

SENTRAL REIT
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2022 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM	RM	RM	RM
Total income				
Gross revenue				
-Realised gross revenue	36,629,930	40,616,293	148,931,357	160,645,430
-Unrealised rental income (unbilled lease income receivable) (a)	(242,971)	(178,495)	(1,581,592)	(1,042,254)
	<u>36,386,959</u>	<u>40,437,798</u>	<u>147,349,765</u>	<u>159,603,176</u>
Property operating expenses	(8,541,229)	(10,710,999)	(32,653,512)	(36,953,846)
Net property income	<u>27,845,730</u>	<u>29,726,799</u>	<u>114,696,253</u>	<u>122,649,330</u>
Finance income	935,853	1,018,685	2,364,017	2,639,082
Change in fair value of investment properties				
-As per valuation	(23,907,864)	(15,700,919)	(23,907,864)	(15,700,919)
-Unbilled lease income receivable (a)	242,971	178,495	1,581,592	1,042,254
Gain on divestment of investment property	-	-	-	3,754,026
	<u>5,116,690</u>	<u>15,223,060</u>	<u>94,733,998</u>	<u>114,383,773</u>
Total expenditure				
Manager's fees	(3,018,798)	(3,091,983)	(12,220,533)	(12,616,535)
Trustee's fee	(162,134)	(163,500)	(649,354)	(664,577)
Finance costs	(8,809,313)	(7,921,799)	(30,839,995)	(31,087,822)
Valuation fees	(60,710)	(52,290)	(297,620)	(316,100)
Auditors' remuneration	(46,058)	(41,505)	(158,072)	(147,637)
Tax agent's fee	(6,595)	(6,596)	(26,422)	(26,423)
Administrative expenses	(336,369)	(600,926)	(849,992)	(729,080)
	<u>(12,439,977)</u>	<u>(11,878,599)</u>	<u>(45,041,988)</u>	<u>(45,588,174)</u>
(Loss)/ Income before taxation	(7,323,287)	3,344,461	49,692,010	68,795,599
Income tax credit (b)	2,581,701	1,450,654	2,581,701	1,450,654
(Loss)/ Income net of taxation	(4,741,586)	4,795,115	52,273,711	70,246,253
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial year	(4,741,586)	4,795,115	52,273,711	70,246,253
(Loss)/ Income net of taxation for the year is made up as follows:				
Realised	16,609,941	19,034,819	73,625,238	84,485,957
Unrealised	-	-	-	-
- Unrealised rental income (in relation to unbilled lease income receivable)	(242,971)	(178,495)	(1,581,592)	(1,042,254)
- Changes in fair value of investment properties				
-as per valuation	(23,907,864)	(15,700,919)	(23,907,864)	(15,700,919)
-unbilled lease income receivable	242,971	178,495	1,581,592	1,042,254
- Amortisation of deferred lease income	389,351	577,431	389,351	577,431
- Unwinding of discount on security deposits	(414,715)	(566,870)	(414,715)	(566,870)
- Deferred tax on Real Property Gains Tax on investment properties held	2,581,701	1,450,654	2,581,701	1,450,654
	<u>(21,351,527)</u>	<u>(14,239,704)</u>	<u>(21,351,527)</u>	<u>(14,239,704)</u>
(Loss)/ Income net of taxation	(4,741,586)	4,795,115	52,273,711	70,246,253
(LOSS)/ EARNINGS PER UNIT (c)				
- after manager's fees (sen)	(0.44)	0.45	4.88	6.55
- before manager's fees (sen)	(0.16)	0.74	6.02	7.73
EARNINGS PER UNIT (REALISED) (d)				
- after manager's fees (sen)	1.55	1.78	6.87	7.88
- before manager's fees (sen)	1.83	2.06	8.01	9.06
Realised Net Income/ Distributable Income	16,609,941	19,034,819	73,625,238	84,485,957
DISTRIBUTABLE INCOME PER UNIT (e)	1.55	1.78	6.87	7.88

INCOME DISTRIBUTION				
Interim income distribution (f) (g)	-	-	36,440,622	36,762,157
Final income distribution (h)	<u>36,654,979</u>	<u>42,656,964</u>	<u>36,654,979</u>	<u>42,656,964</u>
Total income distribution	<u><u>36,654,979</u></u>	<u><u>42,656,964</u></u>	<u><u>73,095,601</u></u>	<u><u>79,419,121</u></u>
Income distribution per unit				
Gross (sen)				
-Interim income distribution (f) (g)	-	-	3.40	3.43
-Final income distribution (h)	<u>3.42</u>	<u>3.98</u>	<u>3.42</u>	<u>3.98</u>
Total income distribution per unit	<u><u>3.42</u></u>	<u><u>3.98</u></u>	<u><u>6.82</u></u>	<u><u>7.41</u></u>

- (a) Recognition of unrealised rental income-unbilled lease income receivable pursuant to requirements of MFRS 16 Leases, to recognize income from operating lease on a straight-line basis, including contractual increase rates over the fixed tenure of the agreement.
- (b) Income tax credit relates to deferred tax on Real Property Gains Tax ("RPGT") on the fair value loss of the investment properties.
- (c) (Loss)/ Earnings Per Unit ("EPU") for the current quarter/ period is computed based on the net income for the quarter/ period divided by 1,071,783,000 units during the quarter/ period. EPU for the preceding year corresponding quarter/ period is based on the units in circulation of 1,071,783,000.
- (d) Earnings Per Unit (Realised) for the current quarter/ period is computed based on the realised net income for the quarter/ period divided by 1,071,783,000 units during the quarter/ period. Earnings Per Unit (Realised) for the preceding year corresponding quarter/ period is based on the units in circulation of 1,071,783,000.
- (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.
- (f) Income distribution of 3.40 sen per unit being the distributable of income for the financial period 1 January 2022 to 30 June 2022 was paid on 30 September 2022.
- (g) Income distribution of 3.43 sen per unit being the distributable of income for the financial period 1 January 2021 to 30 June 2021 was paid on 20 September 2021.
- (h) Proposed final gross income distribution of 3.42 sen per unit relates to the distributable income for the financial period 1 July 2022 to 31 December 2022, will be payable on 28 February 2023 to all unitholders as at book closure date on 9 February 2023. Please refer to Note B16 for details of the distribution.

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the financial statements.

SENTRAL REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 (UNAUDITED)

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
	31.12.2022 UNAUDITED RM	31.12.2021 AUDITED RM
NON-CURRENT ASSETS		
Plant and equipment	36,548	131,633
Investment properties	2,047,174,431	2,065,892,839
Investment properties-accrued rental income	13,525,569	15,107,161
Lease receivables	-	91,788
	<u>2,060,736,548</u>	<u>2,081,223,421</u>
CURRENT ASSETS		
Trade and other receivables	6,128,944	5,373,984
Lease receivables	91,788	240,915
Deposits with licensed financial institution	74,415,886	88,727,239
Cash and cash equivalents	5,343,980	4,810,668
	<u>85,980,598</u>	<u>99,152,806</u>
	<u>2,146,717,146</u>	<u>2,180,376,227</u>
TOTAL ASSETS		
NON-CURRENT LIABILITIES		
Borrowings	804,493,923	675,656,454
Security deposits	14,832,962	11,716,798
Other payables	907,694	1,108,964
Deferred tax liability	9,551,020	12,132,721
	<u>829,785,599</u>	<u>700,614,937</u>
CURRENT LIABILITIES		
Trade and other payables	20,579,439	19,200,716
Borrowings	-	129,992,582
Security deposits	5,310,213	12,702,222
	<u>25,889,652</u>	<u>161,895,520</u>
	<u>855,675,251</u>	<u>862,510,457</u>
	<u>1,291,041,895</u>	<u>1,317,865,770</u>
NET ASSETS VALUE ("NAV")		
UNITHOLDERS' FUNDS		
Unitholders' funds attributable to unitholders of SENTRAL		
Unitholders' capital	1,235,876,768	1,235,876,768
Undistributed and non-distributable income	55,165,127	81,989,002
Total unitholders' funds	<u>1,291,041,895</u>	<u>1,317,865,770</u>
NUMBER OF UNITS IN CIRCULATION	1,071,783,000	1,071,783,000
NET ASSET VALUE PER UNIT		
- before income distribution (i)	1.2046	1.2296
- after income distribution (ii)	1.1704	1.1898

(i) Net Asset Value per unit before the proposed final gross income distribution of 3.42 sen per unit.

(ii) Net Asset Value per unit after the proposed final gross income distribution of 3.42 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 2021 and the accompanying explanatory notes attached to the financial statements.

SENTRAL REIT
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE PERIOD ENDED 31 DECEMBER 2022 (UNAUDITED)

	Unitholders' Capital	Distributable		Total Undistributed and Non-Distributable Income	Unitholders' Funds
		Undistributed Income Realised	Undistributed Income Unrealised		
	RM	RM	RM	RM	RM
As at 1 January 2022	1,235,876,768	65,682,662	16,306,340	81,989,002	1,317,865,770
Total Comprehensive Income for the financial year	-	73,625,238	(21,351,527)	52,273,711	52,273,711
	1,235,876,768	139,307,900	(5,045,187)	134,262,713	1,370,139,481
Unitholders' transactions					
Distribution to unitholders	-	(79,097,586)	-	(79,097,586)	(79,097,586)
As at 31 December 2022	1,235,876,768	60,210,314	(5,045,187)	55,165,127	1,291,041,895
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 year	-	84,485,957	(14,239,704)	70,246,253	70,246,253
	1,235,876,768	141,564,899	16,306,340	157,871,239	1,393,748,007
Unitholders' transactions					
Distribution to unitholders	-	(75,882,237)	-	(75,882,237)	(75,882,237)
As at 31 December 2021	1,235,876,768	65,682,662	16,306,340	81,989,002	1,317,865,770

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 2021 and the accompanying explanatory notes attached to the financial statements.

SENTRAL REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2022 (UNAUDITED)

	CURRENT YEAR TO DATE 31.12.2022 RM	PRECEDING YEAR TO DATE 31.12.2021 RM
OPERATING ACTIVITIES		
Income before tax	49,692,010	68,795,599
Adjustments for:		
Finance costs	30,839,995	31,087,822
Depreciation	99,750	172,416
Fair value adjustments	22,326,272	14,658,665
Unbilled lease income	1,581,592	1,042,254
Allowance for impairment of trade receivables	43,264	440,577
Reversal for impairment of trade receivables	(146,466)	(374,511)
Finance income	(2,364,017)	(2,639,082)
Written off of investment property	-	765,000
Gain on divestment of investment property	-	(3,754,026)
Operating cash flows before changes in working capital	<u>102,072,400</u>	<u>110,194,714</u>
Receivables	(308,992)	(416,460)
Payables	<u>(3,833,286)</u>	<u>682,987</u>
Cash flows from operations	97,930,122	110,461,241
Income tax paid	-	-
Net cash flows generated from operating activities	<u>97,930,122</u>	<u>110,461,241</u>
INVESTING ACTIVITIES		
Additions to investment properties	(3,607,864)	(657,919)
Proceed from divestment of QB5	-	41,850,000
Purchase of plant & equipment	(4,665)	(35,413)
Changes in deposits in financial institution	3,987,245	(3,265,053)
Interest received	<u>1,872,815</u>	<u>2,138,448</u>
Net cash flow generated from investing activities	<u>2,247,531</u>	<u>40,030,063</u>
FINANCING ACTIVITIES		
Distribution to unitholders	(79,097,586)	(75,882,237)
Finance costs paid	(29,970,308)	(27,123,513)
Drawdown of borrowings	207,000,000	258,380,616
Repayment of borrowings	(207,000,000)	(300,000,000)
Transaction costs paid	<u>(900,555)</u>	<u>(554,078)</u>
Net cash flows used in financing activities	<u>(109,968,449)</u>	<u>(145,179,212)</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(9,790,796)	5,312,092
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>20,167,135</u>	<u>14,855,043</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>10,376,339</u>	<u>20,167,135</u>
Cash and cash equivalents at end of the year comprises:		
Deposits with licensed financial institutions	74,415,886	88,727,239
Cash on hand and at banks	<u>5,343,980</u>	<u>4,810,668</u>
Total deposits, cash and bank balances	79,759,866	93,537,907
Less: Deposits with licensed financial institution with maturity of more than 3 months	(67,104,886)	(69,992,773)
Debt service reserves accounts pledged	<u>(2,278,641)</u>	<u>(3,377,999)</u>
Cash and cash equivalents	<u>10,376,339</u>	<u>20,167,135</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes to the financial statements.

SENTRAL REIT
EXPLANATORY NOTES FOR PERIOD ENDED 31 DECEMBER 2022

A1 BASIS OF PREPARATION

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

The financial statements comply with the Malaysian Financial Reporting Standards ("MFRS") : 134 "Interim Financial Reporting", provisions of the Trust Deed and the Securities Commission's Guidelines on Real Estate Investment Trusts and should be read in conjunction with Sentral REIT's ("SENTRAL") audited financial statements for the financial year ended 31 December 2021 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 2021.

A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2021

The audit report of the financial statements for the preceding year ended 31 December 2021 was unqualified.

A5 SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A6 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

A7 CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

A8 CHANGES IN DEBT AND EQUITY

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

A9 INCOME DISTRIBUTION POLICY

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

A10 SEGMENT REPORTING

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

A11 VALUATION OF INVESTMENT PROPERTIES

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

For the quarter and financial year ended 31 December 2022, the investment properties were valued based on valuation performed by 4 independent registered valuers, i.e. Nawawi Tie Leung Property Consultants Sdn. Bhd., Knight Frank Malaysia Sdn. Bhd., IVPS Property Consultant Sdn. Bhd. and C H Williams Talhar & Wong Sdn. Bhd. on 31 December 2022. Total deficit on revaluation amounted to RM23,907,864 were charged to the statement of comprehensive income and is unrealised in nature.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2022

(a) Proposed change in shareholding structure of Sentral REIT Management Sdn Bhd, the Manager of Sentral REIT

On 6 October 2022, Sentral REIT Management Sdn Bhd ("SRM"), the manager of Sentral REIT, announced that the existing shareholders of SRM, namely Quill Resources Holding Sdn Bhd ("QRH") and Malaysian Resources Corporation Berhad ("MRCB") had on 4 October 2022 entered into a Share Sale Agreement, whereby QRH has agreed to dispose their shareholding of 39% (390,000 ordinary shares) in the capital of SRM to MRCB.

Pursuant to Chapter 4.02(8) of the Licensing Handbook, Securities Commission Malaysia ("SC"), the proposed change in shareholding structure in SRM will be subject to the approval of the SC.

(b) Award of Contract to Semasa Parking Sdn Bhd For The Operation of Car Park At Menara Shell and Platinum Sentral

As announced on 5 December 2022, the Trustee, had on 5 December 2022, appointed Semasa Parking Sdn Bhd ("SPSB") as the car park operator for the following buildings:

- (a) Menara Shell for a period of three (3) years commencing from 22 December 2022 to 21 December 2025; and
- (b) Platinum Sentral for a period of three (3) years commencing from 1 January 2023 to 31 December 2025.

The Related Party Transactions are not expected to have any material effect on the net assets per share, earnings per share and gearing of Sentral REIT for the financial year ending 2022.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 DECEMBER 2022

As announced on 12 January 2023, SRM had received the approval from Securities Commission Malaysia on the proposed change in shareholding of SRM.

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 31 December 2022 are as follows:

	RM
Approved and contracted for :	
Investment properties	<u>7,424,036</u>

B1 REVIEW OF PERFORMANCE

Quarter Results (4Q 2022 vs 4Q 2021)

SENTRAL recorded gross revenue of RM36.4 million in 4Q 2022, a decrease of approximately RM4.0 million or 10.0% compared to 4Q 2021. The decrease was mainly due to lower revenue generated from QB2-HSBC and Wisma Technip; partially offset by the increase in revenue from Menara Shell, Platinum Sentral and Plaza Mont Kiara.

Property operating expenses for 4Q 2022 were RM8.5 million, lower by 20.3% compared to 4Q 2021, mainly due to lower operating expenses incurred for some of the properties under the portfolio.

These have resulted in lower net property income by 6.3% compared to 4Q 2021.

Manager's fees incurred for 4Q 2022 were RM3.0 million, lower by 2.4% compared to 4Q 2021. Finance costs incurred for 4Q 2022 of RM8.8 million were higher by 11.2% compared to 4Q 2021, mainly due to higher KLIBOR rate in 4Q 2022 compared to 4Q 2021; and higher amortisation of transaction costs on borrowings.

SENTRAL recorded a net loss after tax of RM4.7 million in 4Q 2022 (net income of 4Q 2021: RM4.8 million), which consist of realised income of RM16.6 million (4Q 2021: RM19.0 million); and unrealised loss amounted to RM21.4 million in 4Q 2022 (4Q 2021: RM14.2 million) mainly due to fair value adjustments on investment properties.

Financial Year-To-Date Results (YTD 4Q 2022 vs YTD 4Q 2021)

SENTRAL recorded gross revenue of RM147.0 million in YTD December 2022, a decrease of RM12.2 million or 7.7% compared the previous financial year ended YTD December 2021. The decrease was mainly due to lower revenue generated from Wisma Technip, QB2-HSBC; partially offset by the increase in revenue from Plaza Mont Kiara, Menara Shell and Platinum Sentral.

Property operating expenses for YTD December 2022 were RM32.7 million, a decrease of RM4.3 million or 11.6% against the previous financial year. The decrease was mainly attributable to lower expenses incurred by some properties.

Overall, the net property income for YTD December 2022 decreased by RM8.0 million or 6.5% compared to YTD December 2021.

Manager's fees for YTD December 2022 were RM12.2 million, marginally lower by 3.1% compared to YTD December 2021. Finance costs incurred for YTD December 2022 amounted to RM30.8 million were 0.8% lower than YTD December 2021, mainly due to lower interest on borrowings after the completion of refinancing exercise in March 2022, partially offset by higher amortisation of transaction costs on borrowings.

SENTRAL recorded a net income after tax of RM52.3 million in YTD December 2022 (YTD December 2021: RM70.2 million), which consist of realised income of RM73.6 million (YTD December 2021 : RM84.5 million) and an unrealised loss amounted to RM21.3 million (YTD December 2021: RM14.2 million) mainly due to fair value adjustments on investment properties.

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 2021.

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 2021 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

As of 2022, the cumulative existing supply stands at circa 113.1 million sq ft. By the end of 2023, circa 5.5 million sq ft of supply pipeline is scheduled for completion with the bulk of incoming office supply at circa 4.5 million sq ft (83.1%) will be from Kuala Lumpur.

The overall occupancy rate of office space in Kuala Lumpur improved slightly to 73.9% in 2022 (2021: 73.4%). In contrast, the occupational demand in Selangor posted a drop to record at 73.6% in 2022 (2021: 75.2%), this may be partially due to the downsizing of office space as more businesses implement the hybrid work model post-pandemic coupled with tenants exploring prestigious office address in the city centre. Occupancy rates for the sub-markets of Petaling Jaya and Cyberjaya declined by 2.7% and 1.2% to record at 71.3% and 72.2% respectively.

The average rental rate of office space in Kuala Lumpur declined to RM6.15 per sq ft per month in 2022 (2021: RM6.20 per sq ft per month). In the sub-markets of Petaling Jaya, Subang Jaya, Shah Alam and Cyberjaya, the average monthly rentals were in the region of RM4.39 per sq ft; RM4.11 per sq ft; RM3.41 per sq ft and RM3.72 per sq ft respectively.

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

In the short to mid-term, the rental and occupancy levels in KL City are expected to experience further pressure as the gap between supply and demand continues to widen amid high pipeline of office supply heading into 2023. As for KL Fringe, the occupancy is expected to stabilise for remaining year 2022/ 2023, taking time to recover from the COVID-19 impact. The Selangor office market is expected to remain relatively resilient in the medium to longer term supported by a wider pool of tenants/ occupiers, attractive rental and leasing packages as well as improved rail network that continue to drive demand for office space in these decentralised locations.

(extracted from The Property Market Overview 2022 prepared by Knight Frank Malaysia Sdn Bhd for SENTRAL)

Review of retail market - Klang Valley

The existing cumulative supply of retail space in Kuala Lumpur currently stands at circa 31.98 million sq ft. Meanwhile, the cumulative supply of retail space in Selangor stood at circa 35.75 million sq ft. Looking ahead, six more retail developments with total NLA of circa 4.16 million sq ft are anticipated to enter the Kuala Lumpur retail market by end of 2023.

In 2022, with the endemic phase in place and the resumption of economic activities and reopening of international borders, the average occupancy rate of malls in Kuala Lumpur picked up to 81.8% as of 3Q2022. The average occupancy rate of shopping centres in Selangor had been hovering between 82.1% and 85.5% (2016 to 2019), before declining to 80.1% in 2020. The average occupancy rate picked up in 2021 to register at 80.8% before dipping to 77.9% 3Q2022, mainly due to more new completions as construction activities were back on track. New retail spaces also require time to secure tenants.

The accelerated e-commerce growth during the pandemic is here to stay. Driven by changing consumer behaviour, mall operators/ landlords and retailers continue to enhance their omnichannel strategies to provide consumers with a seamless shopping experience, in which physical and digital platforms co-exist and complement one another.

Mall operators/ landlords and retailers have also embarked on asset enhancement initiatives besides promoting experiential retail, thematic stores, and promotional events to differentiate the shopping experience from online retail and lure consumers to physical stores. Safety, health and wellbeing are expected to remain at the forefront despite the relaxing of COVID-19 measures to cater to the more conscious, safety-focused consumers.

(extracted from The Property Market Overview 2022 prepared by Knight Frank Malaysia Sdn Bhd for SENTRAL)

B4 PROSPECTS

In 2022, 28% of SENTRAL's total committed net lettable area ("NLA") or approximately 511,000 sq. ft. are due for renewal. SENTRAL achieved a renewal rate of 41% and this was due to the non-renewal of leases in Quill Building 2 and Wisma Technip, as reported in 2Q2022. Notwithstanding, approximately 121,000 sq. ft. of new leases were entered into in 2022, resulted in an improvement in SENTRAL's portfolio occupancy rate from 73% recorded in the previous quarter to 77% as at 31 December 2022.

For 2023, approximately 162,000 sq. ft. or 10% of SENTRAL's total committed NLA will be up for renewal. In line with our on-going tenant retention strategies, we have initiated early renewal negotiations for some of these tenancies.

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

B5 REVENUE RECOGNITION

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

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

B6 PROFIT FORECAST/ PROFIT GUARANTEE VARIANCE

(a) Profit forecast

There has been no profit forecast issued by SENTRAL for the financial year 2022.

(b) Profit guarantee

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

B7 TAXATION

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

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

B8 PROFIT ON SALE OF INVESTMENTS IN UNQUOTED SECURITIES/ PROPERTIES

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

B9 PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES

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

B10 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals during the current quarter.

B11 UTILISATION OF PROCEEDS RAISED FROM ANY NEW ISSUANCE

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

B12 CIRCUMSTANCES WHICH MATERIALLY AFFECT ANY INTEREST OF THE UNITHOLDERS

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

B13 COMPOSITION OF INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2022

As at 31 December 2022, SENTRAL's portfolio comprises nine buildings as follows:

Investment properties	Cost of Investment	Market Value/ Net Carrying amount as at 31 December 2022	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	10.46%
2 QB2 - HSBC	107,500,000	108,000,000	8.37%
3 QB3 - BMW	59,400,000	71,000,000	5.50%
4 Wisma Technip	125,000,000	153,700,000	11.91%
5 Part of Plaza Mont' Kiara	90,000,000	113,000,000	8.75%
6 Tesco Building Penang	132,000,000	140,000,000	10.84%
7 Platinum Sentral	740,000,000	670,000,000	51.90%
8 Menara Shell	640,000,000	670,000,000	51.90%
	<u>2,003,000,000</u>	<u>2,060,700,000</u>	

Capital expenditure of RM1,594,749 were incurred during the quarter. The NAV as at 31 December 2022 is RM1,291,041,895.

B14 BORROWINGS AND DEBT SECURITIESAs at 31 December
2022

RM

<u>NON-CURRENT LIABILITIES:</u>	
(a) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan")	-
(b) CPs/ MTNs Programme of up to RM450 million	340,731,047
(c) CPs/ MTNs Programme of up to RM3,000 million *	129,737,594
(d) CPs/ MTNs Programme of up to RM3,000 million **	334,025,282
TOTAL BORROWINGS	<u>804,493,923</u>

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

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

(a) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan") under Trusmadi Capital Sdn. Bhd.

<u>(i) RM150 million Term Loan</u>	RM
Term Loan drawn down	77,000,000
Transaction cost b/f	(56,194)
	<u>76,943,806</u>
Amortisation of transaction costs during the period	56,194
Early redemption on 13 March 2022	(77,000,000)
	<u>-</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.

On 13 September 2021, RM40 million term loan facility was redeemed early via the proceeds from the disposal of QB5.

On 14 March 2022, the balance RM77 million term loan facility had been early redeemed using the proceeds from the new issuance of RM77 million Medium Term Notes ("MTN") issued by Trusmadi (as disclosed in Note B14 (d) below).

As such, there was no outstanding balance under RM150 million Term Loan as at 31 December 2022.

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") under Murud Capital Sdn. Bhd.**

(i) <u>RM341 million in nominal value of MTN</u>		RM
Face value of MTNs issued		341,000,000
Transaction costs b/f		(393,013)
Amortisation of transaction costs during the period		124,060
		<u>340,731,047</u>

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

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

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

(i) <u>RM130 million in nominal value of MTN ("Issue 2") issued on 6 March 2017</u>		RM
Face value of MTN		130,000,000
Transaction costs b/f		(7,418)
Amortisation of transaction costs during the period		7,418
Full redemption on 13 March 2022		<u>(130,000,000)</u>
Total Issue 2		<u><u>-</u></u>

(ii) <u>RM130 million in nominal value of MTN (Issue 3") issued on 4 March 2022</u>		RM
Face value of MTNs		130,000,000
Transaction costs on MTN issued		(314,823)
Amortisation of transaction costs during the period		52,417
Total Issue 3		<u>129,737,594</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.

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

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

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

B14 BORROWINGS AND DEBT SECURITIES (cont'd)

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

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

	RM
Face value of MTNs	20,000,000
Transaction costs b/f	(41,912)
Transaction costs on MTNs issued	(804)
Amortisation of transaction costs during the period	8,691
	<u>19,965,975</u>

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

	RM
Face value of CPs	240,000,000
Discount	(2,530,725)
Cash proceeds	<u>237,469,275</u>
Accretion of interest expenses	478,026
	237,947,301
Transaction costs b/f	(502,941)
Transaction costs on CPs issued	(9,661)
Amortisation of transaction costs during the period	104,296
	<u>237,538,995</u>

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

	RM
Face value of MTNs issued	77,000,000
Transaction costs on MTN issued	(575,267)
Amortisation of transaction costs during the period	95,579
	<u>76,520,312</u>
Total Issue 1	<u>334,025,282</u>

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

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

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

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

B15 CHANGES IN MATERIAL LITIGATION

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

B16 INCOME DISTRIBUTION

SENTRAL intends to distribute at least 90% of its distributable income at least semi-annually, or at such other intervals as the Manager may determine.

An interim income distribution of RM36,440,622 or 3.40 sen per unit, being approximately 93.9% of the distributable income for the period 1 January 2022 to 30 June 2022 was made on 30 September 2022.

A final income distribution of RM36,654,979, or 3.42 sen per unit is proposed, for the income distribution for the period 1 July 2022 to 31 December 2022. The proposed final income distribution has been approved by the Board and the Trustee on 19 January 2023 and will be payable on 28 February 2023 to all unitholders as at book closure date on 9 February 2023.

The total gross distribution relating to the financial year ended 31 December 2022 amounted to RM73,095,601 or 6.82 sen per unit, being approximately 99.28% of the total distributable income of SENTRAL for the financial year ended 31 December 2022.

Distribution to Unitholders is from the following sources:-

	Current Year Quarter 31.12.2022 RM	Preceding Year Corresponding Quarter 31.12.2021 RM	Current Year To Date 31.12.2022 RM	Preceding Year To Date 31.12.2021 RM
Gross revenue	36,629,930	40,616,293	148,931,357	160,645,430
Interest income	546,502	441,254	1,974,666	2,061,651
Gain on divestment of investment property	-	-	-	3,754,026
	<u>37,176,432</u>	<u>41,057,547</u>	<u>150,906,023</u>	<u>166,461,107</u>
Total property and trust expenses	(20,566,491)	(22,022,728)	(77,280,785)	(81,975,150)
Total Realised Income/ Distributable Income	<u>16,609,941</u>	<u>19,034,819</u>	<u>73,625,238</u>	<u>84,485,957</u>
Previous year's undistributed realised income	<u>43,600,373</u>	<u>46,647,843</u>	<u>23,025,698</u>	<u>17,958,862</u>
Total realised income available for distribution	<u>60,210,314</u>	<u>65,682,662</u>	<u>96,650,936</u>	<u>102,444,819</u>
Proposed/ Declared income distribution	<u>(36,654,979)</u>	<u>(42,656,964)</u>	<u>(73,095,601)</u>	<u>(79,419,121)</u>
Balance undistributed realised income	<u>23,555,335</u>	<u>23,025,698</u>	<u>23,555,335</u>	<u>23,025,698</u>
Gross final income distribution (RM)		36,654,979		
of which		RM		
- taxable distribution		35,568,902	3.32 sen per unit	
- tax exempt distribution		<u>1,086,077</u>	<u>0.10 sen per unit</u>	
		<u>36,654,979</u>	<u>3.42 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 31 December 2022	As at 30 September 2022
	RM	RM
NAV before provision for income distribution	1,291,041,895	1,295,783,481
Provision for income distribution	(36,654,979)	(18,204,591)
NAV after provision for income distribution	1,254,386,916	1,277,578,890
Number of units in circulation (units)	1,071,783,000	1,071,783,000
NAV per unit (RM) (after provision for distribution)	1.1704	1.1920
Market price (RM)	0.895	0.86

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 31 December 2022 are :

	RM
Base fee	2,159,742
Performance fee	859,056
	<u>3,018,798</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 31 December 2022 amounted to RM162,134.

B20 UNITHOLDINGS BY THE MANAGER

On 17 October 2022, the Manager had transferred all unitholding of 2,857,000 units for the payment of dividend in specie to the 3 shareholders, as follows:

	Units
(i) Malaysian Resources Corporation Berhad	1,171,000
(ii) Quill Resources Holding Sdn. Bhd.	1,114,000
(iii) Global Jejaka Sdn. Bhd.	572,000
	<u>2,857,000</u>

B21 UNITHOLDINGS BY PARTIES RELATED TO THE MANAGER

	No. of units	Percentage of total units	Market Value as at 31 December 2022 RM
Malaysian Resources Corporation Berhad	299,468,000	27.94%	268,023,860
HLIB Nominee (Tempatan) Sdn. Bhd. for:			
-Quill Land Sdn. Bhd.	59,040,000	5.51%	52,840,800
Quill Resources Holding Sdn. Bhd.	1,475,000	0.14%	1,320,125
Global Jejaka Sdn. Bhd.	757,000	0.07%	677,515
	<u>360,740,000</u>	<u>33.66%</u>	<u>322,862,300</u>

The Manager's directors' direct unitholding in SENTRAL:

	No. of units	Percentage of total units	Market Value as at 31 December 2022 RM
Dato' Dr. Low Moi Ing, J.P	50,000	0.005%	44,750
Dato' Michael Ong Leng Chun	55,000	0.005%	49,225
Kwan Joon Hoe	450,000	0.042%	402,750
Po Yih Ming	20,000	0.002%	17,900

The Manager's directors' indirect unitholding in SENTRAL:

	No. of units	Percentage of total units	Market Value as at 31 December 2022 RM
Dato' Dr. Low Moi Ing, J.P	60,515,000 (a)	5.65%	54,160,925
Dato' Michael Ong Leng Chun	60,515,000 (b)	5.65%	54,160,925
Tan Sri Saw Choo Boon	757,000 (c)	0.07%	677,515

(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 31 December 2022 of RM0.895 per unit.

B22 UNITHOLDERS CAPITAL

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

B23 FINANCE COSTS INCURRED DURING THE QUARTER

	Current Quarter	Cumulative Quarter
	RM	RM
Interest expenses on CPMTN	8,156,981	28,545,615
Interest expenses on term loan	-	721,480
Amortisation of transaction costs	131,296	561,731
Credit facility costs	106,321	596,454
Interest expenses on unwinding of discount on rental deposits	414,715	414,715
Total finance costs	8,809,313	30,839,995

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 31 December 2022 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of Directors of the Manager on 19 January 2023.

BY ORDER OF THE BOARD

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

Date : 19 January 2023