

SENTRAL REIT
(FORMERLY KNOWN AS MRCB-QUILL REIT)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTERS | |
|-------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Current Year | Preceding Year | Current Year | Preceding Year |
| | Quarter | Quarter | To Date | To Date |
| | 30.6.2021 | 30.6.2020 | 30.6.2021 | 30.6.2020 |
| | RM | RM | RM | RM |
| Total income | | | | |
| Gross revenue | | | | |
| -Realised gross revenue | 38,195,535 | 40,108,348 | 79,239,024 | 81,820,016 |
| -Unrealised rental income (unbilled lease income receivable) (a) | (571,810) | 518,019 | (591,832) | 1,023,559 |
| | <u>37,623,725</u> | <u>40,626,367</u> | <u>78,647,192</u> | <u>82,843,575</u> |
| Property operating expenses | (8,583,145) | (9,142,431) | (18,197,899) | (18,563,489) |
| Net property income | <u>29,040,580</u> | <u>31,483,936</u> | <u>60,449,293</u> | <u>64,280,086</u> |
| Interest income | 489,835 | 543,446 | 974,805 | 1,123,087 |
| Change in fair value of investment properties | | | | |
| -Unbilled lease income receivable (a) | 571,810 | (518,019) | 591,832 | (1,023,559) |
| Gain on divestment of investment property | 3,754,026 | - | 3,754,026 | - |
| | <u>33,856,251</u> | <u>31,509,363</u> | <u>65,769,956</u> | <u>64,379,614</u> |
| Total expenditure | | | | |
| Manager's fees | (3,127,436) | (3,169,705) | (6,303,641) | (6,365,935) |
| Trustee's fee | (166,320) | (164,210) | (333,265) | (330,217) |
| Finance costs | (7,751,996) | (8,913,730) | (15,439,848) | (18,462,423) |
| Valuation fees | (87,863) | (93,873) | (175,946) | (187,747) |
| Auditors' remuneration | (31,024) | (36,792) | (68,578) | (73,584) |
| Tax agent's fee | (6,609) | (6,408) | (13,218) | (12,816) |
| Administrative expenses | (41,548) | (43,710) | (97,173) | (80,612) |
| | <u>(11,212,796)</u> | <u>(12,428,428)</u> | <u>(22,431,669)</u> | <u>(25,513,334)</u> |
| Income before taxation | 22,643,455 | 19,080,935 | 43,338,287 | 38,866,280 |
| Income tax expense | - | - | - | - |
| Income net of taxation | 22,643,455 | 19,080,935 | 43,338,287 | 38,866,280 |
| Other comprehensive income | | | | |
| Loss on remeasurement of financial derivatives | - | - | - | (1,865) |
| Adjustment of remeasurement of matured derivatives | - | - | - | 326,103 |
| Total comprehensive income for the financial year | 22,643,455 | 19,080,935 | 43,338,287 | 39,190,518 |
| Income net of taxation for the year is made up as follows: | | | | |
| Realised | 22,643,455 | 19,080,935 | 43,338,287 | 38,866,280 |
| Unrealised | - | - | - | - |
| EARNINGS PER UNIT (b) | | | | |
| - after manager's fees (sen) | 2.11 | 1.78 | 4.04 | 3.63 |
| - before manager's fees (sen) | 2.40 | 2.08 | 4.63 | 4.22 |
| EARNINGS PER UNIT (REALISED) (c) | | | | |
| - after manager's fees (sen) | 2.11 | 1.78 | 4.04 | 3.63 |
| - before manager's fees (sen) | 2.40 | 2.08 | 4.63 | 4.22 |
| INCOME DISTRIBUTION (d) | | | | |
| Interim income distribution | <u>36,762,157</u> | <u>36,762,157</u> | <u>36,762,157</u> | <u>36,762,157</u> |
| | <u>36,762,157</u> | <u>36,762,157</u> | <u>36,762,157</u> | <u>36,762,157</u> |
| Income distribution per unit | | | | |
| Gross (sen) | | | | |
| -Interim income distribution | <u>3.43</u> | <u>3.43</u> | <u>3.43</u> | <u>3.43</u> |
| Total income distribution | <u>3.43</u> | <u>3.43</u> | <u>3.43</u> | <u>3.43</u> |

| | | | | |
|--------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Realised Net Income/ Distributable Income | 22,643,455 | 19,080,935 | 43,338,287 | 38,866,280 |
| DISTRIBUTABLE INCOME PER UNIT (e) | 2.11 | 1.78 | 4.04 | 3.63 |

- (a) Recognition of unrealised rental income-unbilled lease income receivable pursuant to requirements of MFRS 16 Leases, to recognize income from operating lease on a straight-line basis, including contractual increase rates over the fixed tenure of the agreement.
- (b) Earnings Per Unit for the current quarter/ period is computed based on the Net Income for the quarter/ period divided by 1,071,783,000 units during the quarter/ period. EPU for the preceding year corresponding quarter/ period is based on the units in circulation of 1,071,783,000.
- (c) Earnings Per Unit (Realised) for the current quarter/ period is computed based on the Realised Net Income for the quarter/ period divided by 1,071,783,000 units during the quarter/ period. EPU (Realised) for the preceding year corresponding quarter/ period is based on the units in circulation of 1,071,783,000.
- (d) Income distribution of 3.43 sen per unit being the distributable of income for the financial period 1 January 2021 to 30 June 2021 will be payable on 20 September 2021 to all unitholders as at book closure date on 23 August 2021. Please refer to Note B17 for further details of the distribution.
- (e) Distributable income per unit for the current quarter/ period is computed based on the units in circulation of 1,071,783,000. Distributable income per unit for the preceding year corresponding quarter/ period is based on the units in circulation of 1,071,783,000.

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the financial statements.

**SENTRAL REIT
(FORMERLY KNOWN AS MRCB-QUILL REIT)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (UNAUDITED)**

| | AS AT END OF CURRENT QUARTER 30.06.2021 UNAUDITED RM | AS AT PRECEDING FINANCIAL YEAR END 31.12.2020 AUDITED RM |
|------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| NON-CURRENT ASSETS | | |
| Plant and equipment | 177,986 | 268,636 |
| Investment properties | 2,081,982,948 | 2,080,850,585 |
| Investment properties-accrued rental income | 15,557,583 | 16,149,415 |
| Lease receivables | 187,917 | 332,703 |
| | <u>2,097,906,434</u> | <u>2,097,601,339</u> |
| CURRENT ASSETS | | |
| Trade and other receivables | 715,771 | 4,659,879 |
| Lease receivables | 286,064 | 440,508 |
| Deposits with licensed financial institution | 125,611,577 | 81,338,555 |
| Cash and cash equivalents | 2,027,098 | 3,622,207 |
| | <u>128,640,510</u> | <u>90,061,149</u> |
| Asset held for sale | - | 40,000,000 |
| | <u>128,640,510</u> | <u>130,061,149</u> |
| TOTAL ASSETS | <u>2,226,546,944</u> | <u>2,227,662,488</u> |
| NON-CURRENT LIABILITIES | | |
| Borrowings | 457,471,927 | 627,139,697 |
| Security deposits | 13,568,315 | 13,576,426 |
| Other payables | 1,585,426 | 1,585,426 |
| Deferred tax liability | 13,583,375 | 13,583,375 |
| | <u>486,209,043</u> | <u>655,884,924</u> |
| CURRENT LIABILITIES | | |
| Trade and other payables | 14,005,211 | 19,102,327 |
| Borrowings | 387,664,728 | 217,836,968 |
| Security deposits | 10,948,001 | 11,336,515 |
| | <u>412,617,940</u> | <u>248,275,810</u> |
| TOTAL LIABILITIES | <u>898,826,983</u> | <u>904,160,734</u> |
| NET ASSETS VALUE ("NAV") | <u>1,327,719,961</u> | <u>1,323,501,754</u> |
| UNITHOLDERS' FUNDS | | |
| Unitholders' funds attributable to unitholders of SENTRAL | | |
| Unitholders' capital | 1,235,876,768 | 1,235,876,768 |
| Undistributed and non-distributable income | 91,843,193 | 87,624,986 |
| Total unitholders' funds | <u>1,327,719,961</u> | <u>1,323,501,754</u> |
| NUMBER OF UNITS IN CIRCULATION | 1,071,783,000 | 1,071,783,000 |
| NET ASSET VALUE PER UNIT | | |
| - before income distribution (i) | 1.2388 | 1.2349 |
| - after income distribution (ii) | 1.2045 | 1.1984 |

(i) Net Asset Value per unit before the proposed interim distribution of 3.43 sen per unit.

(ii) Net Asset Value per unit after the proposed interim distribution of 3.43 sen per unit.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the financial statements.

SENTRAL REIT
(FORMERLY KNOWN AS MRCB-QUILL REIT)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

| | Unitholders' Capital | Distributable | | Non-Distributable | Total Undistributed and Non-Distributable Income | Unitholders' Funds |
|-----------------------------------------------------|-------------------------|-------------------------------------|---------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------|-----------------------|
| | | Undistributed Income Realised | Undistributed Income Unrealised | Net Fair Value (Loss)/ Gain On Derivatives Unrealised | | |
| | RM | RM | RM | RM | RM | RM |
| As at 1 January 2021 | 1,235,876,768 | 57,078,942 | 30,546,044 | - | 87,624,986 | 1,323,501,754 |
| Total Comprehensive Income for the financial period | - | 43,338,287 | - | - | 43,338,287 | 43,338,287 |
| | 1,235,876,768 | 100,417,229 | 30,546,044 | - | 130,963,273 | 1,366,840,041 |
| Unitholders' transactions: | | | | | | |
| Distribution to unitholders | - | (39,120,080) | - | - | (39,120,080) | (39,120,080) |
| As at 30 June 2021 | <u>1,235,876,768</u> | <u>61,297,149</u> | <u>30,546,044</u> | <u>-</u> | <u>91,843,193</u> | <u>1,327,719,961</u> |
| As at 1 January 2020 | 1,235,876,768 | 49,005,245 | 38,931,643 | (324,238) | 87,612,650 | 1,323,489,418 |
| Total Comprehensive Income for the financial period | - | 38,866,280 | - | (1,865) | 38,864,415 | 38,864,415 |
| Adjustment of remeasurement of matured derivatives | - | - | - | 326,103 | 326,103 | 326,103 |
| | 1,235,876,768 | 87,871,525 | 38,931,643 | - | 126,803,168 | 1,362,679,936 |
| Unitholders' transactions: | | | | | | |
| Distribution to unitholders | - | (36,119,087) | - | - | (36,119,087) | (36,119,087) |
| As at 30 June 2020 | <u>1,235,876,768</u> | <u>51,752,438</u> | <u>38,931,643</u> | <u>-</u> | <u>90,684,081</u> | <u>1,326,560,849</u> |

The Condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the financial statements.

**SENTRAL REIT
(FORMERLY KNOWN AS MRCB-QUILL REIT)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED)**

| | CURRENT YEAR TO DATE 30.06.2021 RM | PRECEDING YEAR TO DATE 30.06.2020 RM |
|---------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------|
| OPERATING ACTIVITIES | | |
| Income before tax | 43,338,287 | 38,866,280 |
| Adjustments for: | | |
| Finance costs | 15,439,848 | 18,462,423 |
| Depreciation | 90,650 | 107,668 |
| Interest income | (974,805) | (1,123,087) |
| Gain on divestment of investment property | (3,754,026) | - |
| Operating cash flows before changes in working capital | <u>54,139,954</u> | <u>56,313,284</u> |
| Receivables | 4,288,569 | (2,412,068) |
| Payables | (7,373,870) | 4,497,872 |
| Cash flows from operations | <u>51,054,653</u> | <u>58,399,088</u> |
| Income tax paid | - | - |
| Net cash flows generated from operating activities | <u>51,054,653</u> | <u>58,399,088</u> |
| INVESTING ACTIVITIES | | |
| Additions to investment properties | (540,531) | - |
| Proceed from divestment of QB5 | 45,000,000 | - |
| Purchase of plant & equipment | - | (78,050) |
| Interest received | 1,083,605 | 1,097,648 |
| Net cash flow generated from investing activities | <u>45,543,074</u> | <u>1,019,598</u> |
| FINANCING ACTIVITIES | | |
| Distribution to unitholders | (39,120,080) | (36,119,087) |
| Finance costs paid | (14,799,734) | (16,304,201) |
| Proceeds from borrowings | - | 341,000,000 |
| Repayment of borrowings | - | (335,000,000) |
| Cash flows used in financing activities | <u>(53,919,814)</u> | <u>(46,423,288)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | 42,677,913 | 12,995,398 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 84,960,762 | 63,258,890 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u><u>127,638,675</u></u> | <u><u>76,254,288</u></u> |
| Cash and cash equivalents at end of period comprises: | | |
| Deposits with licensed financial institutions | 125,611,577 | 74,027,936 |
| Cash on hand and at banks | 2,027,098 | 2,226,352 |
| | <u><u>127,638,675</u></u> | <u><u>76,254,288</u></u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes to the financial statements.

**SENTRAL REIT
(FORMERLY KNOWN AS MRCB-QUILL REIT)
EXPLANATORY NOTES FOR PERIOD ENDED 30 JUNE 2021**

A1 BASIS OF PREPARATION

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

The financial statements comply with the Malaysian Financial Reporting Standards ("MFRS") 134 "Interim Financial Reporting", provisions of the Trust Deed and the Securities Commission's Guidelines on Real Estate Investment Trusts and should be read in conjunction with Sentral Reit's ("SENTRAL")(formerly known as MRCB-Quill REIT)("MQREIT") audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these unaudited condensed consolidated financial statements.

A2 BASIS OF CONSOLIDATION

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

A3 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2020.

A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2020

The audit report of the financial statements for the preceding year ended 31 December 2020 was unqualified.

A5 SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A6 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

A7 CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

A8 CHANGES IN DEBT AND EQUITY

There were no repurchase, resale and repayment of debt and equity instruments for the current quarter.

A9 INCOME DISTRIBUTION POLICY

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

A10 SEGMENT REPORTING

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

A11 VALUATION OF INVESTMENT PROPERTIES

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

For the quarter ended 30 June 2021, there were no revaluation of investment properties.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 JUNE 2021

Proposed disposal of Quill Building 5 by Maybank Trustees Berhad, as Trustee for Sentral REIT (formerly known as MRCB-Quill REIT) to Deriv Services Sdn Bhd for a cash consideration of RM45.0 million ("Proposed Disposal")

As announced on 12 Nov 2020, Maybank Trustees Berhad ("MTB" or "Trustee"), acting solely in the capacity as trustee for SENTRAL, had on 12 November 2020 entered into a Sale and Purchase Agreement ("SPA") with Deriv Services Sdn Bhd ("DSSB" or "the Purchaser") for the Proposed Disposal of Quill Building 5 ("the Property" or "QB5") for a cash consideration of RM45.0 million ("Proposed Disposal").

On 21 April 2021, Sentral REIT Management Sdn Bhd (formerly known as MRCB Quill Management Sdn Bhd), the management company of SENTRAL, is pleased to announce that the Proposed Disposal has been completed on the same day in accordance to the terms and conditions of the SPA executed on 12 November 2020.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 JUNE 2021

There is no significant events subsequent to the quarter ended 30 June 2021.

A14 CHANGES IN CONTINGENT LIABILITIES

There are no contingent liabilities to be disclosed.

A15 CAPITAL COMMITMENTS

The amount of capital commitment not provided for in the condensed consolidated financial statements as at 30 June 2021 are as follows:

| | As at 30 June 2021 |
|-------------------------------|--------------------|
| Approved and contracted for : | RM |
| Investment properties | <u>6,345,189</u> |

B1 REVIEW OF PERFORMANCE

Quarter Results (2Q 2021 vs 2Q 2020)

SENTRAL recorded gross revenue of RM37.6 million in 2Q 2021, a decrease of RM3.0 million or 7.4% compared to 2Q 2020. The decrease was mainly due to lower revenue generated from Platinum Sentral, Plaza Mont Kiara, QB3-BMW and Wisma Technip.

Property operating expenses for 2Q 2021 were RM8.6 million, an decrease of approximately RM0.6 million or 6.1% compared to 2Q 2020, mainly due to lower operating expenses incurred for some of the properties under the portfolio.

These have resulted in lower net property income by RM2.4 million, or 7.8% compared to 2Q 2020.

Manager's fees incurred for 2Q 2021 were RM3.1 million, marginally lower by 1.3% compared to 2Q 2020, mainly due to lower net investment income in 2Q 2021. Finance costs incurred for 2Q 2021 of RM7.7 million were lower by 13.0% compared to 2Q 2020, mainly due to lower KLIBOR rate in 2Q 2021 compared to 2Q 2020. A gain on divestment of QB5 - IBM amounted to RM3.8 million was recorded in 2Q 2021, upon the completion of disposal on 21 April 2021.

As a result of all the above, net income after taxation for the current quarter under review of RM22.6 million was higher by RM3.6 million or 18.7% compared to 2Q 2020.

Financial Year-To-Date Results (YTD 2Q 2021 vs YTD 2Q 2020)

SENTRAL recorded gross revenue of RM78.6 million in YTD June 2021, a decrease of RM4.2 million or 5.1% over the previous financial period ended YTD June 2020. The decrease was mainly due to lower revenue generated from Plaza Mont Kiara, QB3-BMW, Platinum Sentral and Wisma Technip.

Property operating expenses for YTD June 2021 were RM18.2 million, a decrease of RM0.4 million or 2.0% against the previous financial period. The decrease was mainly attributable to lower expenses incurred by some properties.

Overall, the net property income for YTD June 2021 was decreased by RM3.8 million or 6.0% compared to YTD June 2020.

Manager's fees for YTD June 2021 were approximately RM6.3 million, marginally lower by 1.0% compared to YTD June 2020. Finance costs for YTD June 2021 amounted to RM15.4 million were 16.4% lower due to lower KLIBOR rate in YTD 2Q 2021 compared to YTD 2Q 2020.

Overall, the income before taxation for YTD June 2021 of RM43.3 million was higher by RM4.5 million or 11.5% compared to YTD June 2020.

B2 INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of SENTRAL is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders to achieve long-term growth in the net asset value per unit. There has been no change in the investment objective of SENTRAL since the date of the Annual Report for 2020.

The Manager will continue to focus on its portfolio management and acquisition growth strategy, active asset management strategy and capital management strategy to achieve the objective of SENTRAL. There has been no change in the strategies employed by the Manager since the date of the Annual Report for 2020 as they remain relevant in the current market conditions.

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

Review of office market - Klang Valley

The occupancy rate of the office market in Kuala Lumpur city is expected to see further pressure as the gap between supply and demand continues to widen amid weaker demand for office space. However, the occupancy rate is expected to stabilise during the year in KL fringe, supported by sustained demand for quality decentralised office space at competitive rates. The average occupancy rate in KL city was down 0.9% to 68.1%. As for KL fringe, the overall occupancy rate (85.9%, up 0.2% q-o-q) remained resilient during the quarter under review, with sustained demand for quality decentralised office space supported by improved rail links. The overall occupancy rate in Selangor was under pressure during the quarter, declining 1.4% q-o-q to 76%.

The average rental rate of office space in KL city, KL fringe and Selangor continued to retreat in 1Q2021 as the year started on a more challenging note with the re-imposition of the Movement Control Order (MCO) in January and declaration of a state of emergency as part of pandemic containment measures. KL city saw a quarter-on-quarter (q-o-q) 1.15% decline in average rental rate from RM6.98psf to RM6.90psf, while KL fringe and Selangor declined by 0.5% to RM5.71 psf in average rental rate. In Selangor, average rental rate dipped by 1.4% to RM4.18psf during the quarter.

The office market recovery is highly dependent on the economy and the entry of new investments. The rollout of the National Covid-19 Immunisation Programme is expected to boost consumer sentiment and business confidence, providing a lift to the economy. Malaysia's economy is expected to turn positive, with GDP projected at between 6% and 7.5% on the back of stronger external demand and improving domestic activity.

(extracted from The Edge | Knight Frank Kuala Lumpur and Selangor Office Monitor (1Q2021))

Review of retail market - Klang Valley

With only mall completed during 1H/2021 and the Greater KL total retail stock stands about 68.1 million sq. ft. of NLA. Within the next three years, Greater KL will see the completion of 13 new malls, adding at least 8.9 million sq. ft. of NLA to the market. More than half of it (54.3%) are to be completed this year and are located in the suburbs.

Retail malls in Greater KL have seen a slender increase in occupancy rates by 0.2% in 1Q/2021. This is mainly attributable to the slight progression in leasing activities made by newly-completed malls. Continuous pressure on occupancy is expected until the COVID-19 pandemic is contained. Many tenants in non-prime and neighborhood malls have struggled to survive, and the current standard operating procedures (SOP) are seen as an obstacle to recovery. However, occupancy rates for prime malls remained steady, largely due to major landlords' financial abilities to maintain zero tenancy termination.

Prime rental index in 1H/2021 did not change, due to minimal movement observed in leasing activities in prime retail floors. The drop in prime base rent in the previous period (2H/2020) was based on new leases being signed, as several retailers did not renew certain leases due to the impact of the pandemic. The prime base rent saw a slight drop of 5% to 10% in offer rates for new leases in some prime malls, especially for larger format retailers and some new-to-market international brands.

(extracted from Savills Research Asian Cities – 1H 2021 Kuala Lumpur Retail)

B4 PROSPECTS

In 2021, 22% of SENTRAL's total committed net lettable area ("NLA") or approximately 440,000 sq. ft. are due for renewal. Approximately 56,000 sq. ft. or 73% of leases due in 1H 2021 have been successfully renewed. Negotiations for the balance of leases due in 3Q and 4Q 2021 are on-going.

With the on-going uncertainties due to pandemic, the Klang Valley office and retail markets are expected to remain challenging. We will continue to focus on asset management and leasing strategies that are centred on cost optimisation and tenant retention to overcome the challenging operating environment.

B5 REVENUE RECOGNITION

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

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

B6 PROFIT FORECAST/ PROFIT GUARANTEE VARIANCE

(a) Profit forecast

There has been no profit forecast issued by SENTRAL for the financial year 2021.

(b) Profit guarantee

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

B7 TAXATION

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

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

B8 PROFIT ON SALE OF INVESTMENTS IN UNQUOTED SECURITIES/ PROPERTIES

The disposal of QB5 was completed on 21 April 2021 with a gain on divestment amounted to RM3,754,026 recorded in the current quarter.

B9 PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES

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

B10 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals during the current quarter.

B11 UTILISATION OF PROCEEDS RAISED FROM ANY NEW ISSUANCE

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

B12 CIRCUMSTANCES WHICH MATERIALLY AFFECT ANY INTEREST OF THE UNITHOLDERS

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

B13 COMPOSITION OF INVESTMENT PORTFOLIO AS AT 30 JUNE 2021

As at 30 June 2021, SENTRAL's portfolio comprises nine buildings as follows:

| Investment properties | Cost of Investment | Market Value/ Net Carrying amount as at 30 June 2021 | Market value/ Net Carrying amount as % of NAV |
|-----------------------------|----------------------|------------------------------------------------------|-----------------------------------------------|
| | RM | RM | |
| <u>Commercial buildings</u> | | | |
| 1 QB1 - DHL 1 & QB4 - DHL 2 | 109,100,000 | 135,000,000 | 10.17% |
| 2 QB2 - HSBC | 107,500,000 | 123,000,000 | 9.26% |
| 3 QB3 - BMW | 59,400,000 | 78,000,000 | 5.87% |
| 4 Wisma Technip | 125,000,000 | 173,000,000 | 13.03% |
| 5 Part of Plaza Mont' Kiara | 90,000,000 | 116,000,000 | 8.74% |
| 6 Tesco Building Penang | 132,000,000 | 140,000,000 | 10.54% |
| 7 Platinum Sentral | 740,000,000 | 675,000,000 | 50.84% |
| 8 Menara Shell | 640,000,000 | 657,540,531 | 49.52% |
| | <u>2,003,000,000</u> | <u>2,097,540,531</u> | |

Capital expenditure of RM459,340 were incurred during the quarter. The NAV as at 30 June 2021 is RM1,327,719,961.

B14 BORROWINGS AND DEBT SECURITIES

| | As at 30 June 2021 |
|---------------------------------------------------------------------------------------------|---------------------------|
| <u>NON-CURRENT LIABILITIES:</u> | |
| (a) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan") | 116,926,953 |
| (b) CPs/ MTNs Programme of up to RM450 million | 340,544,974 |
| | <u>457,471,927</u> |
| <u>CURRENT LIABILITIES</u> | |
| (c) CPs/ MTNs Programme of up to RM3 billion-Issue 1 | 217,890,090 |
| (c) CPs/ MTNs Programme of up to RM3 billion-Issue 2 | 169,774,638 |
| | <u>387,664,728</u> |
| TOTAL BORROWINGS | <u>845,136,655</u> |
| | |
| (a) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan") | RM |
| Term Loan draw down | 117,000,000 |
| Transaction cost b/f | (89,897) |
| | <u>116,910,103</u> |
| Amortisation of transaction costs during the period | 16,850 |
| | <u>116,926,953</u> |

On 18 July 2013, SENTRAL through its SPE, Trusmadi Capital Sdn. Bhd. ("Trusmadi") established a RM150 million Fixed Rate Term Loan Facility agreement for five years ("RM150 million Term Loan").

On 13 September 2013, Tranche 1 of the Facility of the RM117 million at interest rate of 4.60% per annum was drawdown to repay the RM117 million MTN outstanding under the RM134 million CP/ MTN Programme which matured in September 2013. Tranche 2 will be used for capital expenditure and investments at the interest rate of Reference Malaysian Government Securities ("MGS") + 1.4% per annum.

On 13 September 2018, the term loan facility was extended for a further term of five (5) years from 13 September 2018 to 13 September 2023, at interest rate of 4.75% per annum. The transaction costs relating to the programme are amortised over the tenure of the programme and are charged to profit or loss.

B14 BORROWINGS AND DEBT SECURITIES (cont'd)**(b) Commercial Papers ("CP")/ Medium Term Notes ("MTNs") (collectively the CP/ MTN Programme ("CP/MTN Programme")) of up to RM450 million in nominal value ("RM450 million Programme"):**

| <u>RM341 million in nominal value of MTN</u> | RM |
|-----------------------------------------------------|--------------------|
| Face value of MTNs issued | 341,000,000 |
| Transaction costs on CP/ MTN issued | (517,028) |
| Amortisation of transaction costs during the period | 62,002 |
| | <u>340,544,974</u> |

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

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

(c) Commercial Papers Programme ("CP Programme") and Medium Term Notes Programme ("MTN Programme") with aggregate combined limit of RM3.0 billion in nominal value ("RM3 billion Programme")

| | RM |
|--------------|--------------------|
| (i) Issue 1 | 217,890,090 |
| (ii) Issue 2 | 169,774,638 |
| | <u>387,664,728</u> |

(i) (a) RM144 million in nominal value of CP and RM20 million in nominal value of MTN ("Issue 1") issued on 22 December 2016

| | RM |
|-----------------------------------------------------|--------------------|
| Face value of CP/ MTN issued | 164,000,000 |
| Discount | (1,895,592) |
| Cash proceeds | 162,104,408 |
| Accretion of interest expenses | 135,399 |
| | <u>162,239,807</u> |
| Transaction costs b/f | (85,927) |
| Amortisation of transaction costs during the period | 46,864 |
| | <u>162,200,744</u> |

(b) RM21 million in nominal value of CP ("Issue 1") issued on 6 March 2017

| | RM |
|-----------------------------------------------------|-------------------|
| Face value of CP issued | 21,000,000 |
| Discount | (280,065) |
| Cash proceeds | 20,719,935 |
| Accretion of interest expenses | 182,119 |
| | <u>20,902,054</u> |
| Transaction costs b/f | (8,387) |
| Amortisation of transaction costs during the period | 3,594 |
| | <u>20,897,261</u> |

B14 BORROWINGS AND DEBT SECURITIES (cont'd)**(c) Commercial Papers Programme ("CP Programme") and Medium Term Notes Programme ("MTN Programme") with aggregate combined limit of RM3.0 billion in nominal value ("RM3 billion Programme") (cont'd)****(c) RM35 million in nominal value of CP ("Issue 1") issued on 29 March 2019**

| | RM |
|-----------------------------------------------------|---------------------------|
| Face value of CPs issued | 35,000,000 |
| Discount | (224,076) |
| Cash proceeds | <u>34,775,924</u> |
| Accretion of interest expenses | <u>17,049</u> |
| | 34,792,973 |
| Transaction costs on CP/ MTN issued | (1,954) |
| Amortisation of transaction costs during the period | <u>1,066</u> |
| | <u>34,792,085</u> |
| Total Issue 1 | <u>217,890,090</u> |

On 30 November 2016, SENTRAL through its SPE, Kinabalu Capital Sdn Bhd ("Kinabalu") established a RM3.0 billion nominal value of CP/ MTN Programme. The CP Programme shall have a legal tenure of seven (7) years from the date of the first issue of the CPs under the CP Programme, whereas the MTN Programme shall have a legal tenure of twenty (20) years from the date of the first issue of MTNs under the MTN Programme.

On 22 December 2016, RM144 million nominal value of CP and RM20 million in nominal value of MTN out of the respective programme were issued at the interest rate of 4.13% per annum and 4.30% per annum respectively. The proceeds raised from the issuance were utilised to part-finance the acquisition of Menara Shell together with a 5-storey podium and a 4-storey basement car park.

On 6 March 2017, RM21 million in nominal value of CP were issued at the interest rate of 4.14% per annum. The proceeds raised from this issuance were utilised to partially redeemed the CPs under the RM270 million CP/ MTN Programme which matured on 6 March 2017.

On 29 March 2019, RM35 million in nominal value of CPs were issued at the interest rate of 4.29% per annum. The proceeds from this issuance were utilised to partially redeem the Senior CPs under the RM279 million CP/ MTN Programme issued by Murud.

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

(ii) RM40 million in nominal value of CP and RM130 million in nominal value of MTN ("Issue 2") issued on 6 March 2017

| | RM |
|-----------------------------------------------------|---------------------------|
| Face value of CPs issued | 170,000,000 |
| Discount | (533,458) |
| Cash proceeds | <u>169,466,542</u> |
| Accretion of interest expenses | <u>346,893</u> |
| | 169,813,435 |
| Transaction costs on CP/ MTN issued | (67,888) |
| Amortisation of transaction costs during the period | <u>29,091</u> |
| Total Issue 2 | <u>169,774,638</u> |

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

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

B15 CHANGES IN MATERIAL LITIGATION

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

B16 INCOME DISTRIBUTION

An interim income distribution of RM36,762,157 or 3.43 sen per unit is proposed, for the period 1 January 2021 to 30 June 2021. The proposed income distribution has been approved by the Board and the Trustee on 5 August 2021 and will be payable on 20 September 2021 to all existing 1,071,783,000 unitholders as at book closure date on 23 August 2021.

Distribution to Unitholders is from the following sources:-

| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To Date | Preceding Year To Date |
|---------------------------------------------------------|-------------------------|--------------------------------------------|--------------------------|---------------------------|
| | 30.6.2021 | 30.6.2020 | 30.6.2021 | 30.6.2020 |
| | RM | RM | RM | RM |
| Gross revenue | 38,195,535 | 40,108,348 | 79,239,024 | 81,820,016 |
| Interest income | 489,835 | 543,446 | 974,805 | 1,123,087 |
| Gain on divestment of investment property | 3,754,026 | - | 3,754,026 | - |
| | 42,439,396 | 40,651,794 | 83,967,855 | 82,943,103 |
| Total property and trust expenses | (19,795,941) | (21,570,859) | (40,629,568) | (44,076,823) |
| Total Realised Income/ Distributable Income | 22,643,455 | 19,080,935 | 43,338,287 | 38,866,280 |
| Previous year's undistributed realised income | 38,653,694 | 32,671,503 | 17,958,862 | 12,886,158 |
| Total realised income available for distribution | 61,297,149 | 51,752,438 | 61,297,149 | 51,752,438 |
| Proposed/ Declared income distribution | (36,762,157) | (36,762,157) | (36,762,157) | (36,762,157) |
| Balance undistributed realised income | 24,534,992 | 14,990,281 | 24,534,992 | 14,990,281 |
| Gross interim distribution (RM) | | 36,762,157 | | |
| of which | | RM | | |
| - taxable distribution | | 35,878,417 | 3.35 sen per unit | |
| - tax exempt distribution | | 883,740 | 0.08 sen per unit | |
| | | <u>36,762,157</u> | <u>3.43 sen per unit</u> | |

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

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

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

| | As at 30 June 2021 | As at 31 March 2021 |
|---------------------------------------------------------|--------------------|---------------------|
| | RM | RM |
| NAV before provision for income distribution | 1,327,719,961 | 1,305,076,506 |
| Provision for income distribution | (36,762,157) | (20,694,832) |
| NAV after provision for income distribution | 1,290,957,804 | 1,284,381,674 |
| Number of units in circulation (units) | 1,071,783,000 | 1,071,783,000 |
| NAV per unit (RM) (after provision for distribution) | 1.2045 | 1.1984 |
| Market price (RM) | 0.905 | 0.905 |

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

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

B18 MANAGER'S FEE AND SOFT COMMISSION

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

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

Total fees accrued to the Manager for the quarter ended 30 June 2021 are :

| | |
|-----------------|------------------|
| | RM |
| Base fee | 2,224,369 |
| Performance fee | 903,067 |
| | <u>3,127,436</u> |

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

B19 TRUSTEE'S FEE

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

Trustee's fee accrued to the Trustee for the quarter ended 30 June 2021 amounted to RM166,320.

B20 UNITHOLDINGS BY THE MANAGER

As at 30 June 2021, the Manager held 2,857,000 units in SENTRAL.

B21 UNITHOLDINGS BY PARTIES RELATED TO THE MANAGER

| | No. of units | Percentage of total units | Market Value as at 30 June 2021 RM |
|-----------------------------------------------------------------------------------------------------------|--------------------|---------------------------|---------------------------------------|
| Malaysian Resources Corporation Berhad HLIB Nominee (Tempatan) Sdn. Bhd. for: -Quill Land Sdn. Bhd. | 298,297,000 | 27.83% | 269,958,785 |
| Sentral REIT Management Sdn. Bhd. (formerly known as MRCB Quill Management Sdn. Bhd.) | 59,040,000 | 5.51% | 53,431,200 |
| Quill Resources Holding Sdn. Bhd. | 2,857,000 | 0.27% | 2,585,585 |
| Global Jejaka Sdn. Bhd. | 361,000 | 0.03% | 326,705 |
| | 185,000 | 0.02% | 167,425 |
| | 360,740,000 | 33.66% | 326,469,700 |

The Manager's directors' direct unitholding in SENTRAL:

| | No. of units | Percentage of total units | Market Value as at 30 June 2021 RM |
|-----------------------------|--------------|---------------------------|---------------------------------------|
| Dato' Dr. Low Moi Ing, J.P | 50,000 | 0.005% | 45,250 |
| Dato' Michael Ong Leng Chun | 55,000 | 0.005% | 49,775 |
| Kwan Joon Hoe | 450,000 | 0.042% | 407,250 |

The Manager's directors' indirect unitholding in SENTRAL:

| | No. of units | Percentage of total units | Market Value as at 30 June 2021 RM |
|-----------------------------|----------------|---------------------------|---------------------------------------|
| Dato' Dr. Low Moi Ing, J.P | 59,401,000 (a) | 5.54% | 53,757,905 |
| Dato' Michael Ong Leng Chun | 59,401,000 (b) | 5.54% | 53,757,905 |
| Tan Sri Saw Choo Boon | 185,000 (c) | 0.02% | 167,425 |

(a) Deemed interest by virtue of her direct shareholding in Quill Land Sdn. Bhd., and Quill Resources Holding Sdn. Bhd.

(b) Deemed interest by virtue of his direct shareholding in Quill Land Sdn. Bhd., and Quill Resources Holding Sdn. Bhd.

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

The market value of the units is computed based on the closing price as of 30 June 2021 of RM0.905 per unit.

B22 UNITHOLDERS CAPITAL

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

B23 FINANCE COSTS INCURRED DURING THE QUARTER AND YEAR TO DATE

| | Current Quarter | Cumulative Quarter |
|-----------------------------------|-----------------|--------------------|
| | RM | RM |
| Interest expenses on CPMTN | 6,156,269 | 12,253,662 |
| Interest expenses on term loan | 1,385,569 | 2,755,911 |
| Amortisation of transaction costs | 95,649 | 191,290 |
| Credit facility costs | 114,509 | 238,985 |
| Total finance costs | 7,751,996 | 15,439,848 |

B24 RESPONSIBILITY STATEMENT AND STATEMENT BY THE DIRECTORS OF THE MANAGER

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

In the opinion of the directors of the Manager, the quarterly report has been prepared in accordance with MFRS 134: Interim Financial reporting and Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of SENTRAL as at 30 June 2021 and of its financial performance and cash flows for the quarter/ period ended on that date and duly authorised for release by the Board of Directors of the Manager on 5 August 2021.

BY ORDER OF THE BOARD

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

Date : 5 AUGUST 2021