volatile market environment. While efforts will be taken to ensure that no significant adverse effects would arise from the interest/principal servicing obligations, there can be no assurance that it will not have any material impact on SENTRAL's future financial performance.

6.1.3 SENTRAL's pro forma distributable income and DPU are not a guarantee of the actual financial results

SENTRAL's pro forma distributable income and DPU as set out in Section 7.3 of this announcement illustrate the effects of the Proposals based on certain assumptions including, the interest rate for the external borrowings to be obtained, the issue price of the Placement Units, the distribution payout ratio and that the Proposals had been completed on 1 January 2022, being the beginning of the FYE 31 December 2022. There can be no assurance that the assumptions adopted by the Manager will be realised and the actual financial results may differ from the pro forma results as set out in this announcement.

6.2 Risks relating to the Property

6.2.1 Concentration risk

The heavy reliance on Celcom as the Property's primary tenant gives rise to a substantial concentration risk as there can be no assurance that Celcom will not default on rental payments in the future. Any delay in payment could potentially have adverse effects on SENTRAL's financial conditions and operational results. However, the concentration risk is mitigated as the lease agreement entered into with Celcom guarantees stable rental income over the next decade with early termination compensation to the lessor on the remaining tenure.

6.2.2 Losses from latent building defects

Due diligence on the Property conducted prior to the execution of the SPA may not identify all material defects, breaches of laws and regulations and other deficiencies, which could result in unpredictable business interruption and additional expenses on repairs and rectifications being incurred.

The representations, warranties and indemnities made in favour of SENTRAL by the Vendor pursuant to the SPA may not offer sufficient protection for the costs and liabilities arising from any defect or deficiency, which may have a material adverse effect on SENTRAL's future earnings and cash flows. Further, the Trustee's rights to claim against the Vendor for breach of such representations, warranties and indemnities are subject to a maximum aggregate liability in respect of all claims which shall not exceed RM100,000,000. However, no liability shall be attached to the Vendor where the amount of any individual claim (or a series of claims arising from same facts or circumstances) where the liability agreed or determined in respect of any such claim or series of claims is less than RM100,000. Where the liability agreed or determined in respect of any such claim exceeds RM100,000, the Vendor shall be liable for the whole of the amount (and not only the differential) of the claim or series of claims as agreed or determined.

The Trustee's right to claim in relation to the description, quality, conditions, measurements, area, suitability or fitness for purpose of vacant possession of the Property shall be subject to the due diligence findings unless if and to the extent that the facts, matters, events or circumstances giving rise to such claim are:

- (a) disclosed to the Trustee during the course of the Trustee's due diligence investigation on the Property; or
- (b) information available at the register maintained by Companies Commission Malaysia and Pejabat Tanah Dan Galian Negeri Selangor based on searches conducted by the Trustee or the Trustee's solicitors and the said searches are annexed in the SPA,

to which the Trustee has not given notice to the Vendor to request the Vendor to rectify any such non-satisfactory findings before the unconditional date.

6.2.3 Inadequate insurance and potential losses due to uninsured liabilities

The Property may suffer physical damages by fire, flood, earthquake or other causes which may cause SENTRAL to suffer public liability claim thereby resulting in losses (including loss of rental income) and SENTRAL may not be sufficiently compensated/covered by insurance. In addition, certain types of risks (such as war risk and terrorist acts) may be uninsurable or not economically insurable.

Should an uninsured loss or a loss in excess of insured limits occur, SENTRAL could suffer a loss of capital invested in the Property as well as anticipated future revenue from the Property. SENTRAL would also remain liable for any debt or other financial obligation related to the Property. No assurance can be given that material losses in excess of insurance proceeds (if any) will not occur in the future. In the event that an uninsured loss or a loss in excess of insured limits occurs, this may adversely affect SENTRAL's financial condition and results of operations.

The Property is currently insured against risks such as fire, business interruption and public liability, which the Manager believes is consistent with general industry practice in Malaysia. The Manager may in the future take up insurance against such other relevant risks as and when the Manager considers there is a need to do so.

6.2.4 Risk associated with asset enhancement initiatives

The Property may need to undergo renovation or asset enhancement works from time to time to retain its competitiveness and may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may develop from time to time. The costs of maintaining the Property and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. The Manager will work together with the Property's manager to identify and plan for future asset enhancement or rectification works in respect of the Property to minimise disruption to the operations of the Property. While the Manager and the Property's manager will endeavour to keep any disruptions caused by such renovation works or maintenance or repairs to a minimum, the operations of the Property may still suffer some disruption.

Further, there can be no assurance that the renovation or asset enhancement works will be able to achieve their intended return or benefit as the Property may still be unable to attract new tenants or retain existing tenants, and significant costs may have been incurred by SENTRAL in the course of such renovation or asset enhancement works.

6.2.5 Devaluation of the Property

Property valuations (including the valuation conducted by the Valuer in connection with the Proposed Acquisition) generally include a subjective evaluation of certain factors relating to the relevant properties, such as their relative market positions, their financial and competitive strengths and their physical conditions.

General property prices, including that of commercial property, are subject to the volatilities of the property market and there can be no assurance that SENTRAL will not be required to make downward revaluation of the Property in the future. Any fall in the gross revenue or NPI derived from the Property may result in its downward revaluation.

SENTRAL is required to measure the investment properties at fair value at each reporting date. The changes in fair value may have an adverse effect on SENTRAL's financial results in the financial year where there is a significant decrease in the valuation of SENTRAL's investment properties, which will result in revaluation losses that will be charged to its statement of comprehensive income. However, this should not have an impact on the income available for distribution to the Unitholders.

6.2.6 Non-registration of the transfer of title for the Property

Prior to the execution of the SPA, the Trustee has taken all necessary action to ensure the instruments of transfer are in a registrable form. This includes conducting searches at the relevant land office to ascertain the absence of caveats and/or encumbrances (save for the 15-year lease in favour of Celcom), which may prevent the registration of the Trustee as the registered owner of the Property prior to the presentation of the instrument of transfer and other necessary transfer documents at the relevant land office.

Given the current practices of the land offices in Malaysia, it is not uncommon that the period between the date of presentation of instruments relating to dealing in a land transaction and the registration thereof could take several months. Nevertheless, upon registration, the date of registration will be the date of presentation of the instruments of dealing. The potential delay and therefore, uncertainty, in the registration of the Trustee as the registered owner of the Property is not unique.

The SPA provides that if the transfer of the Property cannot be registered for any reason whatsoever, Puncak Wangi and the Trustee shall work together to procure the registration of the transfer. However, if the matter giving rise to the non-registration cannot be rectified within 6 months of a notice in writing from the Trustee to Puncak Wangi, the Trustee may by a notice in writing to Puncak Wangi terminate the SPA where Puncak Wangi shall have a period of 14 business days from the date of the termination notice to refund all the monies paid by the Trustee pursuant to the SPA free of interest.

6.3 Risks relating to the property market

6.3.1 Changes in laws and regulations

The Property is subject to potential changes to, or new interpretations of the laws, building by-laws, codes and regulations issued by the relevant regulatory authorities, which may result in it undergoing extensive renovation and incurring renovation costs, which will result in higher future capital expenditure.

6.3.2 Compulsory acquisition by the Government of Malaysia (“Government”)

The Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act 1960 for certain purposes where the compensation to be awarded is based on the fair market value of a property assessed on the basis prescribed in the Land Acquisition Act 1960 and other relevant laws. Compulsory acquisition by the Government could adversely affect the value of the Property, which could impair SENTRAL's financial condition and results of operations.

Furthermore, if all or any portion of the Property is compulsorily acquired by the Government at a point in time when the market value of the Property has decreased, the level of compensation paid to SENTRAL may be less than the Purchase Consideration which may have an adverse effect on SENTRAL's business, financial condition, results of operations and prospects.

In the event of any compulsory acquisition, SENTRAL will seek to minimise any potential losses from such transaction, including invoking the relevant provisions of the Land Acquisition Act 1960 in relation to its rights to submit an objection in respect of the compensation, where necessary.

In the event the Trustee elects to terminate the SPA, the Trustee shall within 14 business days from the date of receipt of the Vendor's notice in relation to the compulsory acquisition by the Government, give notice in writing to the Vendor of its intention to terminate the SPA.

7. EFFECTS OF THE PROPOSALS

For illustrative purposes only, the pro forma effects of the Proposals have been based on the following parameters:

- (i) the issue price of the Placement Units has been assumed to be RM0.75 per Unit, based on a discount of approximately 10.0% to the 5-day VWAP of the Units up to and including 21 July 2023 of RM0.83;
- (ii) the maximum number of the Placement Units to be issued is 123,720,000, representing approximately 11.5% of the existing total Units in issue as at the LPD to raise gross proceeds of RM92,790,000; and
- (iii) the remainder of the total funding required for the Proposals of RM362,000,000 has been assumed to be satisfied via borrowings.

7.1 Unitholders' capital

The Proposed Acquisition will not have any effect on the Unitholders' capital.

The pro forma effect of the Proposed Placement on the Unitholders' capital are as follows:

	No. of Units	RM'000
As at the LPD	1,071,783,000	1,235,877
To be issued pursuant to the Proposed Placement	123,720,000	90,540 ⁽¹⁾
Enlarged Unitholders' capital	1,195,503,000	1,326,417

Note:

- (1) After taking into consideration the estimated expenses for the Proposed Placement of approximately RM2.2 million which will be set-off against the Unitholders' capital.

7.2 Substantial Unitholders' unitholdings

The Proposed Acquisition will not have any effect on the unitholdings of the substantial Unitholders.

The pro forma effect of the Proposed Placement (including Proposed Placement to MRCB) on the unitholdings of the substantial Unitholders are as follows:

Substantial Unitholders	As at the LPD		After the Proposed Placement (including Proposed Placement to MRCB)					
			Indirect		Direct		Indirect	
	'000	%	'000	%	'000	%	'000	%
MRCB	299,468	27.9	-	-	334,037	27.9	-	-
EPF	128,626	12.0	-	-	128,626	10.7	-	-
CapitaLand Integrated Commercial Trust	117,040	10.9	-	-	117,040	9.8	-	-
Quill Land Sdn Bhd	59,040	5.5	-	-	59,040	4.9	-	-

7.3 Earnings, EPU and DPU

The Proposals are not expected to have any material effect on the earnings, EPU and DPU of SENTRAL for the financial year ending 31 December 2023 as the Proposals are only expected to be completed in the 4th quarter of 2023.

For illustration purposes only, assuming that the Proposals were completed on 1 January 2022 (being the beginning of the FYE 31 December 2022), the pro forma effects of the Proposals on the distributable income and DPU of SENTRAL for the FYE 31 December 2022 are as follows:

	Audited for the FYE 31 December 2022	After the Proposals
	RM'000	RM'000
Audited realised net income	73,625	73,625
Add: Incremental realised net income		8,042 ⁽¹⁾
Pro forma realised net income		81,667
Distributable income	73,096	81,667
Units in circulation ('000)	1,071,783	1,195,503
DPU (sen)	6.820	6.831 ⁽²⁾

Notes:

(1) *The incremental realised net income was estimated based on the following computation:*

<u>Description</u>	<u>Basis of computation</u>	<u>RM'000</u>
NPI	NPI of the Property for the FYE 31 December 2022	27,401.4
Manager and Trustee fees	(i) <i>The Manager's fee computed at a base fee of 0.4% per annum of the gross asset value of the Property as well as a performance fee of 3.0% of the NPI of the Property; and</i> (ii) <i>the Trustee's fee of 0.03% of the gross asset value of the Property.</i>	(2,781.1)
Cost of financing	<i>Comprise of interest cost of RM16.3 million relating to the RM362.0 million external borrowings to be obtained and amortisation cost of RM0.3 million which is derived by amortising the cost associated with the borrowings of RM1.4 million over a period of 5 years upfront.</i>	(16,578.0)
Total		8,042.3

(2) *The pro forma DPU after the Proposals is arrived at assuming a 100.0% payout ratio. For information purposes, the Manager only declared and paid approximately 99.3% of the total realised net income of SENTRAL for the FYE 31 December 2022. Notwithstanding that, the Manager does intend to distribute at least 90.0% of the total realised net income of SENTRAL for each financial year.*

The Manager expects the DPU yield to increase moving forward through pre-agreed rental reversions under the long term lease with Celcom and its active asset management strategies to improve the NPI of its current portfolio and the Property which includes continuing efforts in enhancing the physical quality and built as well as managing property expenses of the enlarged portfolio.

7.4 NAV per Unit and gearing

Based on the audited statement of financial position of SENTRAL as at 31 December 2022 and on the assumption that the Proposals had been effected on that date, the pro forma effects of the Proposals on the NAV per Unit and gearing of SENTRAL are as follows:

	Audited as at 31 December 2022	After the Proposals
	RM'000	RM'000
Unitholders' capital	1,235,877	1,326,417 ⁽¹⁾
Undistributed and non-distributable income	55,165	55,165
NAV	1,291,042	1,381,582
No. of Units in circulation ('000)	1,071,783	1,197,175
NAV per Unit (RM) (before income distribution)	1.20	1.16
Total borrowings	804,494	1,166,494 ⁽²⁾
Total asset value	2,146,717	2,597,817 ⁽³⁾
Gearing (%) ⁽⁴⁾	37.48	44.90

Notes:

- (1) After taking into consideration the estimated expenses relating to the Proposed Placement of approximately RM2.2 million which will be set-off against the Unitholders' capital.
- (2) After taking into consideration the borrowing of approximately RM362.0 million and upfront cost associated with the borrowings of approximately RM1.4 million.
- (3) After taking into consideration the increase in investment properties by approximately RM455.6 million based on the Purchase Consideration as well as the acquisition fee payable to the Manager and acquisition related cost totalling to approximately RM5.6 million which will be capitalised.
- (4) Gearing is calculated as total borrowings divided by total asset value.

7.5 Convertible securities

As at the LPD, SENTRAL does not have any convertible securities in issue.

8. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Securities for the listing and quotation of the Placement Units on the Main Market of Bursa Securities;
- (ii) approval from the non-interested Unitholders for the Proposals at the Unitholders' Meeting;
- (iii) approval from the non-interested shareholders of MRCB at an extraordinary general meeting to be convened by MRCB for the disposal of the Property and the subscription of up to 34,568,734 Placement Units by MRCB pursuant to the Proposed Placement to MRCB;
- (iv) approval from the state authority for the transfer of the Property from the Vendor to the Trustee; and
- (v) any other relevant authorities or parties, if required.

The Proposed Acquisition, Proposed Placement and Proposed Placement to MRCB are inter-conditional upon each other.

Save as disclosed above, the Proposals are not conditional upon any other proposal/scheme undertaken or to be undertaken by SENTRAL.

9. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 34.9%, calculated based on the Purchase Consideration compared with the audited NAV of SENTRAL as at 31 December 2022.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF THE MANAGER AND/OR MAJOR UNITHOLDERS OF SENTRAL AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors, major shareholders and chief executive of the Manager and/or major Unitholders and/or persons connected with them have any interest, direct or indirect in the Proposals.

10.1 Major Unitholders/Major shareholders of the Manager

- (i) MRCB is a major Unitholder of SENTRAL, holding 299,468,000 Units or approximately 27.9% of the total Units in issue as at the LPD, and a major shareholder of the Manager, holding 800,000 ordinary shares or approximately 80.0% of the issued ordinary shares of the Manager. MRCB also owns 100.0% equity interest in the Vendor and intends to subscribe for up to 34,568,734 Placement Units under the Proposed Placement to MRCB. As the Proposed Acquisition, Proposed Placement and Proposed Placement to MRCB are inter-conditional with each other, MRCB is deemed to have an interest in the Proposals.
- (ii) EPF is a major Unitholder of SENTRAL, holding 128,626,000 Units or approximately 12.0% of the total Units in issue as at the LPD. EPF is also a major shareholder of MRCB, directly holding 1,617,485,447 ordinary shares in MRCB or approximately 36.2% of the issued ordinary shares of MRCB as at the LPD. As the Proposed Acquisition, Proposed Placement and Proposed Placement to MRCB are inter-conditional with each other, EPF is deemed to have an interest in the Proposals.
- (iii) Global Jejaka Sdn Bhd ("**GJSB**") is a major shareholder of the Manager holding 200,000 ordinary shares or approximately 20.0% of the issued ordinary shares of the Manager as at the LPD. GJSB also holds 757,000 Units which is less than 0.1% of the total Units in issue as at the LPD. Pursuant to the shareholders' arrangement between MRCB and GJSB to govern the affairs of the Manager, GJSB is a person connected with MRCB. As the Proposed Acquisition, Proposed Placement and Proposed Placement to MRCB are inter-conditional with each other, GJSB is deemed to have an interest in the Proposals.
- (iv) The Manager does not currently hold any Units. In any event, if the Manager does eventually hold Units, the Manager will not vote on any of the Proposals with regard to its voting rights (if any) in accordance with Paragraph 13.26 of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia ("**Listed REITs Guidelines**"). Paragraph 13.26 of the Listed REITs Guidelines provides that a management company must not exercise the voting rights for the units it holds or its nominees hold in any unit holders' meeting, regardless of the party who requested for the meeting and the matter or matters that are laid before the meeting.
- (v) As detailed in Section 3.3 of this announcement, the Placement Units may be placed out to the Other Major Unitholder(s) and/or persons connected with them under the bookbuilding process. The Other Major Unitholders who participate in the bookbuilding process ("**Interested Other Major Unitholders**") will be deemed interested in the Proposed Placement. As the Proposed Acquisition, Proposed Placement and Proposed Placement to MRCB are inter-conditional with each other, the Interested Other Major Unitholders are deemed to have an interest in the Proposals.

The parties named above will abstain from voting in respect of their direct and/or indirect unitholdings in SENTRAL on the resolutions pertaining to the Proposals to be tabled at the Unitholders' Meeting. Further, the above parties will ensure that persons connected with them will also abstain from voting in respect of their direct and/or indirect unitholdings in SENTRAL, if any, on the resolutions pertaining to the Proposals to be tabled at the Unitholders' Meeting.

10.2 Directors of the Manager

The Directors of the Manager who are related to MRCB and GJSB, namely Ann Wan Tee, Kwan Joon Hoe and Tan Sri Saw Choo Boon (collectively, “**Interested Directors**”), are deemed to have an interest in the Proposals. Ann Wan Tee and Kwan Joon Hoe are also Directors of the Vendor.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board meetings, nor will they make recommendations on the Proposals. The Interested Directors will also abstain from voting in respect of their direct and/or indirect unitholdings in SENTRAL, if any, on the resolutions pertaining to the Proposals to be tabled at the Unitholders’ Meeting. Further, the Interested Directors have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect unitholdings in SENTRAL, if any, on the resolutions pertaining to the Proposals to be tabled at the Unitholders’ Meeting.

The number of Units held by the Interested Directors and interested major shareholders of the Manager, and interested major Unitholders in SENTRAL as at the LPD are as follows:

	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Units (’000)</u>	<u>%</u>	<u>No. of Units (’000)</u>	<u>%</u>
<u>Interested Directors</u>				
Ann Wan Tee	-	-	-	-
Kwan Joon Hoe	450	*	-	-
Tan Sri Saw Choo Boon	-	-	757 ⁽¹⁾	*
<u>Interested major shareholders of the Manager</u>				
MRCB	299,468	27.9	-	-
GJSB	757	*	-	-
<u>Interested major Unitholders</u>				
MRCB	299,468	27.9	-	-
EPF	128,626	12.0	299,468 ⁽²⁾	27.9

Notes:

* *Negligible, less than 0.1%.*

(1) *Deemed interested by virtue of his interest in GJSB pursuant to Section 8 of the Act.*

(2) *Deemed interested by virtue of its interest in MRCB pursuant to Section 8 of the Act.*

11. RELATED PARTY TRANSACTION

The Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interest of the major Unitholders, major shareholders of the Manager and the Interested Directors.

The aggregate total amount transacted between SENTRAL and the Interested Directors, interested major shareholders of the Manager and interested major Unitholders in the past 12 months preceding the LPD is approximately RM23.4million.

12. DIRECTORS' STATEMENT

The Board, save for the Interested Directors, having considered all aspects of the Proposals (including but not limited to the rationale and benefits of the Proposals, prospects of the Property, effects of the Proposals, risk factors, salient terms of the SPA, basis and justification for the Purchase Consideration, the manner of funding the Proposed Acquisition as well as the preliminary independent views of the Independent Adviser), is of the opinion that the Proposals are in the best interest of SENTRAL.

13. AUDIT AND RISK COMMITTEE'S STATEMENT

The Audit and Risk Committee of the Manager (comprising members who are not interested in the Proposals, namely Datuk Dr. Roslan A. Ghaffar, Datuk Kamalul Arifin Othman and Po Yih Ming), after taking into consideration the Manager's investment objectives, and having considered all aspects of the Proposals (including but not limited to rationale and benefits of the Proposals, prospects of the Property, effects of the Proposals, risk factors, salient terms of the SPA, basis and justification for the Purchase Consideration, the manner of funding of the Proposed Acquisition as well as the preliminary independent views of the Independent Adviser), is of the opinion that the Proposals are:

- (i) in the best interest of SENTRAL;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interests of the non-interested Unitholders.

14. ADVISERS

14.1 Joint Principal Advisers

CIMB and Maybank IB have been appointed to act as Joint Principal Advisers for the Proposals.

14.2 Independent Adviser

In view that the Proposed Acquisition is a related party transaction, Inter-Pacific Securities Sdn Bhd has been appointed to act as Independent Adviser to undertake the following:

- (i) comment as to whether the Proposed Acquisition is:
 - (a) fair and reasonable so far as the Unitholders are concerned; and
 - (b) to the detriment of the non-interested Unitholders,and set out the reasons for such opinion, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the non-interested Unitholders whether they should vote in favour of the Proposed Acquisition; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

Since the Proposed Acquisition is inter-conditional upon the Proposed Placement and Proposed Placement to MRCB, the Independent Adviser will also be providing its comments on the Proposed Placement and Proposed Placement to MRCB.

15. SUBMISSION TO THE AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the submissions to the relevant authorities for the Proposals are expected to be made within 2 months from the date of this announcement.

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be completed in 4th quarter of 2023.

16. DOCUMENTS AVAILABLE FOR INSPECTIONS

The SPA and the Valuation Certificate are available for inspection at the registered office of the Manager at Level 33A, Menara NU 2, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur during normal business hours from Mondays to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 25 July 2023.

SALIENT TERMS OF THE SPA

1. Sale and purchase

The Vendor agrees to sell and the Trustee agrees to purchase the Property and the benefit and obligations in respect of the 15-year lease created by the Vendor in favour of Celcom ("**Registered Lease**"), any other tenancies, licences and/or lease(s) in respect of the Property granted by the Vendor ("**Existing Tenancies**") and the car park operation agreement in respect of the parking bays within the Property at the Purchase Consideration free from all encumbrances (save and except for Registered Lease and Existing Tenancies) together with all rights, title and interest therein and thereto, subject however to the conditions, category of use and restrictions of title of the Property, expressed or implied, in the titles to the Property, subject to the terms and conditions in the SPA.

2. Purchase Consideration**2.1 Manner of payment of Purchase Consideration**

Subject to the adjustment (if applicable), the Purchase Consideration shall be satisfied by the Trustee as follows:

- (a) upon the execution of the SPA, a sum of RM9,000,000, being 2.0% of the Purchase Consideration, as deposit and part payment of the Purchase Consideration ("**Deposit**") has been paid by the Trustee to the Vendor; and
- (b) the remaining balance of 98.0% of the Purchase Consideration, being RM441,000,000 ("**Balance Purchase Consideration**") shall be paid by the Trustee to the Vendor on the date no later than 3 months from the unconditional date ("**Completion Date**") or the date to be notified by the Trustee to the Vendor, which shall be a business day falling within 30 days from the expiry of the Completion Date or at such later period or periods thereafter, if any, as the parties may mutually agree to in writing ("**Extended Completion Date**"), as the case may be.

2.2 Adjustment

In the event that the open market value of the Property shall be varied/adjusted pursuant to comments provided by any authorities in respect of the Valuation Certificate or valuation report and/or variation in the Valuation Certificate or valuation report, the Purchase Consideration shall be adjusted upwards or downwards accordingly ("**Purchase Consideration Adjustment**"), and the Purchase Consideration shall accordingly be deemed to be the sum as adjusted in accordance with this clause.

Notwithstanding the above and any other provision of the SPA:

- (i) if the Purchase Consideration Adjustment shall amount to an upward adjustment of 3.0% or more of the Purchase Consideration, the Trustee shall be entitled to give notice to the Vendor immediately terminating the SPA;
- (ii) if the Purchase Consideration Adjustment shall amount to a downward adjustment of 3.0% or more of the Purchase Consideration, the Vendor shall be entitled to give notice to the Trustee immediately terminating the SPA; and
- (iii) the party terminating the SPA shall not be liable to pay an amount equivalent to the deposit or any damages whatsoever for such termination.

SALIENT TERMS OF THE SPA (Cont'd)

3. Conditions precedent

The SPA is conditional upon the following being fulfilled within 6 months from the date of the SPA, or such longer period, as the parties may mutually agree to in writing:

- (A) the Vendor obtaining, at its own cost and expense, the following:
 - (i) the approval from the shareholder of the Vendor, and if required, the non-interested shareholders of its holding company, MRCB, for the disposal of the Property to the Trustee;
 - (ii) the written consent from the relevant state authority to transfer the Property from the Vendor to the Trustee;
 - (iii) the written consent from Celcom as the registered lessee for the transfer of the Property from the Vendor to the Trustee in form and substance acceptable to the Trustee; and

- (B) the Trustee obtaining, at its own cost and expense, the following:
 - (i) the approval of the non-interested Unitholders with respect to the Proposals;
 - (ii) the approval of Bursa Securities for the listing of and quotation for the Placement Units on the Main Market of Bursa Securities;
 - (iii) the letter of commitment or confirmation from the Trustee's financier in relation to the loan or credit facility granted or to be granted to the Trustee (or in the case of debt instrument, the letter of commitment from the Trustee's financier to the arranger of debt instrument) and accepted by the Trustee or the SENTRAL's special purpose company which will be used for the purposes of the Trustee's financing;
 - (iv) written confirmation issued by the Trustee that it has received sufficient proceeds from the Proposed Placement;
 - (v) the due diligence findings on the Property are satisfactory to the Trustee with written confirmation by the Trustee of the same, or in the event the due diligence findings on the Property are not satisfactory to the Trustee:
 - (aa) subject to the Vendor's rectification of the non-satisfactory findings within 14 business days from the date of the Trustee's request or such longer period as may be agreed by the Trustee, written confirmation from the Trustee that the due diligence findings have been rectified to its satisfaction; or
 - (bb) written confirmation by the Trustee to accept the extension period for the rectification of the non-satisfactory findings;

- (C) the Vendor, at its own cost and expense, and the Trustee, at the cost and expense of SENTRAL, procuring the undertaking of a valuation exercise on the Property by an independent valuer whereby a written report shall be prepared by the independent valuer to determine the valuation of the Property in such written report.

SALIENT TERMS OF THE SPA (Cont'd)

4. Completion4.1 Completion of sale and purchase

The completion of the sale and purchase of the Property shall take place on the day on which the obligations of the Trustee in respect of the satisfaction of the Purchase Consideration are duly completed ("**Completion**") at the office of the Vendor.

4.2 Novation of Existing Tenancies and other agreements in respect of the Property

On the Completion date or the Extended Completion Date, the Vendor shall, at the cost and expense of the Vendor, deliver to the Trustee's solicitors the duly executed novation agreement (or in cases where the Existing Tenancies or agreements are not capable of being novated but which are capable of being assigned, the deed of assignment in respect of such Existing Tenancies or other agreements).

The novation agreement (or assignment, as the case may be) shall only take effect on the Completion Date or the Extended Completion Date. Where the Registered Lease or any of the Existing Tenancies are not novated, the Trustee shall keep the Vendor harmless and fully indemnified against all actions, proceedings, claims, demands, penalties, costs and expenses which may be brought or made against or reasonably incurred by the Vendor by reason of or on account of the non-observance of all or any of the stipulations and conditions on the part of the Trustee in respect such Registered Lease or Existing Tenancies or otherwise howsoever after Completion.

5. Transfer of title

5.1 Upon execution of the SPA, the Vendor shall:

- (a) execute a valid and registrable memorandum of transfer in the form prescribed under the National Land Code in respect of the Property ("**Transfer**") in favour of the Trustee and the same shall within 14 days from the date of the SPA be deposited with the Trustee's solicitors as stakeholders who shall be authorised to submit it for adjudication of stamp duty; and
- (b) deposit the original issue document of title to the Property with the Vendor's solicitor within 14 days from the date of the SPA who shall be authorised to release the same to the Trustee's solicitors in the following manner:
 - (i) if the Trustee does not obtain financing to finance the purchase of the Property, on the Completion Date or the Extended Completion Date, in exchange for the Balance Purchase Consideration;
 - (ii) if the Trustee obtains financing to finance the purchase of the Property, on the date of receipt by the Vendor's solicitors of (a) the Trustee's financier's undertaking, and (b) the difference between the Balance Purchase Consideration and the said financing, or a confirmation from the Vendor that the difference between the Balance Purchase Price and the Trustee's financing has been received by the Vendor (as the case may be); or
 - (iii) if the Trustee obtains the financing to finance the purchase of the Property, on the Completion Date or the Extended Completion Date, provided that the Trustee has first settled the Balance Purchase Consideration in full in accordance with this SPA.

SALIENT TERMS OF THE SPA (Cont'd)

- 5.2 If the Transfer cannot be registered for any reason whatsoever other than through any default of the Trustee or the Trustee's financier or any of their solicitors, the parties shall work together to procure the registration of the Transfer. If the matter giving rise to the non-registration cannot be rectified within 6 months or such extended period as the parties may mutually agree, the Trustee may by a notice in writing to the Vendor terminate the SPA ("**Termination Notice**").
- 5.3 Upon receipt of the Termination Notice, the Vendor shall within 14 business days from the date of the Termination Notice refund or caused to be refunded to the Trustee, or if to the extent paid by the Trustee's financier, to the Trustee's financier, all the monies paid by the Trustee under the SPA free of interest.
- 5.4 Any non-registration by virtue of any errors or mistakes in the preparation of the Transfer or any resolutions/corporate documents/certified true copies of any documents or otherwise that can be remedied shall not be a ground for termination of the SPA ("**Rectifiable Errors**").
- 5.5 Should there be Rectifiable Errors in the Transfer and both parties have been notified of it, the Vendor, then holding the Property as bare trustee of the Trustee, shall procure a power of attorney granted in favour of the Manager to manage and deal with the Property in any manner and under all circumstances whatsoever notwithstanding that each party shall continue to use its best endeavours to cause the Transfer to be registered in favour of the Trustee. The Trustee shall ensure that the power of attorney shall not be exercised, save with the prior written consent of the Vendor. Prior to the exercise of the power of attorney, the Trustee shall cause to be lodged with the Vendor a deed of revocation of the power of attorney and the Vendor is authorised to date, perfect and register the deed of revocation of the power of attorney upon the termination of the SPA or the registration of the Property in the name of the Trustee, whichever is earlier.

6. Termination**6.1 Default by Vendor**

In the event that there is a default by the Vendor to complete the sale and disposal of the Property in accordance with the terms and conditions of the SPA or in the event any representation, warranty or undertaking of the Vendor is not true or accurate or is not complied with in any material respect, the Trustee shall give to the Vendor 1 month's notice to rectify the alleged breach or default as stipulated in the said notice. In the event that the Vendor fails to rectify the alleged breach or default within the said 1 month, the Trustee shall be entitled at the Trustee's sole and absolute discretion to do either of the following (by notice in writing to the Vendor):

- (a) to require specific performance of the SPA; or
- (b) to terminate the SPA and the Vendor shall within 14 business days refund to the Trustee, or if to the extent paid by the Trustee's financier, to the Trustee's financier, the Deposit and all the monies paid by the Trustee under the SPA free of interest and the Trustee shall, save and except for below, at the Vendor's own cost and expense attend to the following:
- (i) in the event that the Trustee's financier's caveat cannot be withdrawn for any reason whatsoever, procure the execution forthwith of a fresh withdrawal of private caveat form from the Trustee's financier and deliver the same to the Vendor together with the requisite registration fee and, if the private caveat is not withdrawn, cause to be withdrawn such private caveat lodged by the Trustee's financier or the Trustee's financier's solicitors on the document of title (if any);

SALIENT TERMS OF THE SPA (Cont'd)

- (ii) redeliver legal possession for those parts of the Property which have been rented under the Existing Tenancies and vacant possession of the Property in their original state and condition (fair wear and tear excepted) for those parts of the Property which have not been rented under the Existing Tenancies in its original state and condition to the Vendor (if legal and/or vacant possession has been delivered earlier to the Trustee);
- (iii) if not presented/registered at the land registry or if presented but rejected by the land registry, to return all the Vendor's documents and any documents evidencing Vendor's rights on the Property to the Vendor in their original state and condition and with Vendor's rights thereto as the registered owner of the Property remaining intact;
- (iv) execute and deliver to the Vendor the original deed(s) of novation or re-assignment, as the case may be, in respect of the Registered Lease and the Existing Tenancies for the novation and transfer of all the rights, benefits, interest and obligations of the Vendor in the Registered Lease and Existing Tenancies, warranties, guarantees, maintenance agreements or the re-assignment of all the rights, benefits and interest of the Vendor to the Trustee, as applicable which have been novated or assigned to the Trustee on the Completion Date or the Extended Completion Date; and
- (v) in the event any of the licences are issued in the name of the Trustee, provide full co-operation to the Vendor at the Vendor's costs and expense, to enable the Vendor to apply for any licences to be reissued in the name of the Vendor.

6.2 Default by the Trustee

In the event that the Trustee shall fail to satisfy the Purchase Consideration or any part thereof or to complete the sale and purchase of the Property in accordance with the terms and conditions of the SPA or in the event any representation, warranty or undertaking of the Trustee is not true or accurate or is not complied with in any material respect by Completion, save for non-payment of the Purchase Consideration or any part thereof, the Vendor shall give to the Trustee 1 month notice to rectify the alleged breach or default as stipulated in the said notice. In the event that the Trustee fails to rectify the alleged breach or default within the said 1 month, the Vendor shall be entitled at the Vendor's sole and absolute discretion to do either of the following (by notice in writing to the Trustee):

- (a) to require specific performance of the SPA; or
- (b) to terminate the SPA and upon the termination of the SPA as aforesaid, the Vendor shall refund to the Trustee, or if to the extent paid by the Trustee's financier, to the Trustee's financier, the Deposit and all the monies paid by the Trustee or the Trustee's Financier (to the extent paid by the Trustee's Financier) under the SPA free of interest and the Trustee shall also forthwith:
 - (i) in the event that the Trustee's financier's caveat cannot be withdrawn for any reason whatsoever, procure the execution forthwith of a fresh withdrawal of private caveat form from the Trustee's financier and deliver the same to the Vendor together with the requisite registration fees and, if the private caveat is not withdrawn, cause to be withdrawn such private caveat lodged by the Trustee's financier or the Trustee's financier's solicitors on the document of title (if any);
 - (ii) redeliver legal possession for those parts of the Property which have been rented under the Existing Tenancies and vacant possession of the said Property for those parts of the Property which have not been rented under the Existing Tenancies in its original state and condition to the Vendor (if legal and/or vacant possession has been delivered earlier to the Trustee);

SALIENT TERMS OF THE SPA (Cont'd)

- (iii) if not presented/registered at the land registry or if presented but rejected by the land registry, to return all the Vendor's documents and any documents evidencing the Vendor's rights on the Property to the Vendor in their original state and condition and with the Vendor's rights thereto as the registered owner of the Property remaining intact;
- (iv) execute and deliver to the Vendor the original deed(s) of novation or re-assignment, as the case may be, in respect of the Registered Lease and the Existing Tenancies for the novation and transfer of all the rights, benefits, interest and obligations of the Vendor in the Registered Lease and the Existing Tenancies, warranties, guarantees, maintenance agreements or the re-assignment of all the rights, benefits and interest of the Vendor to the Trustee, as applicable which have been novated or assigned to the Trustee on the Completion Date or the Extended Completion Date;
- (v) in the event any of the licences are issued in the name of the Trustee, provide full co-operation to the Vendor at the Vendor's costs and expense, to enable the Vendor to apply for any licences to be reissued in the name of the Vendor; and
- (vi) pay the stamp duty in respect of all such novation and re-assignments.