

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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(Constituted under the restated deed of trust dated 2 December 2019 as amended by the supplemental deed dated 24 December 2020, entered into between Sentral REIT Management Sdn Bhd (Registration No. 200601017500 (737252-X)) and Maybank Trustees Berhad (Registration No. 196301000109 (5004-P)), both companies incorporated in Malaysia)

CIRCULAR TO UNITHOLDERS IN RELATION TO THE

PART A

- (I) **PROPOSED ACQUISITION OF MENARA CELCOMDIGI BY MAYBANK TRUSTEES BERHAD, ACTING SOLELY IN THE CAPACITY AS TRUSTEE FOR SENTRAL REIT ("SENTRAL"), FROM PUNCAK WANGI SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB"), FOR A PURCHASE CONSIDERATION OF RM450.0 MILLION ("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 PLACEMENT UNITS TO MRCB, BEING A MAJOR UNITHOLDER OF SENTRAL, PURSUANT TO THE PROPOSED PLACEMENT**

PART B

INDEPENDENT ADVICE LETTER FROM INTER-PACIFIC SECURITIES SDN BHD TO THE NON-INTERESTED UNITHOLDERS OF SENTRAL IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF UNITHOLDERS' MEETING

Joint Principal Advisers and Joint Placement Agents



CIMB Investment Bank Berhad
(Registration No. 197401001266 (18417-M))



Investment Bank
Maybank Investment Bank Berhad
(Company Registration No. 197301002412)
(A Participating Organisation of Bursa Securities)

Independent Adviser



Inter-Pacific Securities Sdn Bhd
Registration No. 197201001092 (12738-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of meeting of the unitholders of SENTRAL ("**Unitholders**") ("**Unitholders' Meeting**"), Administrative Notes for the Unitholders' Meeting together with the Proxy Form are enclosed in this Circular. The Unitholders' Meeting will be held virtually through live streaming via remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd. The details of the Unitholders' Meeting are as follows:

Date and time of the Unitholders' Meeting : Wednesday, 15 November 2023 at 2.00 p.m. or any adjournment thereof
Broadcast venue of the Unitholders' Meeting : KL Sentral Room, Level 30, Menara Allianz Sentral, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Last day and time for lodging the Proxy Form : Monday, 13 November 2023 at 2.00 p.m.

If you are unable to attend the Unitholders' Meeting and wish to appoint other person(s) to be your proxy(ies), please complete, sign and return the enclosed Proxy Form to the registered office of Sentral REIT Management Sdn Bhd at Level 33A, Menara NU 2, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur, not less than 48 hours before the time appointed for the holding of the Unitholders' Meeting or any adjournment thereof.

The completion and return of the Proxy Form will not preclude you from attending and voting at the Unitholders' Meeting in person should you subsequently wish to do so. The Proxy Form should be completed strictly in accordance with the instructions contained therein.

This Circular is dated 30 October 2023

DEFINITIONS

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

Act	:	Companies Act 2016
Advance Distribution	:	Advance distribution of SENTRAL's distributable income which the Board intends to declare for the Advance Distribution Period
Advance Distribution Period	:	The period commencing from 1 July 2023 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
Announcement	:	Announcement dated 25 July 2023 in relation to the Proposals
Board	:	Board of Directors of the Manager
Bursa Securities	:	Bursa Malaysia Securities Berhad
Car Park Operation Agreement	:	Car park operation agreement dated 2 May 2023 entered into between the Vendor and Semasa Parking for the appointment of Semasa Parking as the car park operator to administer, manage and operate 788 car parking bays and 287 motorcycle parking bays located within the Property
Celcom	:	Celcom Berhad (formerly known as Celcom Axiata Berhad)
CIMB	:	CIMB Investment Bank Berhad
Circular	:	This circular to the Unitholders in relation to the Proposals dated 30 October 2023
CMSA	:	Capital Markets and Services Act 2007
Completion Date	:	A date no later than 3 months from the day upon which the last condition precedent as set out in Section 4, Appendix I of this Circular (which has not been waived in writing) has been fulfilled in accordance with the provision of the SPA
Deed	:	Restated deed of trust constituting SENTRAL dated 2 December 2019 as amended by the supplemental deed dated 24 December 2020, entered into between the Manager and the Trustee
Deeds of Novation	:	The following deeds of novation: <ul style="list-style-type: none">(i) Deed of novation to be executed by the Vendor, Trustee and Celcom in relation to the novation from the Vendor to the Trustee of the Lease Agreement;(ii) Deed of novation to be executed by the Vendor, Trustee and Edotco Malaysia in relation to the novation from the Vendor to the Trustee of the license agreement between the Vendor and Edotco Malaysia dated 23 December 2022;(iii) Deed of novation to be executed by the Vendor, Trustee and Edotco Malaysia in relation to the novation from the Vendor to the Trustee of the license agreement between the Vendor and Edotco Malaysia dated 16 March 2022; and

DEFINITIONS (Cont'd)

	:	(iv) Deed of novation to be executed by the Vendor, Trustee and Semasa Parking in relation to the novation from the Vendor to the Trustee of the Car Park Operation Agreement
Director	:	Director of the Manager
DPU	:	Distribution per Unit
Edotco Malaysia	:	Edotco Malaysia Sdn Bhd
EPF	:	Employees Provident Fund Board
EPU	:	Earnings per Unit
Existing Tenancies	:	Any other tenancies, licences and/or lease(s) in respect of the Property granted by the Vendor which includes, among others, the following agreements: (i) License agreement between the Vendor and Edotco Malaysia dated 23 December 2022; and (ii) License agreement between the Vendor and Edotco Malaysia dated 16 March 2022
Extended Completion Date	:	A date falling within 30 days from the expiry of the Completion Date or such later period(s) thereafter, if any, as the Vendor and the Trustee may mutually agree to in writing
FSA	:	Financial Services Act 2013
FYE	:	Financial year ended or ending, as the case may be
Gapurna	:	Gapurna Sdn Bhd
GDP	:	Gross domestic product
GJSB	:	Global Jejaka Sdn Bhd
Government	:	Government of Malaysia
IAL	:	Independent advice letter from the Independent Adviser to the non-interested Unitholders in relation to the Proposed Acquisition, as contained in Part B of this Circular
IFSA	:	Islamic Financial Services Act 2013
Independent Adviser or Inter-Pacific Securities	:	Inter-Pacific Securities Sdn Bhd
Interested Directors	:	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, who are deemed to have an interest in the Proposals
Joint Principal Advisers	:	Collectively, CIMB and Maybank IB
Lease	:	A 15-year lease bearing presentation number 111056/2022 created by the Vendor in favour of Celcom pursuant to the Lease Agreement

DEFINITIONS (Cont'd)

Lease Agreement	:	The lease agreement dated 20 January 2020 made between the Vendor and Celcom and any other instrument executed supplemental thereto or in substitution thereof from time to time
LEED	:	Leadership in Energy and Environmental Design
Listed REITs Guidelines	:	Guidelines on Listed Real Estate Investment Trusts issued by the SC on 15 March 2018 (and revised on 28 November 2022)
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	16 October 2023, being the latest practicable date prior to the printing of this Circular
LRT	:	Light rail transit
Manager	:	Sentral REIT Management Sdn Bhd, the management company of SENTRAL
Maybank IB	:	Maybank Investment Bank Berhad
MKL	:	Metropolitan Kuala Lumpur
MKL-PJ	:	MKL with a focus on Petaling Jaya
MRCB	:	Malaysian Resources Corporation Berhad
NAV	:	Net asset value
NLA	:	Net lettable area
NPI	:	Net property income
PBO	:	Purpose-built office
Placement Unit(s)	:	New Unit(s) to be issued pursuant to the Proposed Placement
Property or Menara CelcomDigi	:	27-storey PBO building erected on 6 levels of podium and 3 levels of basement car park with a total of 788 car parking bays and 287 motorcycle parking bays (known as Menara CelcomDigi), and all such plant and equipment, fixtures and fittings attached (excluding fixtures and fittings belonging to the existing tenants/lessees and third parties, including those with whom the existing tenants/lessees have entered into hire purchase and/or leasing agreement in respect of such fixtures and fittings), collectively
Property Agreements	:	Collectively, the Lease Agreement, Existing Tenancies and Car Park Operation Agreement
Proposals	:	Collectively, the Proposed Acquisition, Proposed Placement and Proposed Placement to MRCB
Proposed Acquisition	:	Proposed acquisition of the Property by the Trustee from the Vendor for a purchase consideration of RM450.0 million
Proposed Placement	:	Proposed placement of up to 123,720,000 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

DEFINITIONS (Cont'd)

Proposed Placement to MRCB	:	Proposed placement of up to 34,568,734 Placement Units to MRCB pursuant to the Proposed Placement
Puncak Wangi or Vendor	:	Puncak Wangi Sdn Bhd, a wholly-owned subsidiary of MRCB
Purchase Consideration	:	The purchase consideration for the Property of RM450.0 million
REIT(s)	:	Real estate investment trust(s)
RM and sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission Malaysia
Securities Act	:	United States Securities Act of 1933
Semasa Parking	:	Semasa Parking Sdn Bhd
SENTRAL	:	Sentral REIT
SPA	:	The conditional sale and purchase agreement dated 25 July 2023 entered into between the Trustee and the Vendor for the Proposed Acquisition
Trustee	:	Maybank Trustees Berhad, acting solely in the capacity as trustee for SENTRAL
Unit(s)	:	Undivided interest in SENTRAL as constituted by the Deed
Unitholder(s)	:	Holder(s) of the Units
Unitholders' Meeting	:	The meeting of the Unitholders to be convened for the Proposals
US	:	United States of America
Valuation Certificate	:	Valuation certificate prepared by the Valuer in respect of the Property dated 20 July 2023
Valuation Report	:	Valuation report prepared by the Valuer in respect of the Property dated 20 July 2023
Valuer or CBRE WTW	:	CBRE WTW Valuation & Advisory Sdn Bhd (formerly known as C H Williams Talhar & Wong Sdn Bhd), being the independent registered valuer appointed by the Trustee, on behalf of SENTRAL to value the Property
VWAP	:	Volume weighted average market price

DEFINITIONS (Cont'd)

All references to “you” and “your” in this Circular are to the Unitholders.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise stated.

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

All references to the time of day in this Circular are references to Malaysian time, unless otherwise stated.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to “SENTRAL” in this Circular includes references to the Trustee, unless the context requires otherwise.

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

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PART A

**LETTER TO THE UNITHOLDERS IN RELATION TO
THE PROPOSALS**

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. You are advised to read this Circular in its entirety for further details of the Proposals and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the forthcoming Unitholders' Meeting.

Key Information	Description	Reference to Part A of this Circular												
Overview of the Proposed Acquisition	<p>The Proposed Acquisition entails the acquisition by the Trustee from Puncak Wangi of Menara CelcomDigi, and the benefit and obligations in respect of the Lease, Existing Tenancies and the Car Park Operation Agreement for RM450.0 million free from all encumbrances (save and except for the 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 title to the Property, upon the terms and conditions of the SPA.</p> <p>The Property is a 27-storey PBO 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.</p> <p>A summary of the salient information on the Property is as follows:</p> <table border="1" data-bbox="454 1003 1125 1624"> <tbody> <tr> <td data-bbox="454 1003 646 1160">Address</td> <td data-bbox="646 1003 678 1160">:</td> <td data-bbox="678 1003 1125 1160">Menara CelcomDigi, No. 6, Persiaran Barat, Seksyen 52, PJ Sentral, 46200 Petaling Jaya, Selangor Darul Ehsan</td> </tr> <tr> <td data-bbox="454 1160 646 1283">Tenure</td> <td data-bbox="646 1160 678 1283">:</td> <td data-bbox="678 1160 1125 1283">Leasehold 99 years expiring on 10 November 2110 (unexpired term of approximately 87 years)</td> </tr> <tr> <td data-bbox="454 1283 646 1529">Property use</td> <td data-bbox="646 1283 678 1529">:</td> <td data-bbox="678 1283 1125 1529">Lease to 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</td> </tr> <tr> <td data-bbox="454 1529 646 1624">Market value</td> <td data-bbox="646 1529 678 1624">:</td> <td data-bbox="678 1529 1125 1624">RM450,000,000 (as ascribed by CBRE WTW)</td> </tr> </tbody> </table> <p>The Purchase Consideration and the expenses relating to the Proposals will be funded via combination of 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.</p>	Address	:	Menara CelcomDigi, No. 6, Persiaran Barat, Seksyen 52, PJ Sentral, 46200 Petaling Jaya, Selangor Darul Ehsan	Tenure	:	Leasehold 99 years expiring on 10 November 2110 (unexpired term of approximately 87 years)	Property use	:	Lease to 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	Market value	:	RM450,000,000 (as ascribed by CBRE WTW)	<p>Section 2.1</p>
Address	:	Menara CelcomDigi, No. 6, Persiaran Barat, Seksyen 52, PJ Sentral, 46200 Petaling Jaya, Selangor Darul Ehsan												
Tenure	:	Leasehold 99 years expiring on 10 November 2110 (unexpired term of approximately 87 years)												
Property use	:	Lease to 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												
Market value	:	RM450,000,000 (as ascribed by CBRE WTW)												

EXECUTIVE SUMMARY (Cont'd)

Key Information	Description	Reference to Part A of this Circular
<p>Overview of the Proposed Placement (including the Proposed Placement to MRCB)</p>	<p>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.</p> <p>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 EPU and DPU.</p> <p>The issue price for the Placement Units shall be based on the price from the bookbuilding exercise for the Proposed Placement. The bookbuilding price range for the Placement Units will be determined based on, among others:</p> <ul style="list-style-type: none"> (i) indicative demand and feedback from potential investors; (ii) precedent transactions; and (iii) market price of the Units. <p>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.</p> <p>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 the joint placement agent(s) appointed by the Manager. CIMB and Maybank IB have been appointed as the placement agents for the Proposed Placement.</p> <p>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, being approximately 3.2% of the existing total Units in issue as at the LPD, 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.</p>	<p>Sections 2.2 and 2.3</p>
<p>Rationale and benefits of the Proposals</p>	<p>Proposed Acquisition</p> <ul style="list-style-type: none"> (i) Quality office building within a satellite city with good connectivity; (ii) Augments SENTRAL's green footprint; 	<p>Section 3.1</p>

EXECUTIVE SUMMARY (Cont'd)

Key Information	Description	Reference to Part A of this Circular
	<ul style="list-style-type: none"> (iii) Fully occupied with a long-term lease by Celcom with built-in rental escalation clauses and renewal options; (iv) Further enhances and rebalances SENTRAL's portfolio; (v) Increases total asset size and portfolio geographical diversification; and (vi) DPU is expected to be mildly accretive, and expected to enhance SENTRAL's distribution and improve total Unitholders' returns in the long-run. 	
	<p>Proposed Placement</p> <ul style="list-style-type: none"> (i) Allows the Manager to raise funds expeditiously and cost effectively as compared with other fund-raising exercises involving pro-rata issuance of securities such as rights issue; (ii) Allows SENTRAL to potentially attract more institutional investors to invest in SENTRAL, thereby potentially widening its Unitholders' base; (iii) Allows 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) Increases the total Units in issue which in turn may improve the trading liquidity of the Units. 	Section 3.2

EXECUTIVE SUMMARY (Cont'd)

Key Information	Description	Reference to Part A of this Circular
<p>Risk factors</p>	<ul style="list-style-type: none"> (i) Delay or non-completion of the Proposed Acquisition; (ii) Financing risk; (iii) SENTRAL's pro forma distributable income and DPU are not a guarantee of the actual financial results; (iv) Concentration risk; (v) Losses from latent building defects; (vi) Inadequate insurance and potential losses due to uninsured liabilities; (vii) Risks associated with asset enhancement initiatives; (viii) Devaluation of the Property; (ix) Non-registration of the transfer of title for the Property; (x) Changes in laws and regulations; and (xi) Compulsory acquisition by the Government. 	<p>Section 5</p>
<p>Interests of the Directors, major shareholders and chief executive of the Manager, major Unitholders and/or persons connected with them</p>	<p>The Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interest of certain major Unitholders, major shareholders of the Manager and the Interested Directors.</p> <p>Save as disclosed below, none of the Directors, major shareholders and chief executive of the Manager, major Unitholders and/or persons connected with them have any interest, direct or indirect in the Proposals.</p> <ul style="list-style-type: none"> (i) Major Unitholders/Major shareholders of the Manager: <ul style="list-style-type: none"> (a) MRCB; (b) EPF; and (c) GJSB. (ii) Directors: <p>The Interested Directors, namely Ann Wan Tee, Kwan Joon Hoe and Tan Sri Saw Choo Boon, are deemed to have an interest in the Proposals. Ann Wan Tee and Kwan Joon Hoe are also directors of the Vendor.</p> 	<p>Section 9 and Appendix V</p>

EXECUTIVE SUMMARY (Cont'd)

Key Information	Description	Reference to Part A of this Circular
	<p>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 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 unitholders' meeting, regardless of the party who requested for the meeting and the matter or matters that are laid before the meeting.</p> <p>All advisers and experts involved in the Proposals are independent parties who have no conflict of interest arising from their role as advisers and experts for the Proposals.</p>	
Directors' statement	<p>The Board, save for the Interested Directors who have abstained from all deliberation on the Proposals, 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 evaluation of the Independent Adviser), is of the opinion that the Proposals are in the best interest of SENTRAL.</p> <p>The Board, save for the Interested Directors, recommends that you vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming Unitholders' Meeting.</p>	Section 11
Audit and Risk Committee's statement	<p>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 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 of the Proposed Acquisition as well as the evaluation of the Independent Adviser), is of the opinion that the Proposals are:</p> <ul style="list-style-type: none"> (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. 	Section 12



SENTRAL REIT MANAGEMENT SDN BHD

(Registration No. 200601017500 (737252-X))
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Act)

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

30 October 2023

Board of Directors

Tan Sri Saw Choo Boon (*Chairman, Non-Independent Non-Executive Director*)
Ann Wan Tee (*Non-Independent Non-Executive Director*)
Kwan Joon Hoe (*Non-Independent Non-Executive Director*)
Datuk Dr. Roslan A. Ghaffar (*Independent Non-Executive Director*)
Datuk Kamalul Arifin Othman (*Independent Non-Executive Director*)
Po Yih Ming (*Independent Non-Executive Director*)

To: Unitholders

Dear Sir/Madam,

- (I) **PROPOSED ACQUISITION;**
 - (II) **PROPOSED PLACEMENT; AND**
 - (III) **PROPOSED PLACEMENT TO MRCB**
-

1. INTRODUCTION

On 8 June 2023, the Board announced that the Trustee had, on the same date, accepted the letter of intent dated 30 May 2023 issued by MRCB to commence negotiations with Puncak Wangi for the Proposed Acquisition.

On 25 July 2023, the Joint Principal Advisers announced, on behalf of the Board, that the Trustee had, on the same date, entered into the SPA with Puncak Wangi for the Proposed Acquisition. In conjunction with the Proposed Acquisition, it was also announced that the Board proposed to undertake the Proposed Placement, including the Proposed Placement to MRCB to partly fund the Purchase Consideration and the expenses relating to the Proposals.

On 16 October 2023, the Joint Principal Advisers announced, on behalf of the Board, that Bursa Securities had, vide its letter dated 13 October 2023, approved the listing and quotation of up to 123,720,000 Placement Units on the Main Market of Bursa Securities, subject to the conditions set out in Section 7, Part A of this Circular.

The Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interest of certain major Unitholders, major shareholders of the Manager and the Interested Directors as set out in Section 9, Part A of this Circular. As such, the Board had, on 25 July 2023, appointed Inter-Pacific Securities as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested Unitholders. In view that the Proposed Acquisition, Proposed Placement and Proposed Placement to MRCB are inter-conditional upon each other, the Independent Adviser has considered the Proposals as a whole in its evaluation of the Proposed Acquisition and will also be providing its comments on the Proposed Placement and Proposed Placement to MRCB in the IAL (as set out in Part B of this Circular).

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION IN RELATION TO THE PROPOSALS TOGETHER WITH THE RECOMMENDATION OF THE BOARD (SAVE FOR THE INTERESTED DIRECTORS) AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING. THE NOTICE OF UNITHOLDERS' MEETING, THE ADMINISTRATIVE NOTES TO THE UNITHOLDERS FOR THE UNITHOLDERS' MEETING AND PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Acquisition

The Proposed Acquisition entails the acquisition by the Trustee from Puncak Wangi of the Property, and the benefit and obligations in respect of the Lease, Existing Tenancies and the Car Park Operation Agreement for the Purchase Consideration free from all encumbrances (save and except for the 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 title to the Property, upon the terms and conditions of the SPA.

The Purchase Consideration will be satisfied entirely in cash.

2.1.1 Information on the Property

The Property is a 27-storey PBO 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. Below is the pictorial view of the Property:



The Property is easily accessible from all parts of Petaling Jaya New Town via Federal Highway, Jalan Timur and thereafter onto Persiaran Barat, leading to the Property. The Property is also accessible via public transportation i.e. LRT Kelana Jaya Line exiting Taman Jaya LRT Station. The Property is located inside the shaded circle on the location plan as follows:



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
- NLA** : 450,000 square feet as per the Lease Agreement
- Property use** : Lease to 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
- Age of building** : Approximately 5 years as per the Certificate of Completion and Compliance (CCC) issued by Ar. John Quek Keng Heng bearing reference no. LAM/S/No. 24507 on 17 January 2018
- Number of car park bays** : 788 bays

Number of motorcycle parking bays	: 287 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 charged upon obtaining the approval of the state authority
Encumbrances/Endorsements	: A 15-year lease bearing presentation number 111056/2022 created in favour of Celcom which is set to expire on 31 December 2034
Express condition	: Commercial building
Gross rental income for the 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
Method of valuation	: Income approach by investment method as the primary method of valuation and the comparison approach as a check

(Source: Unless otherwise stated, extracted from the Valuation Report)

2.1.2 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 the Valuer.

The Valuer has adopted the income approach 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 wherein 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.

Further details are set out in the Valuation Certificate as enclosed in **Appendix III** of this Circular.

2.1.3 Estimated total funding required

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

Purpose	RM' million
Purchase Consideration	450.0
Expenses relating to the Proposals ⁽¹⁾	9.3
Total	459.3

Notes:

(1) *The expenses relating to the Proposals comprise the following:*

	RM' million
<i>Expenses relating to the Proposed Acquisition⁽²⁾</i>	5.9
<i>Expenses relating to the Proposed Placement</i>	2.0
<i>Upfront cost associated with borrowings⁽³⁾</i>	1.4
Total	9.3

(2) *Include the acquisition fee of 1.0% of the Purchase Consideration due to the Manager amounting to RM4.5 million, which will be funded via internally generated funds of SENTRAL.*

(3) *The upfront cost represents approximately 0.4% of the amount of borrowings to be obtained to partly fund the Proposed Acquisition, which is similar to the upfront cost of SENTRAL's previous borrowings.*

2.1.4 Source of funds

The Purchase Consideration and the expenses relating to the Proposals will be funded via combination of 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 VWAP of the Units up to and including the LPD 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:

	RM' million
Borrowings	362.0
Gross proceeds from the Proposed Placement	92.8
Sub-total	454.8
Internally generated funds	4.5
Total	459.3

The estimated borrowings to be obtained to partly fund the Proposed Acquisition will result in SENTRAL's total borrowings over its total asset value increasing from 37.5% as at 31 December 2022 to 44.8% after the Proposed Acquisition, as set out in Section 6.4, Part A of this Circular.

In the event the proceeds from the Proposed Placement are less than the amount illustrated above, the amount of borrowings will increase and/or 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 in compliance with Paragraph 8.32 of the Listed REITs Guidelines. Nevertheless, in the event the proceeds from the Proposed Placement is higher than the amount illustrated above, the Manager will 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.

2.1.5 Liabilities to be assumed

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

2.1.6 Additional financial commitment

In view that the Property is already in operation, SENTRAL does not expect to incur any other financial commitment to put the Property on-stream.

2.1.7 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.

2.1.8 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 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 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 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:

	Direct		Indirect	
	No. of ordinary shares	%	No. of ordinary shares	%
<u>Directors</u>				
Datuk Seri Amir Hamzah Azizan	667	*	-	-
Tan Sri Mohamad Salim Fateh Din	1,388,800	*	691,624,394 ⁽¹⁾	15.5
Datuk 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>				
EPF	1,617,485,447	36.2	-	-
Gapurna	691,624,394	15.5	-	-
Lembaga Tabung Haji	248,687,546	5.6	-	-

Notes:

* *Negligible, less than 0.1%*

(1) *Deemed interest by virtue of his shareholding in Gapurna pursuant to Section 4 of the CMSA.*

2.1.9 Novation of the Property Agreements from the Vendor to the Trustee arising from the Proposed Acquisition

The SPA requires the Vendor to deliver to the Trustee's solicitors the duly executed novation agreement to transfer all the rights, benefits, interest and obligations of the Vendor in and under the Property Agreements to the Trustee on the Completion Date or the Extended Completion Date, at the cost and expense of the Vendor. In the event the Property Agreements are not capable of being novated but which are capable of being assigned, the SPA then requires the Vendor and the Trustee to enter into a deed of assignment in respect of such Property Agreements.

Please refer to Section 5(b) of **Appendix I** and **Appendix II** of this Circular for the details of the Deeds of Novation.

2.2 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 maximum number of 123,720,000 Placement Units to be issued was determined based on an illustrative issue price of RM0.75 per Placement Unit, which represents a discount of approximately 10.0% to the 5-day VWAP of the Units up to and including 21 July 2023 of RM0.83 as disclosed in the Announcement.

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 EPU and DPU.

2.2.1 Basis and justification for the issue price

The issue price for the Placement Units shall be based on the price from the bookbuilding exercise for the Proposed Placement. The bookbuilding price range for the Placement Units 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.

2.2.2 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 joint placement agent(s) appointed by the Manager. CIMB and Maybank IB have been appointed as the placement agents for the Proposed Placement. The Manager may appoint additional joint placement agent(s) 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 Schedules 6 and 7 of the CMSA. The Proposed Placement will not be an offer of securities for sale into the US. The Placement Units have not been and will not be registered under 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 Circular does not constitute an offer to any person in the US. Distribution of this Circular to any person within the US is unauthorised.

2.2.3 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 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.

2.2.4 Listing and quotation of the Placement Units

The Placement Units will be listed and quoted on the Main Market of Bursa Securities. Bursa Securities had, vide its letter dated 13 October 2023, approved the listing and quotation of up to 123,720,000 Placement Units on the Main Market of Bursa Securities.

2.2.5 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 2.1.3, Part A of this Circular.

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 LPD, 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 Deed, as it may deem fit in the best interest of SENTRAL and the Unitholders.

2.2.6 Advance Distribution

Pursuant to the terms of the 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 for the 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. For avoidance of doubt, the Advance Distribution will not be undertaken if the Proposals are not approved by the Unitholders at the forthcoming Unitholders' Meeting.

The next distribution after the Advance Distribution will comprise SENTRAL's distributable income for the period from the day immediately after the Advance Distribution Period until the end of the relevant semi-annual period determined by the Board. Semi-annual distributions will resume thereafter.

2.3 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, being approximately 3.2% of the existing total Units in issue as at the LPD, 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. SENTRAL is proposing the Proposed Placement to MRCB instead of issuing new Units as part settlement of the Purchase Consideration after taking into consideration the following:

- (i) to ensure that the issue price of the new Units to be issued to MRCB and the other investors participating in the Proposed Placement are the same; and
- (ii) to meet MRCB's objective of maintaining its unitholding in SENTRAL upon completion of the Proposals.

MRCB will not be influencing the bookbuilding exercise 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 for the Proposed Placement and announced on Bursa Securities.

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.

3. RATIONALE AND BENEFITS OF THE PROPOSALS

3.1 Proposed Acquisition

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

(i) 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 LRT Kelana Jaya Line from the nearby Taman Jaya LRT Station and the Federal Highway.

(ii) 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 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.*

(iii) 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.

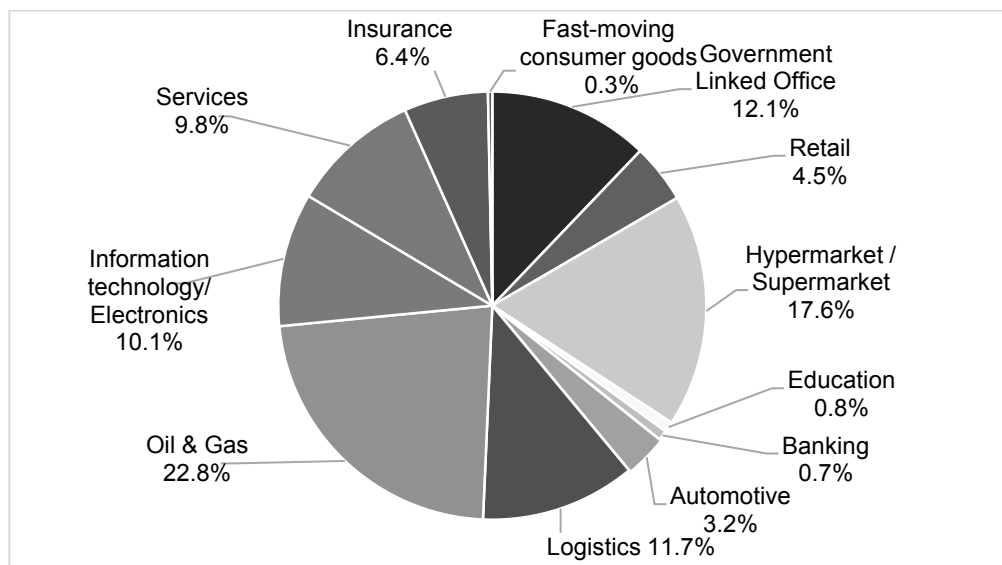
The long-term lease with rental reversions during the lease period and at the start of the two extension periods will provide income stability and resilience to SENTRAL's portfolio. To protect the Unitholders from potential downside risks, in the event of an early termination of the Lease Agreement by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

(iv) Further enhances and rebalances SENTRAL's portfolio

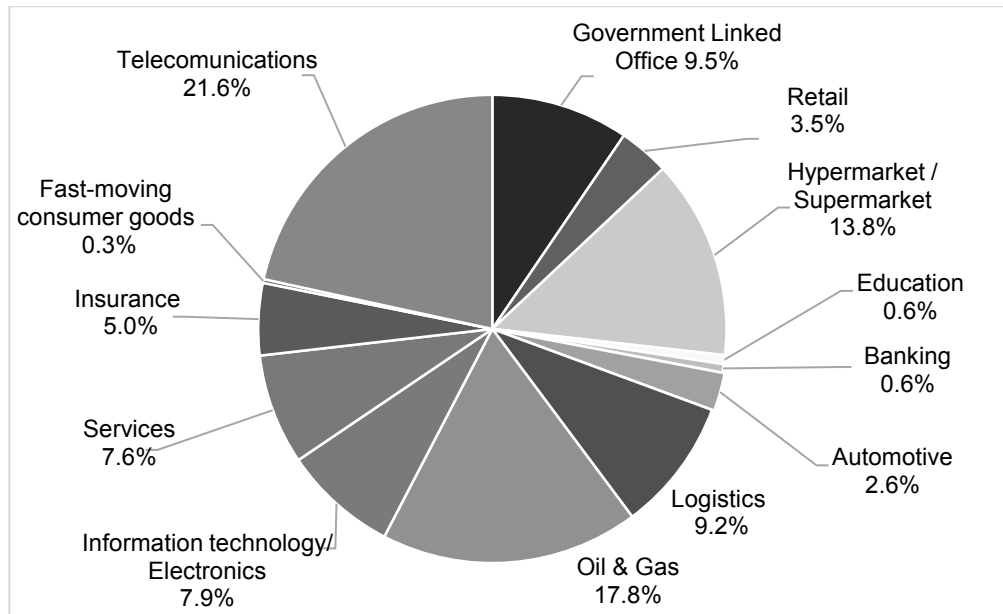
Post the Proposed Acquisition, the fully occupied Property will uplift the overall SENTRAL's portfolio's weighted average lease to expiry (by NLA) by 1.6 years, from 3.3 years (for the 4th quarter of 2022) to 4.9 years on a pro forma basis. The portfolio occupancy rate (by NLA) will also increase by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



(v) Increases total asset size and portfolio geographical diversification

The Proposed Acquisition will further strengthen SENTRAL's position as a sizeable and geographically diversified commercial REIT 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.

(vi) DPU is expected to be mildly accretive, and expected to 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 to achieve long-term growth in the NAV.

Based on the envisaged parameters of the Proposals as detailed in Section 6.3, Part A of this Circular, the Proposed Acquisition is expected to result in a mild accretion in DPU from 6.82 sen for the FYE 31 December 2022 to 6.89 sen after the Proposals on a pro forma basis. Moving forward, the Manager expects the DPU to increase through pre-agreed rental reversions under the Lease⁽¹⁾ and its proactive asset management strategies to improve the NPI of its current portfolio and the Property through periodic asset enhancement to improve the facilities as well as physical quality and built of the properties to meet market demand and prudent management of property expenses.

Note:

(1) *Based on the Lease Agreement, the base rent of RM5.30 per square foot shall be subject to an upward adjustment of not less than 5.0% and not more than 10.0% on the 6th anniversary of the rent commencement date, 8 January 2020, and up to 5.0% or such higher rate as may be agreed for each renewal term after 31 December 2034, and the service charge of RM1.25 per square foot will increase by 10.0% every 3 years from 1 January 2020. The service charge was revised to RM1.38 per square foot for the period from 1 January 2023 to 31 December 2025.*

3.2 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 funds 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 exercise in the past 12 months prior to the Announcement.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of Malaysian economy

Malaysia's GDP for the 2nd quarter of 2023 moderated to 2.9% as against 5.6% in the previous quarter. In terms of seasonally adjusted, GDP increased by 1.5% (1st quarter 2023: 0.9%). On the supply side, the performance was supported by the growth in services, construction and manufacturing sectors. Meanwhile, the agriculture and mining & quarrying sectors recorded a decline in the 2nd quarter of this year. On the demand side, the growth was attributed by private final consumption expenditure and gross fixed capital formation. Malaysia's GDP recorded a value of RM439.1 billion at current prices and RM377.9 billion at constant prices in this quarter. Hence, the Malaysia's economy grew at 4.2% for the first half of the year as compared to 6.8% in the same period of 2022.

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

For the second half of 2023, the Malaysian economy is expected to expand at a moderate pace. Slower external demand will continue to weigh on economic activity particularly for the export-oriented sectors. Growth will be supported by domestic demand, underpinned by favourable labour market conditions, particularly in the domestic-oriented sectors. Tourist arrivals are expected to continue improving, thereby lifting tourism activities, while investment activity would be supported by implementation of multi-year investment projects. Domestic financial conditions also remain conducive to financial intermediation.

While the growth outlook is subject to some downside risks stemming from weaker-than-expected global growth, upside risks mainly emanate from domestic factors such as stronger-than-expected tourism activity and faster implementation of projects.

In line with expectations, headline inflation has continued to moderate to 2.8% in 2nd quarter of 2023 from the peak of 4.5% in 3rd quarter of 2022 amid lower cost factors. While core inflation has also moderated, it has been more persistent and remains elevated relative to the long-term average, amid lingering demand and cost factors. For the second half of 2023, both headline and core inflation are projected to trend lower within expectations, partly due to the higher base in the corresponding period last year. Nonetheless, risks to the inflation outlook remain subject to the changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

(Source: BNM Quarterly Bulletin Vol. 38 No. 2 for the Second Quarter of 2023, Bank Negara Malaysia)

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

As of the 1st quarter of 2023, the cumulative supply of the PBO in Klang Valley was 59.6 million square feet, with MKL accounting for 24.8 million square feet. About 39.0% of the total PBO supply in MKL is located in 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: Valuation Report)

4.3 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 the long run.

5. 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 REIT. The following are some non-exhaustive risk factors that may be inherent to SENTRAL in relation to the Proposed Acquisition.

5.1 Risks relating to the Proposed Acquisition

5.1.1 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 4, **Appendix I** of this Circular 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.

5.1.2 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 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.

5.1.3 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 6.3, Part A of this Circular illustrate the effects of the Proposals based on certain assumptions including, the interest rate for the 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 Circular.

The interest rate for the borrowings to be obtained to partly fund the Proposed Acquisition will be based on a floating interest rate and has been assumed to be 4.3% per annum. As at the LPD, SENTRAL's total borrowings are approximately RM804.8 million at an average interest rate of 4.4% per annum.

The pro forma DPU after the Proposals of 6.89 sen was arrived at based on a 100.0% distribution payout ratio, which is in line with the Manager's intention to distribute at least 90.0% of SENTRAL's total realised net income for each financial year. SENTRAL's distribution payout ratios for the past 5 financial years ranged between 93.7% and 99.8%.

5.2 Risks relating to the Property

5.2.1 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.

Furthermore, the ability of the Property to generate revenue may be adversely affected by the loss of Celcom as a tenant should they be unable to fulfil their obligations under the Lease Agreement, which includes the payment of rents and other monies due under the Lease Agreement, resulting in early termination of the Lease. An unexpected loss of Celcom as a tenant could result in periods of vacancy for the Property as SENTRAL will require time to secure new tenants for sizable vacant office space. In addition, the terms of new leases with new tenants may be less favourable than those of the Lease. In such scenario, the future gross rental income of the Property may be lower arising from lower occupancy as well as lower rental rates negotiated for new leases. This could in turn adversely affect the revenue generated from the Property, the operating results of SENTRAL and ultimately the ability of SENTRAL to sustain its current income levels and distribution to its Unitholders.

5.2.2 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 shall not be entitled to claim in relation to the description, quality, conditions, measurements, area, suitability or fitness for purpose of vacant possession of the Property 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 the 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 of the SPA.

5.2.3 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.

5.2.4 Risks 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 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.

5.2.5 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 income available for distributions to the Unitholders.

5.2.6 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 Lease), 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.

5.3 Risks relating to the property market

5.3.1 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.

5.3.2 Compulsory acquisition by the 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 by the Government, 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.

6. EFFECTS OF THE PROPOSALS

For illustrative purposes only, the pro forma effects of the Proposals are set out below 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 the LPD 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.

6.1 Unitholders' capital

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

The pro forma effect of the Proposed Placement (including Proposed Placement to MRCB) on the Unitholders' capital is 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	90,790 ⁽¹⁾
Enlarged Unitholders' capital	1,195,503,000	1,326,667

Note:

(1) After taking into consideration the expenses relating to the Proposed Placement of approximately RM2.0 million which will be set-off against the Unitholders' capital.

6.2 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 is as follows:

	As at the LPD				After the Proposed Placement (including Proposed Placement to MRCB)			
	Direct		Indirect		Direct		Indirect	
	'000	%	'000	%	'000	%	'000	%
MRCB	299,468	27.9	-	-	334,037	27.9	-	-
EPF	128,626	12.0	299,468 ⁽¹⁾	27.9	128,626	10.8	334,037 ⁽¹⁾	27.9
CapitaLand Integrated Commercial Trust	117,040	10.9	-	-	117,040	9.8	-	-
Quill Land Sdn Bhd	59,040	5.5	-	-	59,040	4.9	-	-

Note:

(1) Deemed interest by virtue of its interest in MRCB pursuant to Section 4 of the CMSA.

6.3 Earnings, EPU and DPU

The Proposals are not expected to have any material effect on the earnings, EPU and DPU of SENTRAL for the FYE 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		8,765 ⁽¹⁾
Pro forma realised net income		82,390
Distributable income	73,096	82,390
Units in issue ('000)	1,071,783	1,195,503
DPU (sen)	6.820	6.892 ⁽²⁾

Notes:

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

Description	Basis of computation	RM'000
NPI	NPI of the Property for the FYE 31 December 2022	27,401.4
Manager's and Trustee's 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>	(2,782.2)
Cost of financing	<i>Comprise of interest cost of RM15.6 million relating to the RM362.0 million 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>	(15,854.0)
Total		8,765.2

(2) *The pro forma DPU after the Proposals was arrived at assuming a 100.0% distribution 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, 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 to increase moving forward through pre-agreed rental reversions under the Lease with Celcom and its proactive asset management strategies to improve the NPI of its current portfolio and the Property through periodic asset enhancement to improve the facilities as well as physical quality and built of the properties to meet market demand and prudent management of property expenses.

6.4 NAV per Unit and gearing

Based on the audited statement of financial position of SENTRAL as at 31 December 2022 and assuming 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	1,326,667 ⁽¹⁾
Undistributed and non-distributable income	55,165	55,165
NAV	1,291,042	1,381,832
No. of Units in issue ('000)	1,071,783	1,195,503
NAV per Unit (RM) (before income distribution)	1.20	1.16
NAV per Unit (RM) (after income distribution)	1.17	1.13
Total borrowings	804,494	1,165,054 ⁽²⁾
Total asset value	2,146,717	2,598,067 ⁽³⁾
Gearing (%) ⁽⁴⁾	37.48	44.84

Notes:

- (1) *After taking into consideration the expenses relating to the Proposed Placement of approximately RM2.0 million which will be set-off against the Unitholders' capital.*
- (2) *After taking into consideration the borrowings 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 RM455.9 million based on the Purchase Consideration as well as the acquisition fee payable to the Manager and acquisition related cost totalling to approximately RM5.9 million which will be capitalised.*
- (4) *Gearing is calculated as total borrowings divided by total asset value.*

6.5 Convertible securities

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

7. APPROVALS REQUIRED

The Proposals are subject to the following being obtained:

- (i) approval of Bursa Securities for the listing and quotation of the Placement Units on the Main Market of Bursa Securities which was obtained vide its letter dated 13 October 2023 subject to the following conditions:

<u>Details of condition imposed</u>	<u>Status of compliance</u>
(a) SENTRAL, CIMB and Maybank IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Placement;	To be complied
(b) CIMB and Maybank IB to inform Bursa Securities upon the completion of the Proposed Placement;	To be complied
(c) SENTRAL/CIMB/Maybank IB to furnish Bursa Securities a certified true copy of the resolution passed by the Unitholders approving the Proposed Acquisition, Proposed Placement and Proposed Placement to MRCB; and	To be complied
(d) SENTRAL, CIMB and Maybank IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Placement is completed.	To be complied

- (ii) approval of the non-interested Unitholders for the Proposals at the forthcoming Unitholders' Meeting;
- (iii) approval of 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; and
- (iv) approval of the state authority for the transfer of the Property from the Vendor to the Trustee.

The Proposed Acquisition, Proposed Placement and Proposed Placement to MRCB are inter-conditional upon each other in terms of the approval of the non-interested Unitholders for the Proposals at the forthcoming Unitholders' Meeting.

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

8. 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 NAV of SENTRAL as at 31 December 2022.

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

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

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

(i) Major Unitholders/Major shareholders of the Manager

- (a) MRCB is a major Unitholder, holding 299,468,000 Units or approximately 27.9% of the existing total Units in issue as at the LPD, and a major shareholder of the Manager, holding 800,000 ordinary shares in the Manager or approximately 80.0% of the issued ordinary shares of the Manager as at the LPD. MRCB also owns 100.0% equity interest in the Vendor as at the LPD 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 upon each other, MRCB is deemed to have an interest in the Proposals.

- (b) EPF is a major Unitholder, holding 128,626,000 Units or approximately 12.0% of the existing total Units in issue as at the LPD and 27.9% indirect interest in SENTRAL (by virtue of EPF being a major shareholder of MRCB). EPF directly holds 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 upon each other, EPF is deemed to have an interest in the Proposals.

- (c) GJSB is a major shareholder of the Manager holding 200,000 ordinary shares in the Manager 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 existing 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 upon each other, GJSB is 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 forthcoming 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 forthcoming Unitholders' Meeting.

(ii) Directors

The Interested Directors, namely Ann Wan Tee, Kwan Joon Hoe and Tan Sri Saw Choo Boon, 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 forthcoming 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 forthcoming Unitholders' Meeting.

The number of Units held by the Interested Directors, interested major shareholders of the Manager and interested major Unitholders 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 interest by virtue of his interest in GJSB pursuant to Section 4 of the CMSA.*

(2) *Deemed interest by virtue of its interest in MRCB pursuant to Section 4 of the CMSA.*

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 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 unitholders’ meeting, regardless of the party who requested for the meeting and the matter or matters that are laid before the meeting.

10. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS

Save as disclosed below, SENTRAL has not entered into any transactions involving the interests of the Interested Directors, interested major shareholders of the Manager and interested major Unitholders in the past 12 months preceding the LPD:

Related party	Nature of transaction	RM	Highest percentage ratio (%)⁽¹⁾
The Manager	Management fees	12,196,022	0.6
Semasa Parking ⁽²⁾	Car park income for Menara Shell and Platinum Sentral	4,164,640	0.2
Semasa Sentral Sdn Bhd ⁽²⁾	Auxiliary police services for Menara Shell and Platinum Sentral	919,313	*
Semasa District Cooling Sdn Bhd ⁽²⁾	Chilled water provision for Platinum Sentral	3,229,249	0.2
Malaysian Resources Sentral Sdn Bhd ⁽²⁾	Lease of land at Platinum Sentral	67,078	*
Kuala Lumpur Sentral Sdn Bhd ⁽²⁾	Reimbursement of insurance for Platinum Sentral	11,714	*
348 Sentral Sdn Bhd ⁽²⁾	Payments and reimbursements of utilities, water, hydrant and sewerage charges	3,306,054	0.2
Joint Management Body for Lot 348 ("JMB") ⁽³⁾	Maintenance and sinking fund for Menara Shell	144,521	*
		24,038,591	

Notes:

* Less than 0.1%.

(1) Computed based on the value of the transaction compared with the total asset value of SENTRAL as at 31 December 2022 pursuant to Paragraph 10.02(g) of the Listing Requirements.

(2) A wholly-owned subsidiary of MRCB.

(3) The JMB is established under the Strata Management Act 2013. The committee of the JMB consists of 3 members of whom, 2 members are from the Manager and 1 member from 348 Sentral Sdn Bhd.

11. DIRECTORS' STATEMENT

The Board, save for the Interested Directors who have abstained from all deliberation on the Proposals, 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 evaluation of the Independent Adviser), is of the opinion that the Proposals are in the best interest of SENTRAL.

The Board, save for the Interested Directors, recommends that you vote **in favour** of the resolutions in relation to the Proposals to be tabled at the forthcoming Unitholders' Meeting.

12. 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 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 of the Proposed Acquisition as well as the evaluation 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.

13. ADVISERS

13.1 Joint Principal Advisers

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

13.2 Independent Adviser

In view that the Proposed Acquisition is a related party transaction as set out in Section 9, Part A of this Circular, the Board had, on 25 July 2023, appointed Inter-Pacific Securities 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, Proposed Placement and Proposed Placement to MRCB are inter-conditional upon each other, the Independent Adviser will also be providing its comments on the Proposed Placement and Proposed Placement to MRCB.

Please refer to the IAL as set out in Part B of this Circular. Unitholders are advised to read and consider carefully the contents of Part A of this Circular and the IAL as set out in Part B of this Circular before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming Unitholders' Meeting.

14. OTHER CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other corporate exercise/scheme which has been announced but pending completion as at the LPD.

15. HISTORICAL UNIT PRICES

The monthly high and low prices of the Units traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High RM	Low RM
2022		
October	0.91	0.85
November	0.90	0.87
December	0.90	0.88
2023		
January	0.92	0.88
February	0.92	0.87
March	0.89	0.86
April	0.87	0.86
May	0.87	0.84
June	0.85	0.82
July	0.85	0.82
August	0.87	0.82
September	0.84	0.82

The last transacted market price of the Units on 24 July 2023, being the last full trading day prior to the Announcement RM0.83

The last transacted market price of the Units as at the LPD RM0.83

(Source: Bloomberg)

16. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the tentative timetable in relation to the Proposals is as follows:

Event	Tentative timing
Unitholders' Meeting	15 November 2023
Announcement of the price-fixing date for the Placement Units	Mid November 2023
Allotment and issuance of the Placement Units	Early December 2023
Listing and quotation of the Placement Units on the Main Market of Bursa Securities	Early December 2023
Fulfilment of the conditions precedent of the SPA	Early December 2023
Completion of the Proposed Acquisition	Early December 2023

17. UNITHOLDERS' MEETING

The proposed resolutions in respect of the Proposals will be tabled at the forthcoming Unitholders' Meeting to be held virtually 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 on Wednesday, 15 November 2023 at 2.00 p.m. or any adjournment thereof.

The Notice of Unitholders' Meeting, Administrative Notes for the Unitholders' Meeting together with the Proxy Form are enclosed in this Circular. If you are unable to attend the Unitholders' Meeting and wish to appoint other person(s) to be your proxy(ies), please complete, sign and return the enclosed Proxy Form to the registered office of the Manager at Level 33A, Menara NU 2, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur, not less than 48 hours before the time appointed for holding of the Unitholders' Meeting or any adjournment thereof.

The completion and return of the Proxy Form will not preclude you from attending and voting at the forthcoming Unitholders' Meeting in person should you subsequently wish to do so. The Proxy Form should be completed strictly in accordance with the instructions contained therein.

18. FURTHER INFORMATION

You are requested to refer to the appendices for further information.

Yours faithfully
For and on behalf of the Board of
SENTRAL REIT MANAGEMENT SDN BHD
(as the Manager of SENTRAL)

Datuk Dr. Roslan A. Ghaffar
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM INTER-PACIFIC SECURITIES TO THE NON-INTERESTED UNITHOLDERS IN RELATION TO THE PROPOSED ACQUISITION

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" in this IAL are references to Inter-Pacific Securities, being the Independent Adviser for the Proposed Acquisition.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter to the Unitholders in relation to the Proposals in Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposed Acquisition.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

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

1. INTRODUCTION

On 8 June 2023, the Trustee had accepted the letter of intent dated 30 May 2023 issued by MRCB to commence negotiations with Puncak Wangi for the Proposed Acquisition.

On 25 July 2023, the Trustee had entered into the SPA with Puncak Wangi for the Proposed Acquisition. In conjunction with the Proposed Acquisition, the Board also proposed to undertake the Proposed Placement, including the Proposed Placement to MRCB to partly fund the Purchase Consideration and the expenses relating to the Proposals.

The details of the Proposals are set out in Section 2, Part A of the Circular.

In view of the interests of certain major Unitholders, major shareholders of the Manager and the Interested Directors as set out in Section 9, Part A of the Circular, the Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, Inter-Pacific Securities has been appointed on 25 July 2023 to act as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders in respect of the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested Unitholders, together with our recommendation on whether the non-interested Unitholders should vote in favour of the Proposed Acquisition. In view of the conditionality of the Proposals as set out in Section 7, Part A of the Circular, we have considered the Proposals as a whole in our evaluation of the Proposed Acquisition.

Nonetheless, the non-interested Unitholders should rely on their own evaluation of the merits and demerits of the Proposed Acquisition before making a decision on the course of action to be taken at the forthcoming Unitholders' Meeting.

This IAL is prepared solely for the use of the non-interested Unitholders to consider the Proposed Acquisition and should not be used or relied upon by any other party for any other purposes whatsoever.

2. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition based on the following pertinent factors:-

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.1 Rationale and benefits of the Proposals</p>	<p>The rationale for the Proposed Acquisition is fair and reasonable.</p> <p>Proposed Acquisition The Proposed Acquisition is in line with the principal activity and investment objective of SENTRAL and is expected to be beneficial to SENTRAL in view of the following:-</p> <p>(i) Strategic location of the Property. Menara CelcomDigi is strategically located within Petaling Jaya New Town with easy accessibility and good connectivity whereby:-</p> <p>(a) Petaling Jaya New Town is a prime commercial hub in Petaling Jaya, Selangor;</p> <p>(b) the Property is surrounded by office buildings, hotels, government offices, shopping mall, shops / offices and hypermarket; and</p> <p>(c) the Property enjoys good connectivity to the capital city of Kuala Lumpur through convenient access to the LRT Kelana Jaya Line from the nearby Taman Jaya LRT station and the Federal Highway;</p> <p>(ii) Augments SENTRAL's green footprint. The Proposed Acquisition is also in line with SENTRAL's environmental target of reducing energy usage and carbon emission intensity levels as the Property is certified as a LEED Gold 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.</p> <p>(iii) Quality tenant with long-term lease. As at the LPD, the Property has full occupancy rate of 100% with its primary tenant being Celcom. The lease to Celcom is 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. 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. This guarantees stable rental income from the Property over the next decade.</p> <p>(iv) Enhancement to current portfolio. The proposed addition of the Property is expected to enhance and rebalance the current portfolio of SENTRAL in terms of:-</p> <p>(a) increasing the pro forma weighted average lease to expiry (by NLA) of SENTRAL's portfolio by 1.6 years from 3.3 years (4th quarter 2022) to 4.9 years;</p>

Reference in IAL / Consideration factors	Our evaluation
	<p>(b) increasing the pro forma occupancy rate (by NLA) of SENTRAL's portfolio by 4.0% from 77.2% (4th quarter 2022) to 81.2%;</p> <p>(c) lowering the average building age of SENTRAL's portfolio in view that the Property is comparatively newer than commercial buildings in SENTRAL's existing portfolio which age ranges from approximately 9 years to 29 years;</p> <p>(d) strengthening and improving the quality of SENTRAL's tenant base with the addition of a high quality and established tenant in the telecommunications sector;</p> <p>(e) enhancing income diversification by entering into a new resilient tenant sector in the provision of essential services (<i>i.e. telecommunications sector</i>); and</p> <p>(f) increasing SENTRAL's pro forma total asset size from approximately RM2.1 billion as at 31 December 2022 to RM2.6 billion upon completion of the Proposed Acquisition.</p> <p>(v) Improvement in SENTRAL's distribution and Unitholders' returns in the long run. The Manager expects the DPU to increase moving forward, taking into consideration:-</p> <p>(a) the pre-agreed rental reversions under the Lease with Celcom; and</p> <p>(b) SENTRAL's proactive asset management strategies to improve the NPI of its current portfolio and the Property through periodic asset enhancement to improve the facilities as well as physical quality and built of the properties to meet market demand and prudent management of property expenses.</p> <p><u>Proposed Placement</u> The Proposed Placement enables the Manager to raise funds expeditiously and cost effectively as compared to other fund-raising exercises involving pro-rata issuance of securities such as rights issue. Besides, the Proposed Placement may potentially widen Unitholders' base and improve the trading liquidity of the Units taking into consideration that the Placement Units are intended to be placed out to institutional investors.</p> <p>The use of a combination of proceeds from the Proposed Placement and borrowings to fund the Proposed Acquisition allows the Manager to optimise SENTRAL's returns while maintaining its gearing at a healthy level as well as to maintain sufficient headroom for future acquisitions.</p>

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.2 Basis and justification for the Purchase Consideration and issue price for the Placement Units</p>	<p><u>Purchase Consideration</u> In evaluating the Purchase Consideration, we have reviewed the valuation conducted by CBRE WTW for the Property. In arriving at the market value of the Property, the Valuer has adopted the income approach by investment method as the primary method of valuation and the comparison approach as a check.</p> <p>Taking into consideration the nature of Menara CelcomDigi being a commercial asset and an income generating property, the Valuer has adopted the market value derived from the income approach by investment method of RM450.0 million as at the material date of valuation on 23 June 2023 as a fair representation of the market value of the Property. The income approach by investment method is deemed more reflective as it will eliminate the uncertainty in terms of qualitative and quantitative adjustments made via comparison approach.</p> <p>As a check, the Valuer derived the same market value of RM450.0 million for the Property as at the material date of valuation on 23 June 2023 using the comparison approach.</p> <p>As the Purchase Consideration (RM450.0 million) is equivalent to the market value of the Property as appraised by the Valuer (RM450.0 million), we are of the view that the Purchase Consideration is fair and reasonable.</p> <p><u>Issue price for the Placement Units</u> The issue price for the Placement Units is fair and reasonable as it shall be based on the price from the bookbuilding exercise for the Proposed Placement, where the bookbuilding price range for the Placement Units will be determined based on, amongst others, indicative demand and feedback from potential investors, precedent transactions and market price of the Units. In any event, the Placement Units will be issued at not more than 10% discount to the 5-day VWAP of the Units immediately prior to the price-fixing date to be announced at a later date.</p> <p>MRCB will not be influencing the bookbuilding exercise 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 for the Proposed Placement and announced on Bursa Securities.</p> <p><u>Advance Distribution</u> In addition, in order to ensure fairness to the existing Unitholders, the Board intends to declare the Advance Distribution in respect of the distributable income accrued during the Advance Distribution Period to the existing Unitholders. The Placement Units will not be entitled to the Advance Distribution.</p>
<p>Section 3.3 Salient terms of the SPA and the Deeds of Novation</p>	<p>The salient terms of the SPA and the Deeds of Novation are fair and reasonable and are not detrimental to the interests of the non-interested Unitholders.</p>

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.4 Effects of the Proposals</p>	<p>The pro forma effects of the Proposals from Section 6, Part A of the Circular are illustrated based on the following parameters:-</p> <p>Number of Placement Units to be issued : 123,720,000 Placement Units</p> <p>Illustrative issue price for the Placement Units : RM0.75</p> <p>Gross proceeds to be raised from the Proposed Placement : RM92,790,000</p> <p>Borrowings to be obtained : RM362,000,000</p> <p>Total funds to be raised to fund the Proposals and expenses relating to the Proposals : RM454,790,000</p> <p>The pro forma effects of the Proposals are as follows:-</p> <p>(i) Unitholders' capital</p> <p>The Unitholders' capital of SENTRAL will increase by approximately RM90.8 million (<i>after offsetting expenses relating to the Proposed Placement</i>) due to the issuance of 123,720,000 Placement Units at an illustrative issue price of RM0.75 each.</p> <p>(ii) Substantial Unitholders' unitholdings</p> <p>Pursuant to MRCB's letter dated 25 July 2023, MRCB has given an undertaking to unconditionally subscribe for up to 34,568,734 Placement Units, being approximately 3.2% of the existing total Units in issue as at the LPD, in order to maintain its unitholding in SENTRAL immediately prior to the Proposed Placement (<i>see Section 2.3, Part A of the Circular for further details</i>). Accordingly, MRCB's unitholding in SENTRAL is expected to remain unchanged at approximately 27.9% after the Proposed Placement.</p> <p>The unitholdings of other existing Unitholders will however be proportionately diluted by the issuance of the Placement Units pursuant to the Proposed Placement. Notwithstanding that the issuance of the Placement Units may have an immediate dilutive impact on the Unitholders' unitholdings, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of SENTRAL.</p> <p>(iii) Earnings, EPU and DPU</p> <p>As illustrated in Section 6.3, Part A of the Circular, assuming that the Proposals were completed on 1 January 2022 (<i>being the beginning of the FYE 31 December 2022</i>), the pro forma realised net income will increase from RM73.6 million to RM82.4 million. On per Unit basis, the EPU (<i>realised</i>) after manager's fees (<i>i.e. distributable income per Unit</i>) before and after the Proposals remains relatively unchanged at approximately 6.9 sen per Unit.</p> <p>Based on the distribution payout ratio of between 90.00% and 100.00%, the pro forma DPU of SENTRAL will range between 6.20 sen and 6.89 sen. The pro forma DPU of SENTRAL will remain relatively unchanged at 6.82 sen at a distribution payout ratio of 99.00%. Hence, as long as the distribution payout ratio is higher than 99.00% (FYE 31 December 2022: 99.28%), the pro forma DPU of SENTRAL after the Proposals will be higher than the DPU of 6.82 sen for the FYE 31 December 2022.</p>

EXECUTIVE SUMMARY (Cont'd)

Reference in IAL / Consideration factors	Our evaluation
	<p>The non-interested Unitholders should note that the computation of pro forma effects of the Proposals on the earnings and distributions of SENTRAL is based on, amongst others, the following:-</p> <ul style="list-style-type: none"> (i) the historical NPI of the Property for the FYE 31 December 2022, which does not take into account positive rental reversions for subsequent terms of the Lease with Celcom; (ii) all 123,720,000 Placement Units will be issued at an illustrative issue price of RM0.75 per Unit; and (iii) estimated cost of financing of approximately RM15.9 million in respect of RM362.0 million borrowings to be obtained. <p>The potential effects of the Proposals on SENTRAL's earnings, EPU and DPU will depend on, amongst others, the eventual NPI contribution of the Property to SENTRAL for the relevant period, actual number and issue price of Placement Units to be issued as well as cost of financing for the borrowings.</p> <p>(iv) NAV per Unit and gearing</p> <p>The NAV of SENTRAL will increase by a net amount of approximately RM90.8 million, attributable to the issuance of 123,720,000 Placement Units at an illustrative issue price of RM0.75 each to raise funds for the Purchase Consideration offset by the expenses relating to the Proposed Placement of approximately RM2.0 million. Arising from the issuance of Placement Units at a discount to NAV per Unit (<i>after income distribution</i>) of RM1.17 each and recognition of the said expenses, the NAV per Unit (<i>after income distribution</i>) will decrease slightly from RM1.17 as at 31 December 2022 to RM1.13.</p> <p>The borrowings to be obtained of RM362.0 million will result in the gearing of SENTRAL increasing from 37.48% as at 31 December 2022 to 44.84% after the Proposals. For information purposes, the increased gearing is still within the threshold as prescribed or permitted under Paragraph 8.32 of the Listed REITs Guidelines i.e. the total borrowings of SENTRAL must not exceed 50% of its total asset value at the time the borrowings are incurred.</p> <p>Notwithstanding the marginal decrease in NAV per Unit and the increase in gearing of SENTRAL, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of SENTRAL, supported by amongst others the strategic location of Menara CelcomDigi and pre-agreed rental reversions under the Lease with Celcom. In addition, taking into consideration the prospects of Menara CelcomDigi as set out in Section 3.5 of this IAL, any future appreciation in the market value of the Property will enhance the NAV and NAV per Unit and lower the gearing of SENTRAL.</p>

EXECUTIVE SUMMARY (Cont'd)

Reference in IAL / Consideration factors	Our evaluation
	<p>(v) Convertible securities</p> <p>As at the LPD, SENTRAL does not have any convertible securities in issue.</p> <p>Based on our evaluation above, the overall effects of the Proposed Acquisition are not detrimental to the interests of the non-interested Unitholders.</p>
Section 3.5 Prospects of the Property and SENTRAL	<p>Whilst the demand and rental rate for office space may continue to be subdued due to oversupply condition, we view the long-term prospects of the Property to be favourable in view of the Property's strategic location, ease of accessibility and connectivity, certification and specifications as a green building as well as its long-term stable income stream pursuant to the Lease Agreement. The Proposed Acquisition is expected to contribute positively to the future earnings and distributions of SENTRAL.</p>
Section 3.6 Risk factors in relation to the Proposed Acquisition	<p>The risk factors are set out in Section 5, Part A of the Circular, which include (i) financing risk, (ii) concentration risk and (iii) non-registration of the transfer of title for the Property.</p> <p>In view that SENTRAL's current portfolio mainly consists of commercial properties situated in Klang Valley, the proposed addition of the Property to SENTRAL's portfolio will not significantly change the business risk profile of SENTRAL upon completion of the Proposed Acquisition.</p>

3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition, taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposed Acquisition based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted in the letter to the Unitholders in relation to the Proposals as set out in Part A of the Circular together with the accompanying appendices before voting on the ordinary resolution to give effect to the Proposed Acquisition at the forthcoming Unitholders' Meeting.

Premised on our evaluation of the Proposed Acquisition in Section 3 of this IAL, we are of the view that, on the basis of the information available to us, the Proposed Acquisition is **fair and reasonable** and is **not detrimental** to the interests of the non-interested Unitholders.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

INTER-PACIFIC

SECURITIES SDN. BHD.

197201001092 (12738-U)

A Participating Organisation of Bursa Malaysia Securities Berhad
A Trading Participant of Bursa Malaysia Derivatives Berhad

Lot 13-01A, Level 13 (East Wing)
Berjaya Times Square
No. 1 Jalan Imbi
55100 Kuala Lumpur

30 October 2023

To: The non-interested Unitholders

Dear Sir / Madam,

SENTRAL REIT (“SENTRAL”)

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ACQUISITION

This IAL is prepared for inclusion in the Circular to the Unitholders. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to Inter-Pacific Securities, being the Independent Adviser for the Proposed Acquisition.

1. INTRODUCTION

On 8 June 2023, the Trustee had accepted the letter of intent dated 30 May 2023 issued by MRCB to commence negotiations with Puncak Wangi for the Proposed Acquisition.

On 25 July 2023, the Trustee had entered into the SPA with Puncak Wangi for the Proposed Acquisition. In conjunction with the Proposed Acquisition, the Board also proposed to undertake the Proposed Placement, including the Proposed Placement to MRCB to partly fund the Purchase Consideration and the expenses relating to the Proposals.

The details of the Proposals are set out in Section 2, Part A of the Circular.

In view of the interests of certain major Unitholders, major shareholders of the Manager and the Interested Directors as set out in Section 9, Part A of the Circular, the Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, Inter-Pacific Securities has been appointed on 25 July 2023 to act as the Independent Adviser to advise the non-interested Directors and the non-interested Unitholders in respect of the Proposed Acquisition.

The purpose of this IAL is to provide the non-interested Unitholders with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested Unitholders, together with our recommendation on whether the non-interested Unitholders should vote in favour of the Proposed Acquisition. In view of the conditionality of the Proposals as set out in Section 7, Part A of the Circular, we have considered the Proposals as a whole in our evaluation of the Proposed Acquisition.

Nonetheless, the non-interested Unitholders should rely on their own evaluation of the merits and demerits of the Proposed Acquisition before making a decision on the course of action to be taken at the forthcoming Unitholders’ Meeting.

This IAL is prepared solely for the use of the non-interested Unitholders to consider the Proposed Acquisition and should not be used or relied upon by any other party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO THE UNITHOLDERS IN RELATION TO THE PROPOSALS AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

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

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION

Inter-Pacific Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Acquisition. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities ("**IAL Guide**").

Our scope as the Independent Adviser is limited to expressing an independent opinion in respect of the Proposed Acquisition as to whether the Proposed Acquisition is fair and reasonable and whether the Proposed Acquisition is detrimental to the interests of the non-interested Unitholders, together with our recommendation on whether the non-interested Unitholders should vote in favour of the Proposed Acquisition, based on information and documents provided to us or which are available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information:-

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) the SPA;
- (iii) the Valuation Certificate and the Valuation Report;
- (iv) other relevant information, documents, confirmations and representations furnished to us by the directors, management and/or representatives (*where applicable*) of the Manager, the Trustee and SENTRAL; and
- (v) other relevant publicly available information, including but not limited to the annual reports of SENTRAL.

We have relied on the directors, management and/or representatives (*where applicable*) of the Manager, the Trustee and SENTRAL to take due care to ensure that all information, documents, confirmations and representations provided by them to facilitate our evaluation of the Proposed Acquisition are accurate, valid and complete in all material aspects. Nonetheless, we have made enquiries as were reasonable in the circumstances and undertaking reasonableness check and corroborating such information with independent sources, where possible. We are satisfied that the information provided to us or which are available to us is sufficient and we have no reason to believe that the aforementioned information is unreasonable, unreliable, inaccurate, incomplete and/or that there are any facts not contained in this IAL, the omission of which would make any information in this IAL misleading as at the LPD.

The Board has seen, reviewed and accepted the contents of this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (*save for the views, analyses and recommendation of Inter-Pacific Securities*) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, there are no other facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by Inter-Pacific Securities in relation to the Proposed Acquisition is limited to ensuring that accurate information in relation to SENTRAL and the Property has been provided to Inter-Pacific Securities for its evaluation of the Proposed Acquisition and to ensure that all information in relation to SENTRAL and the Property that are relevant to Inter-Pacific Securities' evaluation of the Proposed Acquisition have been completely disclosed to Inter-Pacific Securities and that there is no material fact, the omission of which would make any information provided to Inter-Pacific Securities false or misleading.

We have evaluated the Proposed Acquisition and in rendering our advice, we have considered various factors, which we believe are of relevance and general importance to an assessment of the Proposed Acquisition and would be of general concern to the non-interested Unitholders. Our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested Unitholders as a whole and not for any specific group of non-interested Unitholders. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situations, risk profiles or particular needs of any individual non-interested Unitholder or any specific group of non-interested Unitholders. We recommend that any individual non-interested Unitholder who is in doubt as to the action to be taken or requires advice in relation to the Proposed Acquisition in the context of his individual investment objectives, financial situation, risk profile or particular needs to consult his stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Further, it is not within our terms of reference to express any opinion on legal, accounting and taxation issues relating to the Proposed Acquisition.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the SPA are able to fulfill their respective obligations thereto in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time.

We shall notify the non-interested Unitholders if, after the despatch of this IAL, we become aware of the following:-

- (i) significant change affecting the information contained in this IAL;
- (ii) there is a reasonable ground to believe that the statements in this IAL are misleading / deceptive; and
- (iii) there is a material omission in this IAL.

The following are disclosures made pursuant to the IAL Guide:-

- (i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposed Acquisition;
- (ii) Save for our current appointment as the Independent Adviser for the Proposed Acquisition, we do not have any other professional relationship with SENTRAL in the past 2 years; and

- (iii) We are a holder of a Capital Markets Services Licence issued by the SC which permits us to carry on the regulated activity of advising on corporate finance under the CMSA. The corporate finance department of Inter-Pacific Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualification and expertise to provide, amongst others, independent advice and render opinion on fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

As a testament to our experience and credentials as independent adviser, we have issued various independent advice circulars / letters for transactions relating to acquisitions, disposals and take-over offers, including the following proposals:-

- (a) proposed disposal by DC Offices Sdn Bhd, an indirect wholly-owned subsidiary of Guocoland (Malaysia) Berhad, of an office building known as Menara Guoco to MTrustee Berhad, acting solely in its capacity as trustee for and on behalf of Tower Real Estate Investment Trust, for a cash consideration of RM242.1 million, whereby our independent advice letter was issued on 15 June 2020;
- (b) conditional mandatory take-over offer by Divine Inventions Sdn Bhd through M&A Securities Sdn Bhd to acquire all the remaining ordinary shares (*including such number of new ordinary shares that may be issued and allotted prior to the closing date of the offer arising from the exercise of the outstanding warrants*) and warrants in Chin Hin Group Property Berhad not already owned by Divine Inventions Sdn Bhd, Datuk Seri Chiau Beng Teik, Chiau Haw Choon and Datin Seri Wong Mee Leng for a cash offer price of RM0.30 per ordinary share and RM0.10 per warrant respectively, whereby our independent advice circular was issued on 13 February 2020;
- (c) proposed acquisitions of entire equity interests by GSB Group Berhad ("**GSB**") of Aeon Frontier Sdn Bhd, Kerjaya Property Sdn Bhd and Kerjaya Hotel Sdn Bhd, proposed subscription by GSB of 42,489,490 new ordinary shares in Desanda Property Sdn Bhd at an issue price of RM1.00 per ordinary share, proposed subscription by Jawawana Sdn Bhd of 251,366,435 new ordinary shares in GSB at an issue price of RM0.17 per ordinary share, proposed exemption under Paragraph 4.08(1)(a) and (b) of the Rules on Take-overs, Mergers and Compulsory Acquisitions to be sought by Jawawana Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory take-over offer to acquire the remaining ordinary shares in GSB not already owned by them and proposed amendments to the Constitution of GSB to facilitate the creation and issuance of new redeemable convertible preference shares in GSB, whereby our independent advice letter was issued on 29 November 2019;
- (d) proposed joint venture between Innoceria Sdn Bhd, a wholly-owned subsidiary of Grand-Flo Berhad and Pembinaan Maka Cemerlang Sdn Bhd, to jointly develop 381 pieces of leasehold land located in Kampar, Perak into a mixed development project, whereby our independent advice letter was issued on 21 November 2019;
- (e) unconditional voluntary take-over offer by Tan Sri Dr Chen Lip Keong through UOB Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares (*including such number of new ordinary shares that may be issued prior to the closing date of the offer arising from the exercise of the outstanding warrants*) and warrants in Karambunai Corp Bhd not already held by him at a cash offer price of RM0.11 per ordinary share and RM0.03 per warrant respectively, whereby our independent advice circular was issued on 24 October 2019;

- (f) unconditional mandatory take-over offer by Topspike Holding Sdn Bhd and Asia New Venture Capital Holdings Sdn Bhd through AmInvestment Bank Berhad to acquire all the remaining ordinary shares in Milux Corporation Berhad not already owned by Datuk Wira Ling Kah Chok, Asia Capital Fund Limited, Topspike Holding Sdn Bhd, Asia New Venture Capital Holdings Sdn Bhd and persons acting in concert with them for a cash consideration of RM0.80 per ordinary share, whereby our independent advice circular was issued on 3 June 2019;
- (g) proposed disposals by GSB of entire equity interests in Banda Industries Sdn Bhd and GSB Hotel Sdn Bhd to Bentong Makmur Holdings Sdn Bhd for a total consideration of RM16,580,493.70 and RM2,195,615.86 respectively, whereby our independent advice letter was issued on 28 May 2019;
- (h) proposed acquisition of 2,477,108 ordinary shares, representing approximately 54.50% equity interest, in Ideal Heights Properties Sdn Bhd by Bina Puri Properties Sdn Bhd, a wholly-owned subsidiary of Bina Puri Holdings Bhd, for a total purchase consideration of RM42,682,343, whereby our independent advice letter was issued on 30 November 2018;
- (i) proposed exemption under Paragraph 4.08(1)(b) of the Rules on Take-overs, Mergers and Compulsory Acquisitions to Datuk Amar Abdul Hamed Bin Haji Sepawi, Datuk Hasmi Bin Hasnan and persons acting in concert with them from the obligation to undertake a mandatory offer for the remaining ordinary shares in Naim Holdings Berhad not already owned by them arising from the subscription by them for new ordinary shares in Naim Holdings Berhad pursuant to a proposed renounceable rights issue, whereby our independent advice letter was issued on 29 October 2018; and
- (j) unconditional voluntary take-over offer by Tan Sri Dr Chen Lip Keong through UOB Kay Hian Securities (M) Sdn Bhd to acquire all the remaining ordinary shares in Petaling Tin Berhad not already held by him at a cash consideration of RM0.40 per ordinary share, whereby our independent advice circular was issued on 2 July 2018.

3. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition based on the following pertinent factors:-

Consideration factors	Section
(i) Rationale and benefits of the Proposals	3.1
(ii) Basis and justification for the Purchase Consideration and issue price for the Placement Units	3.2
(iii) Salient terms of the SPA and the Deeds of Novation	3.3
(iv) Effects of the Proposals	3.4
(v) Prospects of the Property and SENTRAL	3.5
(vi) Risk factors in relation to the Proposed Acquisition	3.6

3.1 Rationale and benefits of the Proposals

We have considered the rationale and benefits of the Proposals as set out in Section 3, Part A of the Circular and our commentaries are as follows:-

Proposed Acquisition

The principal activity of SENTRAL involves acquisition of and investment in commercial properties, primarily in Malaysia. 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 NAV per Unit.

The Proposed Acquisition is in line with the principal activity and investment objective of SENTRAL and is expected to be beneficial to SENTRAL in view of the following:-

- (i) **Strategic location of the Property.** Menara CelcomDigi is strategically located within Petaling Jaya New Town with easy accessibility and good connectivity whereby:-
 - (a) Petaling Jaya New Town is a prime commercial hub in Petaling Jaya, Selangor;
 - (b) the Property is surrounded by office buildings (Quattro West and Wisma MCIS Zurich), hotels (Hilton Hotel Petaling Jaya and Shah's Village Hotel), government offices (National Registration Department Petaling Jaya, Petaling Jaya Courthouse and Jabatan Pengangkutan Jalan (JPJ) Petaling Jaya), shopping mall (Amcorp Mall), shops / offices and hypermarket; and
 - (c) the Property enjoys good connectivity to the capital city of Kuala Lumpur through convenient access to the LRT Kelana Jaya Line from the nearby Taman Jaya LRT station and the Federal Highway.
- (ii) **Augments SENTRAL's green footprint.** The Proposed Acquisition is also in line with SENTRAL's environmental target of reducing energy usage and carbon emission intensity levels as the Property is certified as a LEED Gold 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. The addition of the Property into SENTRAL's portfolio 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.
- (iii) **Quality tenant with long-term lease.** As at the LPD, the Property has full occupancy rate of 100% with its primary tenant being Celcom. The lease to Celcom is 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. 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. This guarantees stable rental income from the Property over the next decade.

In addition, Celcom is a leading telecommunications provider in Malaysia with strong financial performance and robust financial position. Based on the audited consolidated financial statements of Celcom for the FYE 31 December 2022, Celcom has recorded a profit attributable to its owner of approximately RM1,278.1 million and its net assets attributable to its owner stood at approximately RM445.5 million. In view thereof, the risk of default / delay on rental payments by Celcom is assessed to be low likelihood.

(iv) **Enhancement to current portfolio.** The proposed addition of the Property is expected to enhance and rebalance the current portfolio of SENTRAL in terms of:-

- (a) increasing the pro forma weighted average lease to expiry (by NLA) of SENTRAL's portfolio by 1.6 years from 3.3 years (4th quarter 2022) to 4.9 years;
- (b) increasing the pro forma occupancy rate (by NLA) of SENTRAL's portfolio by 4.0% from 77.2% (4th quarter 2022) to 81.2%;
- (c) lowering the average building age of SENTRAL's portfolio in view that the Property is comparatively newer than commercial buildings in SENTRAL's existing portfolio which age ranges from approximately 9 years to 29 years (*Source: Annual Report of SENTRAL for the FYE 31 December 2022*);
- (d) strengthening and improving the quality of SENTRAL's tenant base with the addition of a high quality and established tenant in the telecommunications sector;
- (e) enhancing income diversification by entering into a new resilient tenant sector in the provision of essential services (*i.e. telecommunications sector*); and
- (f) increasing SENTRAL's pro forma total asset size from approximately RM2.1 billion as at 31 December 2022 to RM2.6 billion upon completion of the Proposed Acquisition.

(v) **Improvement in SENTRAL's distribution and Unitholders' returns in the long run.** The Manager expects the DPU to increase moving forward, taking into consideration:-

- (a) the pre-agreed rental reversions under the Lease with Celcom. Based on the Lease Agreement, the base rent of RM5.30 per square foot shall be subject to an upward adjustment of not less than 5.0% and not more than 10.0% on the 6th anniversary of the rent commencement date (8 January 2020) and up to 5.0% or such higher rate as may be agreed for each renewal term after 31 December 2034 and the service charge of RM1.25 per square foot will increase by 10.0% every 3 years from 1 January 2020.

The above are pre-agreed terms of the Lease Agreement between the Vendor and Celcom which shall be in force until the expiry of the Lease Agreement and will be novated to SENTRAL as it is pursuant to the Proposed Acquisition. It is worth noting that the Lease was negotiated between the parties in respect of the entire Property and for a considerably long tenure.

In arriving at the Purchase Consideration for the Proposed Acquisition, the valuation by CBRE | WTW for the Property was conducted on the premise of the pre-agreed rental reversions under the Lease with Celcom and hence, we view this as fair and reasonable.

As set out in Sections 3.1 and 6.3, Part A of the Circular, the Proposed Acquisition is expected to result in a mild accretion in DPU from 6.82 sen for the FYE 31 December 2022 to 6.89 sen on a pro forma basis. The rental reversions in the future are expected to further increase DPU of SENTRAL. However, the expected enhancement in DPU cannot be determined at this juncture as it will depend on, amongst others, the actual property expenses for the relevant period; and

- (b) SENTRAL's proactive asset management strategies to improve the NPI of its current portfolio and the Property through periodic asset enhancement to improve the facilities as well as physical quality and built of the properties to meet market demand and prudent management of property expenses.

The pro forma effects of the Proposals on the earnings, EPU and DPU are set out in Section 6.3, Part A of the Circular and Section 3.4.3 of this IAL.

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Upon completion of the Proposed Acquisition, the investment portfolio of SENTRAL will comprise 10 commercial buildings in Malaysia, as follows:-

No.	Property	Address / Location	Tenure	Age of building (approximately)	NLA (square feet)	Occupancy rate as at 31 December 2022 (%)	Market value (RM' million)	Date of valuation
(1)	Bangunan Sentral 1 – DHL 1 (formerly known as Quill Building 1 – DHL 1) ⁽¹⁾ (a 4-storey office building together with a sub-basement and a basement car park)	3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan	Term in perpetuity	20 years	92,284	100		31.12.2022
(2)	Bangunan Sentral 2 – DHL 2 (formerly known as Quill Building 4 – DHL 2) ⁽¹⁾ (a 4-storey office building together with a sub-basement and 2 levels basement car park)	3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan	Term in perpetuity	16 years	99,183	100	135.0 ⁽²⁾	31.12.2022
(3)	Bangunan Sentral 4 (formerly known as Quill Building 2) ⁽¹⁾ (a 4-storey office building together with a sub-basement car park)	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan	Term in perpetuity	19 years	184,453	Vacant	108.0	31.12.2022
(4)	Bangunan Sentral 3 – BMW (formerly known as Quill Building 3 – BMW) ⁽¹⁾ (a 4-storey office building together with a level of sub-basement and a level of basement car park)	3501, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan	Term in perpetuity	18 years	117,198	68	71.0	31.12.2022
(5)	Wisma Sentral Inai (formerly known as Wisma Technip) ⁽³⁾ (a 12-storey office building with a mezzanine floor and 3 split-levels basement car park)	241, Jalan Tun Razak, 50400 Kuala Lumpur	Term in perpetuity	29 years	233,021	Vacant	153.7	31.12.2022
(6)	Part of Plaza Mont' Kiara (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)	Plaza Mont' Kiara, No. 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur	Term in perpetuity	20 years	73,408 (excluding car park lots)	94	113.0	31.12.2022

No.	Property	Address / Location	Tenure	Age of building (approximately)	NLA (square feet)	Occupancy rate as at 31 December 2022 (%)	Market value (RM'million)	Date of valuation
(7)	Lotuss Building, Penang (a 3-storey purpose built hypermarket)	1, Lebuhr Tengku Kudin 1, 11700 Penang	Term in perpetuity	18 years	275,020	100	140.0	31.12.2022
(8)	Platinum Sentral (5 blocks of 4 to 7 storey commercial building comprising office-cum-retail space, a multi-purpose hall and 2 levels of car park)	Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur	Term in perpetuity	11 years	483,038	96	670.0	31.12.2022
(9)	Menara Shell (a 33-storey stratified office building erected on a 5 storey podium and a 4 storey basement car park)	211, Jalan Tun Sambanthan, 50470 Kuala Lumpur	Term in perpetuity	9 years	557,458	99	670.0	31.12.2022
(10)	Menara CelcomDigi (a 27-storey PBO building erected on 6 levels of podiums and 3 levels of basement car park)	No. 6, Persiaran Barat, Seksyen 52, PJ Sentral, 46200 Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years, expiring on 10 November 2110 (unexpired term of approximately 87 years)	5 years	450,000 ⁽⁴⁾	100	450.0	23.06.2023

Notes:-

- (1) The change of the name of these properties was approved on 25 July 2023.
- (2) On 14 August 2008, the respective pieces of land on which Bangunan Sentral 1 (formerly known as Quill Building 1 – DHL 1) and Bangunan Sentral 2 (formerly known as Quill Building 4 – DHL 2) have been amalgamated pursuant to the condition imposed by the SC during the initial public offering of SENTRAL (formerly known as Quill Capita Trust). As such, the valuations of these 2 buildings have been carried out based on the amalgamated properties. The total valuation of these 2 buildings amounted to RM135.0 million.
- (3) On 9 August 2023, the Trustee received approval from Dewan Bandaraya Kuala Lumpur for its application to change the name from Wisma Technip to Wisma Sentral Inai.
- (4) Pursuant to the Lease Agreement.

Proposed Placement

The Proposed Placement enables the Manager to raise funds expeditiously and cost effectively as compared to other fund-raising exercises involving pro-rata issuance of securities such as rights issue. Besides, the Proposed Placement may potentially widen Unitholders' base and improve the trading liquidity of the Units taking into consideration that the Placement Units are intended to be placed out to institutional investors.

The use of a combination of proceeds from the Proposed Placement and borrowings to fund the Proposed Acquisition allows the Manager to optimise SENTRAL's returns while maintaining its gearing at a healthy level as well as to maintain sufficient headroom for future acquisitions.

Based on the above, we are of the view that the rationale for the Proposed Acquisition is fair and reasonable.

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3.2 Basis and justification for the Purchase Consideration and issue price for the Placement Units

3.2.1 Purchase Consideration

In evaluating the Purchase Consideration, we have reviewed the valuation conducted by CBRE | WTW for the Property, which is a 27-storey PBO building erected on 6 levels of podiums and 3 levels of basement car park known as Menara CelcomDigi, bearing the postal address of No. 6, Persiaran Barat, Seksyen 52, PJ Sentral, 46200 Petaling Jaya, Selangor Darul Ehsan. As at the LPD, the Property has full occupancy rate of 100%.

In arriving at the market value of the Property, the Valuer has adopted the income approach by investment method as the primary method of valuation and the comparison approach as a check. Further details on the income approach by investment method and comparison approach are as follows:-

- (i) the income approach by investment 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; and
- (ii) the comparison 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.

Taking into consideration the nature of Menara CelcomDigi being a commercial asset and an income generating property, the Valuer has adopted the market value derived from the income approach by investment method of RM450.0 million as at the material date of valuation on 23 June 2023 as a fair representation of the market value of the Property. The income approach by investment method is deemed more reflective as it will eliminate the uncertainty in terms of qualitative and quantitative adjustments made via comparison approach.

As a check, the Valuer derived the same market value of RM450.0 million for the Property as at the material date of valuation on 23 June 2023 using the comparison approach.

We are of the view that the valuation methodologies adopted by the Valuer are reasonable, appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by the Valuer and are satisfied with the reasonableness of the key bases and assumptions. As such, we are satisfied with the valuation conducted by the Valuer as well as the reasonableness of the opinion of the market value on the Property expressed by the Valuer.

Summarised below are our commentaries in respect of the key bases and assumptions adopted in the valuation of Menara CelcomDigi by the Valuer using the income approach by investment method (please refer to the Valuation Certificate in Appendix III of the Circular for further information on Menara CelcomDigi and details of the valuation):-

No.	Key bases and assumptions	Our commentaries																																																	
1.	<p>Gross monthly rental / income</p> <p><u>Office building</u></p> <table border="1" data-bbox="403 1216 790 1944"> <thead> <tr> <th>Term</th> <th>Period</th> <th>Amount (RM psf of NLA)</th> </tr> </thead> <tbody> <tr> <td colspan="3">Gross monthly rental (Term)</td> </tr> <tr> <td>1</td> <td>1 January 2020 to 31 December 2022</td> <td>Expired</td> </tr> <tr> <td>2</td> <td>1 January 2023 to 31 December 2025</td> <td>6.68 to 7.41</td> </tr> <tr> <td>3</td> <td>1 January 2026 to 31 December 2028</td> <td></td> </tr> <tr> <td>4</td> <td>1 January 2029 to 31 December 2031</td> <td></td> </tr> <tr> <td>5</td> <td>1 January 2032 to 31 December 2034</td> <td></td> </tr> <tr> <td>6</td> <td>1 January 2035 to 31 December 2037</td> <td>7.86 to 8.36</td> </tr> <tr> <td>7</td> <td>1 January 2038 to 31 December 2040</td> <td></td> </tr> <tr> <td colspan="3">Gross monthly rental (Reversionary)</td> </tr> <tr> <td></td> <td></td> <td>6.30</td> </tr> </tbody> </table> <p>"psf" denotes "per square foot"</p>	Term	Period	Amount (RM psf of NLA)	Gross monthly rental (Term)			1	1 January 2020 to 31 December 2022	Expired	2	1 January 2023 to 31 December 2025	6.68 to 7.41	3	1 January 2026 to 31 December 2028		4	1 January 2029 to 31 December 2031		5	1 January 2032 to 31 December 2034		6	1 January 2035 to 31 December 2037	7.86 to 8.36	7	1 January 2038 to 31 December 2040		Gross monthly rental (Reversionary)					6.30	<p>Fair and reasonable.</p> <p>The gross monthly rental / income from the Property comprises gross monthly rental from the office building and gross monthly income from the car park. For the current term (Term 2), the gross monthly rental from the office building is RM3,006,000. The gross monthly income from the car park is estimated to be RM59,100, which is comparatively less significant than the gross monthly rental from the office building.</p> <p>In respect of the office building, we view the gross monthly rental as fair and reasonable after taking into consideration, amongst others, the following:-</p> <p>(i) the current gross monthly rental (term) is based on existing passing rent of Menara CelcomDigi. Subsequent revisions and upward adjustments to the gross monthly rental (term) (comprising base rent and service charge) are provided for in the Lease Agreement. Based on the Lease Agreement, the base rent shall be subject to revision and upward adjustment on the 6th anniversary of the rent commencement date. The revised base rent shall not be less than 5% and not more than 10% and the service charge rate will be increased by 10% every 3 years from the lease commencement date.</p> <p>Based on the above, the Valuer has considered a base rental growth of 5% for the relevant rental terms (notwithstanding that the proposed increase in base rental may be more than 5%) and 10% growth of service charge for each subsequent term.</p> <p>(ii) the gross monthly rental (reversionary) of RM6.30 psf of NLA has been adopted by the Valuer after considering concluded rentals of similar office building within Klang Valley and existing passing rent of the office building. Based on the Valuer's rental analysis of concluded rentals of selected similar buildings in the nearby localities, after making adjustments for location - general, building age, design / finishes / specifications, green building status, Multimedia Super Corridor ("MSC") status, size (NLA) and public transportation connectivity, the adjusted rental values range from RM6.10 psf to RM6.67 psf as follows:-</p> <table border="1" data-bbox="1153 89 1329 1126"> <thead> <tr> <th>No.</th> <th>Building name</th> <th>Location</th> <th>Adjusted rental value (RM psf)</th> </tr> </thead> <tbody> <tr> <td>(1)</td> <td>Menara IGB (Suite 11.01, Level 11)</td> <td>Mid Valley City, Kuala Lumpur</td> <td>6.67</td> </tr> <tr> <td>(2)</td> <td>Imazium (Unit Nos. 20-01, 20-02, 20-03 and 20-04, Level 20)</td> <td>Damansara Uptown, Petaling Jaya, Selangor</td> <td>6.10</td> </tr> <tr> <td>(3)</td> <td>Plaza 33 (Lot No. TB-L19, Tower B)</td> <td>Jalan Kemajuan, Petaling Jaya, Selangor</td> <td>6.21</td> </tr> </tbody> </table>	No.	Building name	Location	Adjusted rental value (RM psf)	(1)	Menara IGB (Suite 11.01, Level 11)	Mid Valley City, Kuala Lumpur	6.67	(2)	Imazium (Unit Nos. 20-01, 20-02, 20-03 and 20-04, Level 20)	Damansara Uptown, Petaling Jaya, Selangor	6.10	(3)	Plaza 33 (Lot No. TB-L19, Tower B)	Jalan Kemajuan, Petaling Jaya, Selangor	6.21
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		<p>(ii) the gross monthly income (reversionary) of RM150 per bay per month has been adopted by the Valuer. Based on the Valuer's survey of the car parking rates within immediate vicinity, the parking rates range from RM100 per bay per month to RM200 per bay per month. The adopted rate of RM150 per bay per month is within the said range and is fair and reasonable.</p>																																																				
2.	Other income of RM5,400 per month	<p>Fair and reasonable.</p> <p>Other income comprises license fees from Edotco Malaysia for the licenses to use part of Podium Parking Level 5 for installation of equipment and antenna for Celcom's network transmission. The other income of RM5,400 per month is based on the existing license fees provided for in the license agreements between Puncak Wangi and Edotco Malaysia dated 16 March 2022 and 23 December 2022.</p>																																																				
3.	<p>Monthly outgoings</p> <p><u>Office building</u></p> <table border="1" data-bbox="651 1220 1161 1944"> <thead> <tr> <th>Term</th> <th>Period</th> <th>Amount (RM psf of NLA)</th> <th>Increase (%)</th> </tr> </thead> <tbody> <tr> <td colspan="4">Monthly outgoings (Term)</td> </tr> <tr> <td>1</td> <td>1 January 2020 to 31 December 2022</td> <td>1.65</td> <td>-</td> </tr> <tr> <td>2</td> <td>1 January 2023 to 31 December 2025</td> <td>1.73</td> <td>5.00</td> </tr> <tr> <td>3</td> <td>1 January 2026 to 31 December 2028</td> <td>1.82</td> <td>5.00</td> </tr> <tr> <td>4</td> <td>1 January 2029 to 31 December 2031</td> <td>1.91</td> <td>5.00</td> </tr> <tr> <td>5</td> <td>1 January 2032 to 31 December 2034</td> <td>2.01</td> <td>5.00</td> </tr> <tr> <td>6</td> <td>1 January 2035 to 31 December 2037</td> <td>2.11</td> <td>5.00</td> </tr> <tr> <td>7</td> <td>1 January 2038 to 31 December 2040</td> <td>2.22</td> <td>5.00</td> </tr> <tr> <td colspan="2">Monthly outgoings (Reversionary)</td> <td>1.65</td> <td></td> </tr> </tbody> </table>	Term	Period	Amount (RM psf of NLA)	Increase (%)	Monthly outgoings (Term)				1	1 January 2020 to 31 December 2022	1.65	-	2	1 January 2023 to 31 December 2025	1.73	5.00	3	1 January 2026 to 31 December 2028	1.82	5.00	4	1 January 2029 to 31 December 2031	1.91	5.00	5	1 January 2032 to 31 December 2034	2.01	5.00	6	1 January 2035 to 31 December 2037	2.11	5.00	7	1 January 2038 to 31 December 2040	2.22	5.00	Monthly outgoings (Reversionary)		1.65		<p>Fair and reasonable.</p> <p>In respect of the office building, in adopting the monthly outgoings of RM1.65 psf of NLA, the Valuer has considered the actual historical outgoings amount and observed that there were lower outgoings in 2020 and 2021 due to less operational consumption as a result of the movement control order enforcement. The average outgoings analysed from the actual records of Menara CelcomDigi for 2019 to 2023 (<i>annualised</i>) are as follows:-</p> <table border="1" data-bbox="762 728 970 1191"> <thead> <tr> <th>Year</th> <th>Average monthly outgoings (RM psf of NLA)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>1.44</td> </tr> <tr> <td>2020</td> <td>1.41</td> </tr> <tr> <td>2021</td> <td>1.29</td> </tr> <tr> <td>2022</td> <td>1.60</td> </tr> <tr> <td>2023 (<i>annualised</i>)</td> <td>1.66</td> </tr> </tbody> </table> <p>In addition, the Valuer has also considered the average annual outgoings of similar office buildings within Klang Valley. Based on the Valuation Report, the average outgoings of similar type of property is in the range of RM1.40 psf to RM1.80 psf over the NLA.</p> <p>In view of the above, we view the monthly outgoings of RM1.65 psf of NLA as fair and reasonable as it is within both the actual range of monthly outgoings for 2022 (RM1.60 psf) and 2023 (RM1.66 psf) (<i>being the most recent periods and hence, are more reflective of current market conditions</i>) as well as the range of average outgoings for similar type of property from RM1.40 psf to RM1.80 psf.</p> <p>For each of the subsequent term monthly outgoings, the Valuer has adopted an increment of 5%, which we view as fair and reasonable taking into consideration, amongst others, inflationary effects.</p>	Year	Average monthly outgoings (RM psf of NLA)	2019	1.44	2020	1.41	2021	1.29	2022	1.60	2023 (<i>annualised</i>)	1.66
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4.	Allowance for void of 10%	<p data-bbox="236 73 316 1205">Fair and reasonable.</p> <p data-bbox="236 73 316 1205">For the reversionary period, the Valuer has adopted 10% of gross annual rental / income as void for rent-free period and risk of vacancy and uncertainty, taking into consideration the current market condition of similar properties.</p> <p data-bbox="347 73 395 1205">In assessing the allowance for void, we have considered the historical occupancy rates of other office buildings within Klang Valley as follows:-</p> <table border="1" data-bbox="427 73 555 1205"> <thead> <tr> <th rowspan="2">No.</th> <th rowspan="2">Building name</th> <th rowspan="2">Year of completion</th> <th colspan="3">Historical occupancy rate (%)</th> </tr> <tr> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>(1)</td> <td>Menara Southpoint</td> <td>2018</td> <td>59.3</td> <td>83.0</td> <td>96.0</td> </tr> <tr> <td>(2)</td> <td>UOA Corporate Tower</td> <td>2016</td> <td>94.0</td> <td>93.2</td> <td>93.0</td> </tr> <tr> <td>(3)</td> <td>The Pinnacle Sunway</td> <td>2013</td> <td>100.0</td> <td>97.0</td> <td>98.0</td> </tr> </tbody> </table> <p data-bbox="587 488 611 1205"><i>(Source: Various annual reports and announcements on Bursa Securities)</i></p> <p data-bbox="643 73 914 1205">The historical occupancy rates of the office buildings above have been more than 90% for 2020 to 2022 (save for <i>Menara Southpoint which was only completed in 2018</i>). This implies a strong demand for office buildings within Klang Valley and accordingly, the risk of vacancy and uncertainty is expected to be low. Notwithstanding the high historical occupancy rates above, we view the adopted allowance for void of 10% for the Property for the reversionary period (<i>i.e. after the expiry of the Lease</i>) to be fair and reasonable to account for higher risk and uncertainty as Menara CelcomDigi is a PBO building and is currently relying on Celcom as its primary tenant. In the event that Celcom does not renew the Lease, this could result in periods of vacancy for the Property as SENTRAL will require time to secure new tenants for sizable vacant office space. Hence, it is reasonable that a higher allowance for void of 10% is adopted.</p>	No.	Building name	Year of completion	Historical occupancy rate (%)			2020	2021	2022	(1)	Menara Southpoint	2018	59.3	83.0	96.0	(2)	UOA Corporate Tower	2016	94.0	93.2	93.0	(3)	The Pinnacle Sunway	2013	100.0	97.0	98.0
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5.	<p>Yield / Capitalisation rate</p> <table border="1" data-bbox="231 1214 571 1944"> <thead> <tr> <th>Term</th> <th>Period</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Capitalisation rate (Term)</td> <td></td> <td>Expired</td> </tr> <tr> <td>1</td> <td>1 January 2020 to 31 December 2022</td> <td>5.75</td> </tr> <tr> <td>2</td> <td>1 January 2023 to 31 December 2025</td> <td>5.75</td> </tr> <tr> <td>3</td> <td>1 January 2026 to 31 December 2028</td> <td>6.00</td> </tr> <tr> <td>4</td> <td>1 January 2029 to 31 December 2031</td> <td>6.00</td> </tr> <tr> <td>5</td> <td>1 January 2032 to 31 December 2034</td> <td>6.00</td> </tr> <tr> <td>6</td> <td>1 January 2035 to 31 December 2037</td> <td>6.25</td> </tr> <tr> <td>(1st renewal term)</td> <td></td> <td></td> </tr> <tr> <td>7</td> <td>1 January 2038 to 31 December 2040</td> <td>6.50</td> </tr> <tr> <td>(2nd renewal term)</td> <td></td> <td></td> </tr> <tr> <td>Capitalisation rate (Reversionary)</td> <td></td> <td>6.00</td> </tr> </tbody> </table>	Term	Period	Rate (%)	Capitalisation rate (Term)		Expired	1	1 January 2020 to 31 December 2022	5.75	2	1 January 2023 to 31 December 2025	5.75	3	1 January 2026 to 31 December 2028	6.00	4	1 January 2029 to 31 December 2031	6.00	5	1 January 2032 to 31 December 2034	6.00	6	1 January 2035 to 31 December 2037	6.25	(1 st renewal term)			7	1 January 2038 to 31 December 2040	6.50	(2 nd renewal term)			Capitalisation rate (Reversionary)		6.00	<p>Fair and reasonable.</p> <p>The Valuer has adopted the net yield / capitalisation rate (term) at 5.75% to 6.50% and net yield / capitalisation rate (reversionary) at 6.00% after taking into consideration the following:-</p> <p>(i) yield / capitalisation rate analysis of office buildings based on the recent transactions within larger vicinity as follows:-</p> <table border="1" data-bbox="399 89 699 1131"> <thead> <tr> <th>Building</th> <th>UOA Corporate Tower</th> <th>The Pinnacle Sunway</th> <th>Menara Guoco</th> </tr> </thead> <tbody> <tr> <td>Location</td> <td>Bangsar South City, Kuala Lumpur</td> <td>Bandar Sunway, Subang Jaya, Selangor</td> <td>Bukit Damansara, Kuala Lumpur</td> </tr> <tr> <td>Tenure</td> <td>Leasehold 99 years expiring on 16 August 2106</td> <td>Leasehold 99 years expiring on 1 April 2097</td> <td>Freehold</td> </tr> <tr> <td>NLA (square feet)</td> <td>732,871</td> <td>576,864</td> <td>232,133</td> </tr> <tr> <td>Consideration (RM)</td> <td>700,000,000</td> <td>450,000,000</td> <td>242,100,000</td> </tr> <tr> <td>Gross rental (per annum) (RM)</td> <td>44,417,469</td> <td>36,410,452</td> <td>17,423,801</td> </tr> <tr> <td>Net property income (RM)</td> <td>34,939,483</td> <td>28,249,638</td> <td>13,523,967</td> </tr> <tr> <td>Date of announcement</td> <td>28 September 2020</td> <td>29 June 2020</td> <td>2 March 2020</td> </tr> <tr> <td>Net yield</td> <td>4.99%</td> <td>6.28%</td> <td>5.59%</td> </tr> </tbody> </table> <p>(Source: Valuation Report)</p> <p>(ii) relevant factors including existing term rental, location, building specification and building age of the Property.</p> <p>The adopted yield / capitalisation rate (term) of 5.75% is within the range of net yield / capitalisation rate of office buildings within Klang Valley above (4.99% to 6.28%) and is fair and reasonable. A higher yield / capitalisation rate is adopted for subsequent term and reversionary period, which we view as fair and reasonable to account for higher risk and uncertainty associated with future income, including relating to future growth in base rental and service charge.</p>	Building	UOA Corporate Tower	The Pinnacle Sunway	Menara Guoco	Location	Bangsar South City, Kuala Lumpur	Bandar Sunway, Subang Jaya, Selangor	Bukit Damansara, Kuala Lumpur	Tenure	Leasehold 99 years expiring on 16 August 2106	Leasehold 99 years expiring on 1 April 2097	Freehold	NLA (square feet)	732,871	576,864	232,133	Consideration (RM)	700,000,000	450,000,000	242,100,000	Gross rental (per annum) (RM)	44,417,469	36,410,452	17,423,801	Net property income (RM)	34,939,483	28,249,638	13,523,967	Date of announcement	28 September 2020	29 June 2020	2 March 2020	Net yield	4.99%	6.28%	5.59%
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Based on the income approach by investment method, the Valuer has derived a market value for Menara CelcomDigi of RM450.0 million as at the material date of valuation on 23 June 2023. Based on the reasons and justifications above, we view that the derived value for the Property using the income approach by investment method is fair and reasonable.

Summarised below are our commentaries in respect of the key bases and assumptions adopted in the valuation of Menara CelcomDigi by the Valuer using the comparison approach (please refer to the Valuation Certificate in Appendix III of the Circular for further information on Menara CelcomDigi and details of the valuation):-

	The Property (Menara CelcomDigi)	Comparable 1 (Menara Southpoint)	Comparable 2 (UOA Corporate Tower)	Comparable 3 (The Pinnacle Sunway)
Name and address	Menara CelcomDigi, No. 6, Persiaran Barat, Seksyen 52, PJ Sentral, 46200 Petaling Jaya, Selangor Darul Ehsan	Menara Southpoint, Mid Valley City, Medan Syed Putra Selatan, 59200 Kuala Lumpur	UOA Corporate Tower, Avenue 10, The Vertical, Bangsar South City, No. 8, Jalan Kerinci, 59200 Kuala Lumpur	The Pinnacle Sunway, Persiaran Lagoon, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan
Type of property	A 27-storey PBO building erected on 6 levels of podiums and 3 levels of basement car park	A stratified 27-storey office space and 2-storey retail space	A stratified 38-storey office building with a penthouse level	A 24-storey office building with 3-storey mezzanine floors and 6 levels of basement car park
Tenure	Leasehold 99 years, expiring on 10 November 2110 (Unexpired term of approximately 87.44 years)	Leasehold 99 years, expiring on 21 March 2120 (Unexpired term of approximately 98.84 years)	Leasehold 99 years, expiring on 16 August 2106 (Unexpired term of approximately 85.94 years)	Leasehold 99 years, expiring on 1 April 2097 (Unexpired term of approximately 76.81 years)
Age of building	Approximately 5 years	Approximately 3 years	Approximately 4 years	Approximately 6.5 years
NLA	450,000 square feet (as per Lease Agreement) 452,762 square feet (as per floor measurement survey plan)	515,501 square feet	732,871 square feet	576,864 square feet
Consideration	-	RM573,500,000	RM700,000,000	RM450,000,000
Number of car park bays	788	1,065	Not applicable ⁽¹⁾	855
Date of announcement on Bursa Securities	-	10 June 2021	28 September 2020	29 June 2020
Analysis value Adjustments	-	RM1,113 psf	RM955 psf	RM780 psf
Location - General	Petaling Jaya, Seksyen 52	Better location than the Property	Better location than the Property	The Property is situated at better location
Accessibility / Visibility	Good - Visible from Federal Highway	Comparable to the Property	The Property has better accessibility / visibility	The Property has better accessibility / visibility
Public transportation	Accessible to LRT Taman Jaya	Comparable to the Property	Comparable to the Property	The Property has better public transportation connectivity
Age / Condition of building Design / Finishes / Specifications	Approximately 5 years Good	Comparable to the Property Comparable to the Property	Comparable to the Property Comparable to the Property	Comparable to the Property The Property has better design / finishes / specifications
Size (NLA)	452,762 square feet (as per floor measurement survey plan)	Larger size than the Property	Larger size than the Property	Larger size than the Property
Strata title / Individual title Component	Held under individual title Office	Held under strata title This comparable consists of office and retail components	Held under strata title Comparable to the Property	Held under individual title Comparable to the Property
Tenure	Leasehold 99 years, expiring on 10 November 2110 (Unexpired term of approximately 87.44 years)	Longer unexpired term of lease than the Property	Comparable to the Property	Shorter unexpired term of lease than the Property
Car park sufficiency	Yes	Comparable to the Property	Comparable to the Property	Comparable to the Property
NLA to car park ratio	575 square feet	Comparable to the Property	Comparable 2 is transacted without car park	Comparable to the Property
Green building status	Yes	Comparable to the Property	Comparable 2 does not have green building status	Comparable to the Property
MSC status	No	Comparable 1 has MSC status	Comparable 2 has MSC status	Comparable 3 has MSC status
Total adjustments	-10.0%	-5.0%	-5.0%	-5.0%
Adjusted value	RM1,001 psf	RM1,218 psf	RM1,034 psf	RM1,034 psf

Note:-

(1) *The Comparable 2 sits on top of a 6-storey partial basement car park and 4-storey basement car park, but such car park did not form part of the transaction.*

From the above adjusted values, the derived values range from RM1,001 psf to RM1,218 psf. The Valuer has adopted Comparable 1 (Menara Southpoint) as the most appropriate comparable as it is the latest transaction and its similarity in terms of size (NLA). The Valuer has thus adopted a rounded sum of RM1,000 psf (*inclusive of car park*) and the market value of the Property is derived at RM450.0 million.

Based on the reasons and justifications above, we view that the derived value for the Property using the comparison approach is fair and reasonable.

Our commentaries:-

The market value of the Property derived from the income approach by investment method and comparison approach are as follows:-

Method of valuation	Market value
Income approach by investment method	RM450.0 million
Comparison approach	RM450.0 million

Taking into consideration the nature of Menara CelcomDigi being a commercial asset and an income generating property, the Valuer has adopted the market value derived from the income approach by investment method as a fair representation of the market value of the Property. The income approach by investment method is deemed more reflective as it will eliminate the uncertainty in terms of qualitative and quantitative adjustments made via comparison approach.

As the Purchase Consideration (RM450.0 million) is equivalent to the market value of the Property as appraised by the Valuer (RM450.0 million), we are of the view that the Purchase Consideration is fair and reasonable.

3.2.2 Issue price for the Placement Units

The issue price for the Placement Units shall be based on the price from the bookbuilding exercise for the Proposed Placement, where the bookbuilding price range for the Placement Units will be determined based on, amongst others, indicative demand and feedback from potential investors, precedent transactions and market price of the Units. In any event, the Placement Units will be issued at not more than 10% discount to the 5-day VWAP of the Units immediately prior to the price-fixing date to be announced at a later date.

Pursuant to MRCB's letter dated 25 July 2023, MRCB has given an undertaking to unconditionally subscribe for up to 34,568,734 Placement Units, being approximately 3.2% of total existing Units in issue as at the LPD, in order to maintain its unitholding in SENTRAL immediately prior to the Proposed Placement (*see Section 2.3, Part A of the Circular for further details*). Nonetheless, MRCB will not be influencing the bookbuilding exercise 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 for the Proposed Placement and announced on Bursa Securities.

In view of the above, we are of the view that the issue price for the Placement Units is fair and reasonable.

3.2.3 Advance Distribution

In addition, in order to ensure fairness to the existing Unitholders, the Board intends to declare the Advance Distribution in respect of the distributable income accrued during the Advance Distribution Period to the existing Unitholders. The Placement Units will not be entitled to the Advance Distribution.

3.3 Salient terms of the SPA and the Deeds of Novation

Our commentaries on the salient terms of the SPA as set out in Appendix I of the Circular are as follows:-

Salient terms of the SPA		Our commentaries															
<p>(1) Sale and purchase</p> <p>Puncak Wangi agrees to sell and the Trustee agrees to purchase the Property and the benefit and obligations in respect of the Lease, Existing Tenancies and the Car Park Operation Agreement for the Purchase Consideration free from all encumbrances (save and except for the 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, upon the terms and conditions of the SPA.</p>	<p>Fair and reasonable. This clause allows that subject to fulfillment of all conditions precedent to the SPA, the Trustee (<i>acting solely in the capacity as trustee for SENTRAL</i>) to purchase the Property free from encumbrances (<i>save and except for the Lease and Existing Tenancies</i>), together with all associated rights and obligations to Menara CelcomDigi as at the Completion Date.</p> <p>Upon completion of the Proposed Acquisition, SENTRAL will become the beneficial owner of the Property and shall be accorded all rights and obligations to the Property, subject to the Lease and Existing Tenancies as well as the conditions, category of use and restrictions of title of the Property.</p>																
<p>(2) Purchase Consideration</p> <p>Subject to the adjustment to the Purchase Consideration provided for in Section 3 of Appendix I of the Circular, the consideration payable for the sale and purchase of the Property shall be RM450.0 million.</p> <p>The Purchase Consideration shall be satisfied by the Trustee entirely in cash as follows:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Date of settlement</th> <th style="text-align: left;">Payment</th> <th style="text-align: left;">Note</th> <th style="text-align: right;">Consideration (RM)</th> </tr> </thead> <tbody> <tr> <td>Upon the execution of the SPA</td> <td>Deposit</td> <td>(a)</td> <td style="text-align: right;">9,000,000</td> </tr> <tr> <td>By the Completion Date or the Extended Completion Date, as the case may be</td> <td>Balance Purchase Consideration</td> <td>(b)</td> <td style="text-align: right;">441,000,000</td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td style="text-align: right;"><u>450,000,000</u></td> </tr> </tbody> </table>	Date of settlement	Payment	Note	Consideration (RM)	Upon the execution of the SPA	Deposit	(a)	9,000,000	By the Completion Date or the Extended Completion Date, as the case may be	Balance Purchase Consideration	(b)	441,000,000	Total			<u>450,000,000</u>	<p>Fair and reasonable. Please refer to Section 3.2.1 of this IAL for our evaluation on the Purchase Consideration.</p> <p>This clause sets out the manner of payment of the Purchase Consideration. Unlike other property sale and purchase transactions which require a deposit payment amounting to 10% of purchase consideration, the deposit payment in respect of the Proposed Acquisition is only 2% of the Purchase Consideration. This is deemed favourable to SENTRAL as it allows SENTRAL to reduce its costs of financing for upfront payment in respect of the Purchase Consideration. Further, the Deposit will be fully refundable by the Vendor to the Trustee in any event of termination of the SPA.</p> <p>The remaining balance of 98% of the Purchase Consideration will only be payable by the Trustee on the Completion Date or the Extended Completion Date, as the case may be, which is the date on which SENTRAL shall be accorded all rights and obligations attaching to the beneficial ownership of the Property in accordance with the SPA.</p>
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Total			<u>450,000,000</u>														

Salient terms of the SPA	Our commentaries						
<p><u>Notes:-</u></p> <p>(a) 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 Puncak Wangi.</p> <p>(b) The remaining balance of 98.0% of the Purchase Consideration, being RM441,000,000 ("Balance Purchase Consideration") shall be paid to Puncak Wangi by the Completion Date or the Extended Completion Date, as the case may be.</p>	<p>Please refer to our commentaries above.</p>						
<p>(3) Adjustment to the Purchase Consideration</p> <p>In the event that the 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").</p> <p>Instances where the market value of the Property can be varied / adjusted include, among others, changes in the NLA and rental rates of the Property which the Valuer had relied upon in carrying out its valuation.</p> <p>Notwithstanding the above and any other provision of the SPA:-</p> <p>(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;</p> <p>(ii) if the Purchase Consideration Adjustment shall amount to 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</p> <p>(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.</p>	<p>Fair and reasonable. This adjustment clause safeguards the interests of both the Trustee and the Vendor in the event of any variation / adjustment to the market value of Menara CelcomDigi pursuant to comments provided by any authorities as follows:-</p> <table border="1" data-bbox="593 215 1238 922"> <thead> <tr> <th data-bbox="600 640 644 922">Adjustment to market value of the Property</th> <th data-bbox="600 215 644 640">Remedies available</th> </tr> </thead> <tbody> <tr> <td data-bbox="651 640 938 922">Upward adjustment</td> <td data-bbox="651 215 938 640"> <p>The Purchase Consideration will be increased by the Purchase Consideration Adjustment.</p> <p>In the event that the upward adjustment pursuant to the Purchase Consideration Adjustment is $\geq 3\%$ of the Purchase Consideration, the Trustee shall be entitled to terminate the SPA without any recourse against the Trustee.</p> </td> </tr> <tr> <td data-bbox="944 640 1232 922">Downward adjustment</td> <td data-bbox="944 215 1232 640"> <p>The Purchase Consideration will be reduced by the Purchase Consideration Adjustment.</p> <p>In the event that the downward adjustment pursuant to the Purchase Consideration Adjustment is $\geq 3\%$ of the Purchase Consideration, the Vendor shall be entitled to terminate the SPA without any recourse against the Vendor.</p> </td> </tr> </tbody> </table>	Adjustment to market value of the Property	Remedies available	Upward adjustment	<p>The Purchase Consideration will be increased by the Purchase Consideration Adjustment.</p> <p>In the event that the upward adjustment pursuant to the Purchase Consideration Adjustment is $\geq 3\%$ of the Purchase Consideration, the Trustee shall be entitled to terminate the SPA without any recourse against the Trustee.</p>	Downward adjustment	<p>The Purchase Consideration will be reduced by the Purchase Consideration Adjustment.</p> <p>In the event that the downward adjustment pursuant to the Purchase Consideration Adjustment is $\geq 3\%$ of the Purchase Consideration, the Vendor shall be entitled to terminate the SPA without any recourse against the Vendor.</p>
Adjustment to market value of the Property	Remedies available						
Upward adjustment	<p>The Purchase Consideration will be increased by the Purchase Consideration Adjustment.</p> <p>In the event that the upward adjustment pursuant to the Purchase Consideration Adjustment is $\geq 3\%$ of the Purchase Consideration, the Trustee shall be entitled to terminate the SPA without any recourse against the Trustee.</p>						
Downward adjustment	<p>The Purchase Consideration will be reduced by the Purchase Consideration Adjustment.</p> <p>In the event that the downward adjustment pursuant to the Purchase Consideration Adjustment is $\geq 3\%$ of the Purchase Consideration, the Vendor shall be entitled to terminate the SPA without any recourse against the Vendor.</p>						

Salient terms of the SPA	Our commentaries
<p>(4) Conditions precedent</p> <p>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:-</p> <ul style="list-style-type: none"> (i) the Vendor obtaining, at its own cost and expense, the following:- <ul style="list-style-type: none"> (a) 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; (b) the written consent from the relevant state authority to transfer the Property from the Vendor to the Trustee; and (c) 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; (ii) the Trustee obtaining, at its own cost and expense, the following:- <ul style="list-style-type: none"> (a) the approval of the non-interested Unitholders for the Proposals; (b) the approval of Bursa Securities for the listing and quotation of the Placement Units on the Main Market of Bursa Securities; (c) 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; 	<p>Fair and reasonable. The conditions precedent represent necessary approvals / procedures to facilitate the completion of the Proposed Acquisition.</p> <p>The SPA will become unconditional on the date when all the conditions precedent are fulfilled (or waived in writing). As at 24 October 2023, the conditions precedent 4(i)(a), 4(i)(c), 4(ii)(b) and 4(iii) have been fulfilled.</p> <p>If any of the conditions precedent are not fulfilled, satisfied or waived within 6 months from the date of the SPA or such longer period as may be mutually agreed, then either party shall be entitled to terminate the SPA. Thereafter, the Vendor shall refund the Deposit to the Trustee, and the SPA shall lapse and none of the parties shall have any claim against the other party save for antecedent breach.</p>

Salient terms of the SPA	Our commentaries
<p>(d) written confirmation issued by the Trustee that it has received sufficient proceeds from the Proposed Placement; and</p> <p>(e) 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:-</p> <p>(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</p> <p>(bb) written confirmation by the Trustee to accept the extension period for the rectification of the non-satisfactory findings; and</p> <p>(iii) 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.</p>	<p>Please refer to our commentaries above.</p>
<p>(5) Completion</p> <p>(i) Completion of sale and purchase</p> <p>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.</p>	<p>Fair and reasonable. SENTRAL shall be accorded all rights and obligations attaching to the beneficial ownership of the Property in accordance with the SPA upon payment of the full Purchase Consideration to the Vendor.</p>

Salient terms of the SPA	Our commentaries
<p>(ii) Novation of Lease, Existing Tenancies and other agreements in respect of the Property</p> <p>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 Lease, 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 Lease, Existing Tenancies or other agreements).</p> <p>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 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 Lease or Existing Tenancies or otherwise howsoever after Completion.</p>	<p>Fair and reasonable. The novation or assignment of the Lease, Existing Tenancies and other agreements in respect of Menara CelcomDigi serves to ensure smooth transition of the rights and obligations of Puncak Wangi under these agreements to SENTRAL as the beneficial owner of the Property upon completion of the Proposed Acquisition.</p>
<p>(6) Transfer of title</p> <p>(i) Upon execution of the SPA, the Vendor shall:-</p> <p>(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</p>	<p>Fair and reasonable. This clause sets out provisions in relation to registration of the Transfer in favour of the Trustee as the legal owner of the Property. In the event the Transfer cannot be registered and the matter giving rise to the non-registration cannot be rectified within agreed timeframe, the Trustee may terminate the SPA. Thereafter, the Vendor shall refund all the monies paid under the SPA to the Trustee or the Trustee's financier, as the case may be.</p>

Salient terms of the SPA	Our commentaries
<p>(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:-</p> <p>(aa) 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;</p> <p>(bb) 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 Consideration and the Trustee's financing has been received by the Vendor (as the case may be); or</p> <p>(cc) 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 the SPA.</p> <p>(ii) 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").</p>	<p>Please refer to our commentaries above.</p>

Salient terms of the SPA	Our commentaries
<p>(iii) 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.</p> <p>(iv) 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").</p> <p>(v) 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.</p>	<p>Please refer to our commentaries above.</p>

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Salient terms of the SPA	Our commentaries														
<p>(7) Termination</p> <p>(i) Default by Vendor</p> <p>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):-</p> <p>(a) to require specific performance of the SPA; or</p> <p>(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:</p> <p>(aa) 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);</p>	<p>Fair and reasonable. This clause is a normal commercial term which governs the rights of the non-defaulting party. In an event of default which is not remedied, the non-defaulting party shall be entitled to the following rights and remedies:-</p> <table border="1" data-bbox="343 224 810 929"> <thead> <tr> <th data-bbox="347 470 422 929" rowspan="2">In an event of default by</th> <th colspan="2" data-bbox="347 224 422 470">Defaulting party</th> </tr> <tr> <th data-bbox="367 224 422 336">Puncak Wangi</th> <th data-bbox="367 336 422 470">Trustee</th> </tr> </thead> <tbody> <tr> <td data-bbox="427 470 510 929">Rights and remedies available to</td> <td colspan="2" data-bbox="427 224 510 470">Non-defaulting party</td> </tr> <tr> <td data-bbox="515 470 614 929">(i) Remedy of specific performance of the SPA; or</td> <td data-bbox="515 224 614 336">Trustee</td> <td data-bbox="515 336 614 470">Puncak Wangi</td> </tr> <tr> <td data-bbox="619 470 805 929">(ii) Termination of the SPA whereby Puncak Wangi shall refund the Deposit and all the monies paid by the Trustee under the SPA in exchange for Puncak Wangi's rights and obligations to the Property remaining intact</td> <td data-bbox="619 224 805 336">✓</td> <td data-bbox="619 336 805 470">✓</td> </tr> </tbody> </table>	In an event of default by	Defaulting party		Puncak Wangi	Trustee	Rights and remedies available to	Non-defaulting party		(i) Remedy of specific performance of the SPA; or	Trustee	Puncak Wangi	(ii) Termination of the SPA whereby Puncak Wangi shall refund the Deposit and all the monies paid by the Trustee under the SPA in exchange for Puncak Wangi's rights and obligations to the Property remaining intact	✓	✓
In an event of default by	Defaulting party														
	Puncak Wangi	Trustee													
Rights and remedies available to	Non-defaulting party														
(i) Remedy of specific performance of the SPA; or	Trustee	Puncak Wangi													
(ii) Termination of the SPA whereby Puncak Wangi shall refund the Deposit and all the monies paid by the Trustee under the SPA in exchange for Puncak Wangi's rights and obligations to the Property remaining intact	✓	✓													

Salient terms of the SPA	Our commentaries
<p>(bb) redeliver legal possession for those parts of the Property which have been rented under the Lease Agreement and 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 Lease Agreement and Existing Tenancies in its original state and condition to the Vendor (if legal and/or vacant possession has been delivered earlier to the Trustee);</p> <p>(cc) 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;</p> <p>(dd) execute and deliver to the Vendor the original deed(s) of novation or re-assignment, as the case may be, in respect of the Lease and the Existing Tenancies for the novation and transfer of all the rights, benefits, interest and obligations of the Vendor in the 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</p> <p>(ee) 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.</p>	<p>Please refer to our commentaries above.</p>

Salient terms of the SPA	Our commentaries
<p>(ii) Default by the Trustee</p> <p>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's 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):-</p> <ul style="list-style-type: none"> (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:- <ul style="list-style-type: none"> (aa) 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); 	<p>Please refer to our commentaries above.</p>

Salient terms of the SPA	Our commentaries
<p>(bb) redeliver legal possession for those parts of the Property which have been rented under the Lease Agreement and Existing Tenancies and vacant possession of the said Property for those parts of the Property which have not been rented under the Lease Agreement and Existing Tenancies in its original state and condition to the Vendor (if legal and/or vacant possession has been delivered earlier to the Trustee);</p> <p>(cc) 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;</p> <p>(dd) execute and deliver to the Vendor the original deed(s) of novation or re-assignment, as the case may be, in respect of the Lease and the Existing Tenancies for the novation and transfer of all the rights, benefits, interest and obligations of the Vendor in the Lease and the Existing Tenancies, warranties, guaranties, 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;</p> <p>(ee) 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</p> <p>(ff) pay the stamp duty in respect of all such novation and re-assignments.</p>	<p>Please refer to our commentaries above.</p>

Our commentaries on the salient terms of the Deeds of Novation as set out in Appendix II of the Circular are as follows:-

Salient terms of the Deeds of Novation	Our commentaries
<p>(1) In consideration of the mutual covenants and undertakings contained in the Deed of Novation, with effect from the date stipulated in the notice in writing to be provided by the Vendor to Celcom, Edotco Malaysia and Semasa Parking respectively, which shall be the date of completion of the SPA in accordance with the terms contained therein (hereinafter referred to as the "Effective Date"), all rights, title, interests, benefits, obligations, and/or liabilities of the Vendor in, to and under the Property Agreements shall be novated, assigned and transferred to the Trustee and the Vendor shall be substituted by the Trustee as a party to the Property Agreements and that the Property Agreements shall henceforth be construed and treated in all respects as if the Trustee was named as a party to the Property Agreements instead of the Vendor. For the avoidance of doubt, the Vendor shall notify Celcom, Edotco Malaysia and Semasa Parking respectively in writing of the Effective Date (with a copy given to the Trustee).</p> <p>(2) The Trustee hereby undertakes and covenants with the Vendor and Celcom, Edotco Malaysia and Semasa Parking respectively to take over and observe, perform and carry out, in place of the Vendor, all the agreements, covenants, stipulations, terms and conditions on the part of the Vendor contained in the Property Agreements from the Effective Date.</p> <p>(3) Celcom, Edotco Malaysia and Semasa Parking respectively undertakes that, on and from the Effective Date, it shall discharge the Vendor from all claims, liabilities and demands whatsoever under or in connection with the Property Agreements and further performance of its obligations under or by virtue of the Property Agreements in all respects.</p> <p>(4) Celcom, Edotco Malaysia and Semasa Parking hereby respectively agree to the novation and transfer of all the rights, title, interests, benefits, obligations, and/or liabilities of the Vendor in, to and under or in connection with the Property Agreements to the Trustee subject to the terms and conditions contained in the respective Deeds of Novation and Celcom, Edotco Malaysia and Semasa Parking further agree to be bound by the terms and conditions of the Property Agreements in every way as if the Trustee was the original party appointed under the Property Agreements in place of the Vendor.</p> <p>(5) The Deeds of Novation shall be construed as one with the respective Property Agreements. Except to the extent it is expressly novated and amended by the terms of the Deed of Novation, the Property Agreements and all other instruments and agreements executed thereunder or pursuant thereto shall remain in full force and effect.</p>	<p>Fair and reasonable. These clauses in the Deeds of Novation serve to ensure smooth transition of the rights and obligations of Puncak Wangi under the Property Agreements to SENTRAL as the beneficial owner of the Property upon completion of the Proposed Acquisition.</p>

Based on the above, we are of the view that the salient terms of the SPA and the Deeds of Novation are fair and reasonable and are not detrimental to the interests of the non-interested Unitholders.

3.4 Effects of the Proposals

We noted the pro forma effects of the Proposals from Section 6, Part A of the Circular, which are illustrated based on the following parameters:-

Number of Placement Units to be issued : 123,720,000 Placement Units

Illustrative issue price for the Placement Units : RM0.75

Gross proceeds to be raised from the Proposed Placement : RM92,790,000

Borrowings to be obtained : RM362,000,000

Total funds to be raised to fund the Proposals and expenses relating to the Proposals : RM454,790,000

3.4.1 Unitholders' capital

The pro forma effects of the Proposals on the Unitholders' capital are as follows:-

	No. of Units ('000)	Amount (RM'000)
As at the LPD	1,071,783	1,235,877
To be issued pursuant to the Proposed Placement	123,720	92,790
Expenses relating to the Proposed Placement	-	(2,000)
Enlarged Unitholders' capital	1,195,503	1,326,667

The Unitholders' capital of SENTRAL will increase by approximately RM90.8 million (*after offsetting expenses relating to the Proposed Placement*) due to the issuance of 123,720,000 Placement Units at an illustrative issue price of RM0.75 each.

3.4.2 Substantial Unitholders' unitholdings

The pro forma effects of the Proposals on the substantial Unitholders' unitholdings in SENTRAL are as follows:-

	As at the LPD ⁽¹⁾				After the Proposed Placement ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	'000	%	'000	%	'000	%	'000	%
MRCB	299,468	27.9	-	-	334,037	27.9	-	-
EPF	128,626	12.0	299,468 ⁽³⁾	27.9	128,626	10.8	334,037 ⁽³⁾	27.9
CapitaLand Integrated Commercial Trust	117,040	10.9	-	-	117,040	9.8	-	-
Quill Land Sdn Bhd	59,040	5.5	-	-	59,040	4.9	-	-

Notes:-

(1) Based on 1,071,783,000 Units.

(2) Based on 1,195,503,000 Units.

(3) Deemed interest by virtue of its interest in MRCB pursuant to Section 4 of the CMSA.

Pursuant to MRCB's letter dated 25 July 2023, MRCB has given an undertaking to unconditionally subscribe for up to 34,568,734 Placement Units, being approximately 3.2% of total existing Units in issue as at the LPD, in order to maintain its unitholding in SENTRAL immediately prior to the Proposed Placement (see Section 2.3, Part A of the Circular for further details). Accordingly, MRCB's unitholding in SENTRAL is expected to remain unchanged at approximately 27.9% after the Proposed Placement.

The unitholdings of other existing Unitholders will however be proportionately diluted by the issuance of the Placement Units pursuant to the Proposed Placement. Notwithstanding that the issuance of the Placement Units may have an immediate dilutive impact on the Unitholders' unitholdings, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of SENTRAL.

3.4.3 Earnings, EPU and DPU

As illustrated in Section 6.3, Part A of the Circular, assuming that the Proposals were completed on 1 January 2022 (being the beginning of the FYE 31 December 2022), the pro forma realised net income will increase from RM73.6 million to RM82.4 million.

On per Unit basis, the EPU (realised) after manager's fees (i.e. distributable income per Unit) before and after the Proposals remains relatively unchanged at approximately 6.9 sen per Unit.

Based on the pro forma effects as set out in Section 6.3, Part A of the Circular, we have further analysed the pro forma effects of the Proposals on the DPU of SENTRAL based on few distribution payout ratios as follows:-

	Audited FYE 31 December 2022	Scenario 1: Assuming a 90.00% distribution payout ratio	Scenario 2: Assuming a 99.28% distribution payout ratio	Scenario 3: Assuming a 100.00% distribution payout ratio
Pro forma realised net income (RM'000)	73,625	82,390	82,390	82,390
Total distributions (RM'000)	73,096	74,151	81,797	82,390
Units in issue ('000)	1,071,783	1,195,503	1,195,503	1,195,503
DPU (sen)	6.82	6.20	6.84	6.89

Based on the distribution payout ratio of between 90.00% and 100.00%, the pro forma DPU of SENTRAL will range between 6.20 sen and 6.89 sen. The pro forma DPU of SENTRAL will remain relatively unchanged at 6.82 sen at a distribution payout ratio of 99.00%. Hence, as long as the distribution payout ratio is higher than 99.00% (FYE 31 December 2022: 99.28%), the pro forma DPU of SENTRAL after the Proposals will be higher than the DPU of 6.82 sen for the FYE 31 December 2022.

The non-interested Unitholders should note that the computation of pro forma effects of the Proposals on the earnings and distributions of SENTRAL is based on, amongst others, the following:-

- (i) the historical NPI of the Property for the FYE 31 December 2022, which does not take into account positive rental reversions for subsequent terms of the Lease with Celcom;
- (ii) all 123,720,000 Placement Units will be issued at an illustrative issue price of RM0.75 per Unit; and

- (iii) estimated cost of financing of approximately RM15.9 million in respect of RM362.0 million borrowings to be obtained.

The potential effects of the Proposals on SENTRAL's earnings, EPU and DPU will depend on, amongst others, the eventual NPI contribution of the Property to SENTRAL for the relevant period, actual number and issue price of Placement Units to be issued as well as cost of financing for the borrowings.

The Manager expects the DPU to increase moving forward taking into consideration:-

- (i) the pre-agreed rental reversions under the Lease with Celcom; and
- (ii) SENTRAL's proactive asset management strategies to improve the NPI of its current portfolio and the Property through periodic asset enhancement to improve the facilities as well as physical quality and built of the properties to meet market demand and prudent management of property expenses.

Further, in the event the proceeds from the Proposed Placement are higher than as illustrated, the Manager may reduce the amount of borrowings required. This will result in lower cost of financing and enhance the contribution of the Property to SENTRAL.

3.4.4 NAV per Unit and gearing

As set out in Section 6.4, Part A of the Circular, the pro forma effects of the Proposals on the NAV per Unit and gearing of SENTRAL based on the audited statement of financial position of SENTRAL as at 31 December 2022 are as follows:-

	Audited as at 31 December 2022	After the Proposals
NAV (RM'000)	1,291,042	1,381,832
Number of Units in issue ('000)	1,071,783	1,195,503
NAV per Unit (RM)		
- Before income distribution	1.20	1.16
- After income distribution	1.17	1.13
Total borrowings (RM'000)	804,494	1,165,054
Total asset value (RM'000)	2,146,717	2,598,067
Gearing (%)	37.48	44.84

The NAV of SENTRAL will increase by a net amount of approximately RM90.8 million, attributable to the issuance of 123,720,000 Placement Units at an illustrative issue price of RM0.75 each to raise funds for the Purchase Consideration offset by the expenses relating to the Proposed Placement of approximately RM2.0 million. Arising from the issuance of Placement Units at a discount to NAV per Unit (*after income distribution*) of RM1.17 each and recognition of the said expenses, the NAV per Unit (*after income distribution*) will decrease slightly from RM1.17 as at 31 December 2022 to RM1.13.

The borrowings to be obtained of RM362.0 million will result in the gearing of SENTRAL increasing from 37.48% as at 31 December 2022 to 44.84% after the Proposals. For information purposes, the increased gearing is still within the threshold as prescribed or permitted under Paragraph 8.32 of the Listed REITs Guidelines i.e. the total borrowings of SENTRAL must not exceed 50% of its total asset value at the time the borrowings are incurred.

Notwithstanding the marginal decrease in NAV per Unit and the increase in gearing of SENTRAL, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of SENTRAL, supported by amongst others the strategic location of Menara CelcomDigi and pre-agreed rental reversions under the Lease with Celcom. In addition, taking into consideration the prospects of Menara CelcomDigi as set out in Section 3.5 of this IAL, any future appreciation in the market value of the Property will enhance the NAV and NAV per Unit and lower the gearing of SENTRAL.

3.4.5 Convertible securities

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

Based on our evaluation above, the overall effects of the Proposed Acquisition are not detrimental to the interests of the non-interested Unitholders.

3.5 Prospects of the Property and SENTRAL

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 NAV per Unit.

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 improvements to the property portfolio mix through acquisition or divestment of one or more of the commercial properties with the objective of maximising total returns to Unitholders.

The Proposed Acquisition is in line with the investment objective of SENTRAL and Menara CelcomDigi is expected to be an attractive addition to SENTRAL's portfolio of investment properties in view of the following:-

- Menara CelcomDigi's strategic location in a prime commercial hub within Petaling Jaya New Town (*which comprises mainly office buildings, hotels, government offices, shopping mall, shop / offices and hypermarket*);
- the Property's ease of accessibility and good connectivity to the capital city of Kuala Lumpur through LRT Kelana Jaya Line from the nearby Taman Jaya LRT station and the Federal Highway;
- the Property is certified as a LEED Gold 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. The acquisition of the Property is thus in line with SENTRAL's environmental target of reducing energy usage and carbon emission intensity levels; and
- the long-term lease with Celcom pursuant to the Lease Agreement will provide income stability and resilience to SENTRAL over the next decade, taking into consideration that Celcom is a leading telecommunications provider in Malaysia with strong financial performance and robust financial position.

Despite the reopening of all economic sectors amidst recovery from coronavirus disease 2019 (“**Covid-19**”) pandemic, the operating environment for the Klang Valley office segment is expected to remain challenging as it continues to be pressured by the change in working arrangements and the oversupply conditions in selected areas in Klang Valley.

While there is an increasing trend of corporations in Malaysia practising remote / flexible work arrangements, the Manager believes that 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. Competition will however remain intense in the midst of a prolonged oversupply condition, particularly competition from newer buildings offering competitive rental rates.

In response to mitigating the challenges, SENTRAL will manage its operations efficiently underpinned by its 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. SENTRAL’s prudent acquisition strategy focuses on good quality commercial / office properties with strong recurring rental income and potential for revenue and capital growth.

In view of the above, whilst the demand and rental rate for office space may continue to be subdued due to oversupply condition, we view the long-term prospects of the Property to be favourable and hence, the Proposed Acquisition is expected to contribute positively to the future earnings and distributions of SENTRAL.

In view of the above, we view the long-term prospects of the Property and SENTRAL to be favourable.

3.6 Risk factors in relation to the Proposed Acquisition

In considering the Proposed Acquisition, the non-interested Unitholders are advised to give careful consideration to the risk factors as set out in Section 5, Part A of the Circular.

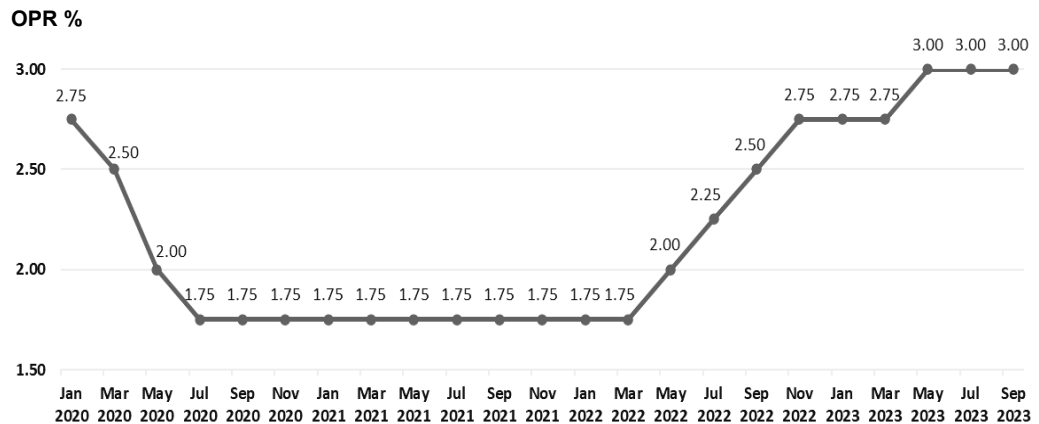
We wish to highlight some of the risk factors in relation to the Proposed Acquisition to the non-interested Unitholders as follows:-

- (i) financing risk – There can be no assurance that the necessary financing will be available in amounts and/or on terms acceptable to SENTRAL to fund the Purchase Consideration. As the Proposed Acquisition is intended to be funded mainly via borrowings, this will result in new interest and principal servicing obligations for SENTRAL. As set out in Section 6.4, Part A of the Circular, the borrowings to be obtained of RM362.0 million will increase the pro forma total borrowings of SENTRAL from RM804.5 million (gearing 37.48%) as at 31 December 2022 to RM1,165.1 million (gearing 44.84%) after the Proposals.

As set out in Section 6.3, Part A of the Circular, SENTRAL is expected to incur an annual interest cost of RM15.6 million on the borrowings to be obtained of RM362.0 million, translating to an interest rate of 4.3% per annum. We view the interest rate of 4.3% per annum as reasonable taking into consideration the average interest rate of SENTRAL’s existing borrowings of 4.4% per annum.

Notwithstanding the above, as the interest rate for the borrowings to be obtained to partly fund the Proposed Acquisition will be based on a floating interest rate, SENTRAL will be exposed to interest rate fluctuations. Higher cost of financing arising from any future increase in interest rates, will affect the stability of SENTRAL’s cash flows and certainty of income contribution, and consequently, distributions to the Unitholders.

Amid the rising global inflationary pressures, Bank Negara Malaysia has recently increased the overnight policy rate (“OPR”) by 25 basis points to 3.00% on 3 May 2023. Below sets out the OPR since January 2020 (before Covid-19) until September 2023:-



For illustrative purposes only, assuming that the Proposed Acquisition is partly funded via floating rate debt facilities, a change of 25 basis points in interest rate will result in the following pre-tax increase / (decrease) in annual cost of financing:-

	Increase of 25 basis points (RM)	Decrease of 25 basis points (RM)
Increase / (Decrease) in annual cost of financing		
• Borrowings of RM362,000,000	905,000	(905,000)

In mitigating financing risk, SENTRAL will actively review its debt portfolio composition 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.

- (ii) concentration risk – As Celcom is the primary tenant of Menara CelcomDigi, this will give rise to a substantial concentration risk and SENTRAL could be exposed to risk of default / delay on rental payments in the future.

However, the concentration risk is mitigated as the Lease Agreement entered into with Celcom guarantees stable rental income over the next decade. 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.

The risk of default / delay on rental payments by Celcom is assessed to be low likelihood in view that Celcom is a leading telecommunications provider in Malaysia with strong financial performance and robust financial position. Based on the audited consolidated financial statements of Celcom for the FYE 31 December 2022, Celcom has recorded a profit attributable to its owner of approximately RM1,278.1 million and its net assets attributable to its owner stood at approximately RM445.5 million.

- (iii) non-registration of the transfer of title for the Property – We take note that the Trustee has taken necessary actions to ensure the instruments of transfer are in a registrable form. However, there may be potential delays and uncertainties in the process of registering the Trustee as the new registered owner of the Property. This process is dependent on the Selangor Land Office and not within the Trustee's control.

In the event the transfer of the Property cannot be registered and the matter giving rise to the non-registration cannot be rectified within agreed timeframe, the Trustee may terminate the SPA. Thereafter, the Vendor shall refund all the monies paid under the SPA to the Trustee or the Trustee's financier, as the case may be.

In view that SENTRAL's current portfolio mainly consists of commercial properties situated in Klang Valley, the proposed addition of the Property to SENTRAL's portfolio will not significantly change the business risk profile of SENTRAL upon completion of the Proposed Acquisition.

4. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition, taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposed Acquisition based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted in the letter to the Unitholders in relation to the Proposals as set out in Part A of the Circular together with the accompanying appendices before voting on the ordinary resolution to give effect to the Proposed Acquisition at the forthcoming Unitholders' Meeting.

Premised on our evaluation of the Proposed Acquisition in Section 3 of this IAL, we are of the view that, on the basis of the information available to us, the Proposed Acquisition is **fair and reasonable** and is **not detrimental** to the interests of the non-interested Unitholders.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

Yours faithfully,
For and on behalf of
INTER-PACIFIC SECURITIES SDN BHD

PUA KIN JOH
Deputy Head
Corporate Finance

FOO CHUN KEONG
Senior Vice President
Corporate Finance