



**SENTRAL
REIT**

2020



**ANNUAL
REPORT
2020**

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CORPORATE INFORMATION

MANAGER

Sentral REIT Management Sdn. Bhd.
(formerly known as MRCB Quill Management Sdn. Bhd.)
(Company No. 200601017500 (737252-X))
(Incorporated in Malaysia)

REGISTERED ADDRESS OF THE MANAGER

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

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

PRINCIPAL PLACE OF BUSINESS OF THE MANAGER

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

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

BOARD OF DIRECTORS OF THE MANAGER

Non-Independent

Non-Executive Directors

Tan Sri Saw Choo Boon
(Chairman)
Dato' Dr. Low Moi Ing, J.P.
Dato' Michael Ong Leng Chun
Ann Wan Tee
Kwan Joon Hoe

Independent

Non-Executive Directors

Datuk Dr. Roslan Bin A. Ghaffar
Datuk Kamalul Arifin Bin
Othman
Frances Po Yih Ming

SECRETARY OF THE MANAGER

Mohamed Noor Rahim Bin
Yahaya
(MAICSA 0866820)

Ho Ngan Chui
(MAICSA 7014785)

BANKERS

Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

WEBSITE

www.sentralreit.com

TRUSTEE

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

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

PROPERTY MANAGER

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

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

REGISTRAR

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

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

AUDITOR

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

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

TAX AGENT

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

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

INTERNAL AUDITOR

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

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

SALIENT FEATURES OF SENTRAL REIT (“SENTRAL”)

Category of Fund	Real Estate Investment Trust
Type of Fund	Income and growth
Termination Date / Duration of the Fund	The earlier of: <ul style="list-style-type: none"> a) The occurrence of any events listed in clause 26.2 of the Restated Deed of Trust dated 2 December 2019; or b) The expiration of a period of twenty one (21) years after the death of the last survivor of the issue now living of his majesty, the current Yang Di Pertuan Agung in Malaysia or until such further period as the law may permit
Approved Fund Size	1,071,783,000
Investment Objective	To acquired and invest in commercial properties primarily in Malaysia with a view to provide long term growth and sustainable distribution of income to unitholders and to achieve long term growth in net asset value per unit of SENTRAL
Distribution Policy	Semi-annual distribution
Manager’s Fee	<ul style="list-style-type: none"> • Base fee: 0.4% per annum of the total asset value (“TAV”) • Performance fee: 3% per annum of the net investment income • Acquisition fee: 1% of the acquisition price • Divestment fee: 0.5% of the disposal price
Trustee’s Fee	0.03% per annum on the RM2.5 billion of the TAV and 0.02% per annum on the TAV in excess of RM2.5 billion
Financial Year End	31 December
Board Lot	100 units per board lot
Listing	Main Market of Bursa Malaysia Securities Berhad
Stock Name	SENTRAL
Stock Code	5123
Date of Listing	8 January 2007

TRUST STRUCTURE

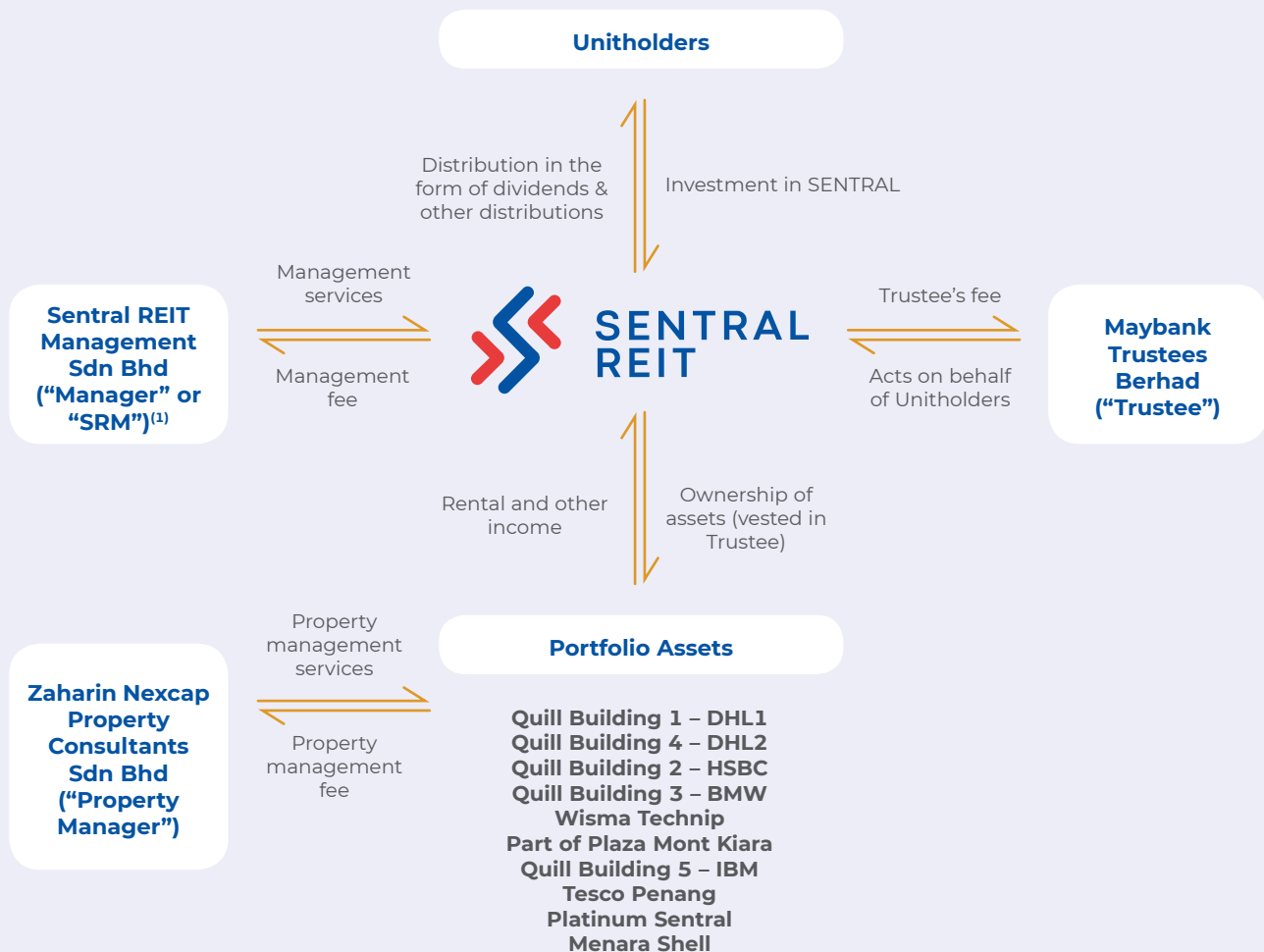
Background of SENTRAL

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

Investment Objective

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

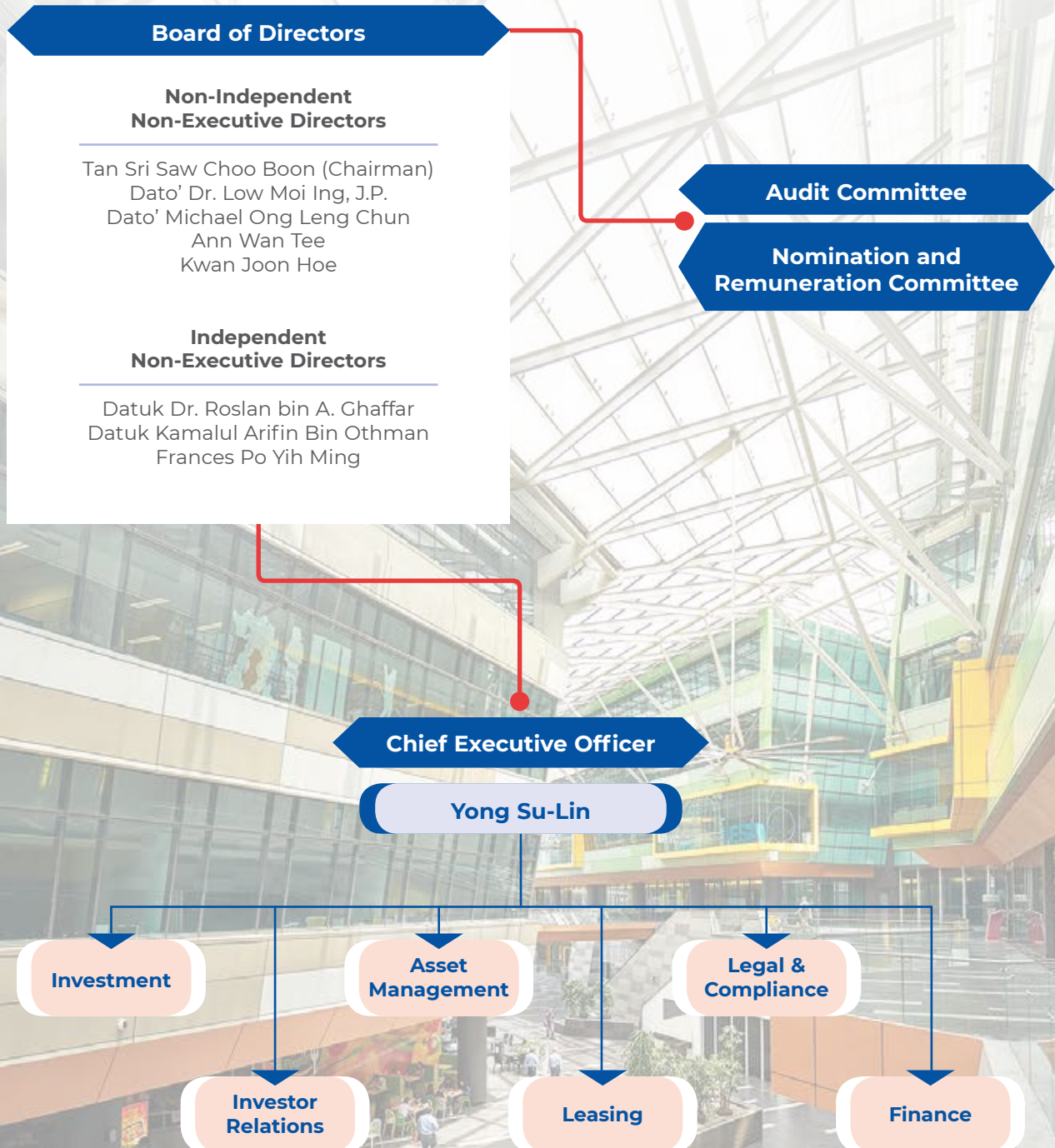
SENTRAL Structure



Note:

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

ORGANISATION STRUCTURE OF THE MANAGER



PROFILE OF DIRECTORS OF THE MANAGER



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

Malaysian/75/Male



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

Malaysian/60/Female

Date Appointed to the Board

22 January 2016

Board Committee Membership

Nil

No. of Board Meetings Attended in 2020

6/6

Academic/Professional Qualification/Professional Membership

Bachelor of Science (Chemistry), University of Malaya (1969)

Present Directorships

- DiGi.Com Berhad
- Wah Seong Corporation Berhad

Working Experience:

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

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

Date Appointed to the Board

12 June 2006

Board Committee Membership

Nil

No. of Board Meetings Attended in 2020

6/6

Academic/Professional Qualification/Professional Membership

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

Present Directorships

Quill Group of Companies ("Quill Group")

Working Experience:

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

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

Awards

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

PROFILE OF DIRECTORS OF THE MANAGER

(cont'd)



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

Malaysian/65/Male



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

Malaysian/50/Male

Date Appointed to the Board

12 June 2006

Board Committee Membership

Nil

No. of Board Meetings Attended in 2020

6/6

Academic/Professional Qualification/Professional Membership

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

Present Directorships

Quill Group of Companies ("Quill Group")

Working Experience:

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

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

Date Appointed to the Board

31 March 2015

Board Committee Membership

Nil

No. of Board Meetings Attended in 2020

6/6

Academic/Professional Qualification/Professional Membership

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

Present Directorships

- MRCB Southern Link Berhad
- MRCB Group of Companies

Working Experience:

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

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

PROFILE OF DIRECTORS OF THE MANAGER

(cont'd)



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

Malaysian/39/Male



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

Malaysian/69/Male

Date Appointed to the Board

31 March 2015

Board Committee Membership

Nil

No. of Board Meetings Attended in 2020

6/6

Academic/Professional Qualification/Professional Membership

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

Present Directorships

MRCB Group of Companies

Working Experience:

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

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

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

Date Appointed to the Board

16 June 2015

Board Committee Membership

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

No. of Board Meetings Attended in 2020

6/6

Academic/Professional Qualification/Professional Membership

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

Present Directorships

- Box-Pak (Malaysia) Berhad
- Priceworth International Berhad
- Straits International Education Group
- Mieco Chipboard Berhad
- SHP International Education Sdn Bhd

Working Experience:

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

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

PROFILE OF DIRECTORS OF THE MANAGER

(cont'd)



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

Malaysian/61/Male



FRANCES PO YIH MING
*Independent
Non-Executive Director*

Malaysian/62/Female

Date Appointed to the Board

8 March 2019

Board Committee Membership

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

No. of Board Meetings Attended in 2020

6/6

Academic/Professional Qualification/Professional Membership

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

Present Directorships

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

Other Memberships/Appointments/Involvements

- Property Advisor with Perbadanan Usahawan Nasional Berhad
- Development Committee Member with Institut Jantung Negara

Working Experience:

Datuk Kamalul Arifin is a Chartered Surveyor by training with more than 30 years of experience in the real estate sector. He was the Group Managing Director/Chief Executive Officer of Pelaburan Hartanah Berhad since its inception in 2006 until 2018.

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

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

Date Appointed to the Board

17 July 2020

Board Committee Membership

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

No. of Board Meetings Attended in 2020

2/2

Academic/Professional Qualification/Professional Membership

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

Present Directorships

Nil

Working Experience:

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

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

ADDITIONAL INFORMATION:

1. Save as disclosed, none of the Directors have any family relationship with any Directors and/or major shareholders of the Manager and/or major unitholders of SENTRAL.
2. None of the Directors has any conflict of interest with the Manager and/or SENTRAL.
3. None of the Directors has
 - (i) been convicted of any offence (other than traffic offences) within the past ten (10) years; and
 - (ii) been imposed with any public sanctions or penalty by the relevant regulatory bodies during the financial year.

THE MANAGEMENT TEAM OF THE MANAGER

Standing from left to right :

Chan Fong Hin	<i>General Manager, Asset Management</i>
Alice Yap Soh Ping	<i>Manager, Lease Administration</i>
Jean Wong Wen Looi	<i>Manager, Legal</i>
Christie Pun Nyuk Len	<i>Senior Manager, Lease Administration</i>
Shirley Tam Soot Lee	<i>General Manager, Finance</i>
Tracy Wong	<i>Senior Executive, Finance</i>
Phuah Ngah Yuin	<i>Senior Executive, Finance</i>
Leong Foong Yin	<i>Senior Executive, Finance</i>
Alex Low Kam Seng	<i>Manager, Asset Management</i>



Seated from left to right :

Stephanie Tang Pit Yen	<i>General Manager, Investment and Asset Management</i>
Yong Su-Lin	<i>Chief Executive Officer</i>
Joyce Loh Mun Ching	<i>General Manager, Investment and Investor Relations</i>

THE MANAGEMENT TEAM OF THE MANAGER

(cont'd)



YONG SU-LIN

47 years old, Female
Chief Executive Officer
Malaysian

Date of appointment as Chief Executive Officer:

9 July 2015

Length of service as CEO:

5 year and 7 months

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

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

Present Directorship(s):

Nil

Working Experience:

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

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

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

As at 31 December 2020, she holds 3,000 SENTRAL units.

MANAGEMENT DISCUSSION AND ANALYSIS

- FINANCIAL HIGHLIGHTS

Fund Performance	2020	2019	2018	2017	2016
Total Asset Value (RM)	2,227,662,488	2,213,704,358	2,271,385,292	2,288,392,194	2,297,341,586
Net Asset Value ("NAV") (RM)					
- Before income distribution	1,323,501,754	1,323,489,418	1,372,289,531	1,384,724,570	1,359,698,627
- After income distribution	1,284,381,674	1,287,370,331	1,331,025,885	1,340,295,770	1,332,251,315
Units in circulation	1,071,783,000	1,071,783,000	1,071,783,000	1,068,000,000	1,068,000,000
NAV per unit (RM)	1.2349	1.2348	1.2804	1.2966	1.2988
Highest NAV per unit (RM)	1.2445	1.2801	1.3018	1.3281	1.3758
Lowest NAV per unit (RM)	1.2072	1.2348	1.2612	1.2799	1.2731
Highest traded price per unit (RM)	1.00	1.12	1.25	1.35	1.36
Lowest traded price per unit (RM)	0.51	0.99	1.00	1.22	1.06
Distribution Per Unit ("DPU") (sen)	7.08	6.80	8.08	8.39	8.38
- Interim	3.43	3.43	4.23	4.23	4.23
- Final	3.65	3.37	3.85	4.16	4.15
Dates of Distribution					
- Interim	30-Sep-20	23-Sep-19	19-Sep-18	18-Sep-17	8-Sep-16
- 2nd Interim	-	-	-	-	-
- Final	26-Feb-21	28-Feb-20	28-Feb-19	28-Feb-18	13-Jan-17
Effect of Income Distribution on NAV per unit					
- Before Distribution (RM)	1.2349	1.2348	1.2804	1.2966	1.2988
- After Distribution (RM)	1.1984	1.2011	1.2419	1.2550	1.2731
Closing price on the last trading day	0.875	1.00	1.06	1.25	1.20
Distribution yield (per annum) ^(a)	8.09%	6.80%	7.62%	6.71%	6.98%
MER ^(b)	1.09%	1.06%	1.09%	1.07%	1.33%
Average Total Returns					
- for 1 year ^{(c)(i)}	6.55%	5.83%	6.85%	7.14%	4.80% ^(e)
- 3 financial years ^{(c)(iii)}	19.23%	19.83%	18.80%	19.14%	20.29%
- 5 financial years ^{(c)(iii)}	31.18%	31.82%	34.28%	35.82%	37.05%
Annual Total Returns ^(d) (RM)	80,954,941	72,107,547	84,653,758	88,006,515	59,155,963
Proposed final income distribution	39,120,080	36,119,087	41,263,646	44,428,800	27,447,312

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

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

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

(c) (i) Average Total Returns for 1 year is computed based on the Annual Total Returns for financial year ended 2020 divided by the weighted average unitholders capital for the financial year ended 2020.

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

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

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

(e) The percentage average total return for 2016 is lower than other years as SENTRAL did not recognise full year income from Menara Shell in 2016, in view that the property was acquired on 22 December 2016, notwithstanding the increase in its average unitholders capital upon completion of the acquisition of the said property.

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

MANAGEMENT DISCUSSION AND ANALYSIS - PORTFOLIO OVERVIEW

As at 31 December 2020, SENTRAL's investment comprised ten (10) commercial buildings with five (5) located in Cyberjaya, four (4) in Kuala Lumpur and one (1) in Penang. The details of SENTRAL's properties are as follows.

QUILL BUILDING 1 – DHL 1



- Address / Location : 3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : HSD 28552, PT 40578, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 18 years
- Description : 4-storey office building together with a sub-basement and a basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 92,284 square feet ("sq. ft.")
- Existing Use : Commercial Building
- Parking Space : 315 lots
- Date of Acquisition : 20 November 2006
- Acquisition Price : RM52,100,000
- Market Value as at 31 December 2020 : RM135,000,000*
- Name of Valuer : Knight Frank Malaysia Sdn. Bhd.
- Occupancy as at 31 December 2020 : 100%
- Tenant : DHL Information Services (Asia-Pacific) Sdn. Bhd.
- Tenancy Period : 5+5 years from 1 January 2016
- Trade Sector Analysis :
 - By Percentage of Occupied Net Lettable Area – 100% Logistic Tenant
 - By Percentage of Gross Rental – 100% Logistic Tenant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM1,366,084

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

QUILL BUILDING 4 – DHL 2



- Address / Location : 3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : HSD 28552, Lot PT 40578, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 14 years
- Description : 4-storey office building together with a sub-basement and 2 levels basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 99,183 sq. ft.
- Existing Use : Commercial Building
- Parking Space : 309 lots
- Date of Acquisition : 20 November 2006
- Acquisition Price : RM57,000,000
- Market Value as at 31 December 2020 : RM135,000,000*
- Name of Valuer : Knight Frank Malaysia Sdn. Bhd.
- Occupancy as at 31 December 2020 : 100%
- Tenant : DHL Information Services (Asia-Pacific) Sdn. Bhd.
- Tenancy Period : 5+5 years from 1 January 2016
- Trade Sector Analysis :
 - By Percentage of Occupied Net Lettable Area – 100% Logistic Tenant
 - By Percentage of Gross Rental – 100% Logistic Tenant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM981,958

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

QUILL BUILDING 2 – HSBC



- Address / Location : 3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : HSD 30755, Lot PT 43966, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 17 years
- Description : 4-storey office building together with a sub-basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 184,453 sq. ft.
- Existing Use : Commercial Building
- Parking Space : 505 lots
- Date of Acquisition : 20 November 2006
- Acquisition Price : RM107,500,000
- Market Value as at 31 December 2020 : RM123,000,000
- Name of Valuer : Nawawi Tie Leung Property Consultants Sdn. Bhd.
- Occupancy as at 31 December 2020 : 100%
- Tenant : HSBC Electronic Data Processing (Malaysia) Sdn. Bhd.
- Tenancy Period : 5+3+3 years from 10 November 2014
- Trade Sector Analysis :
 - By Percentage of Occupied Net Lettable Area – 100% Banking Tenant
 - By Percentage of Gross Rental – 100% Banking Tenant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM1,758,339

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

QUILL BUILDING 3 – BMW



- Address / Location : 3501, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : GRN 169506, Lot 33084, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 16 years
- Description : 4-storey office building together with a level of sub-basement and a level of basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Nil
- Net Lettable Area : 117,198 sq. ft.
- Existing Use : Commercial Building
- Parking Space : 347 lots
- Date of Acquisition : 20 November 2006
- Acquisition Price : RM59,400,000
- Market Value as at 31 December 2020 : RM78,000,000
- Name of Valuer : Nawawi Tie Leung Property Consultants Sdn. Bhd.
- Occupancy as at 31 December 2020 : 91%

- Major Tenants and Tenancy Details :

Tenant	BMW Asia Technology Centre Sdn. Bhd.
Tenancy Period	10 years from 7 July 2015
Tenant	BMW Malaysia Sdn. Bhd.
Tenancy Period	10 years from 7 July 2015
Tenant	PGS Data Processing & Technology Sdn. Bhd.
Tenancy Period	5+5+5+5 years from 1 January 2007
Tenant	Agensi Inovasi Malaysia
Tenancy Period	2+3 years from 1 January 2016
Tenant	Huawei Technologies (Malaysia) Sdn. Bhd.
Tenancy Period	3+3+3 years from 1 February 2018
Tenant	BMW Credit (Malaysia) Sdn. Bhd.
Tenancy Period	8.8+3+3 years from 1 October 2016

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

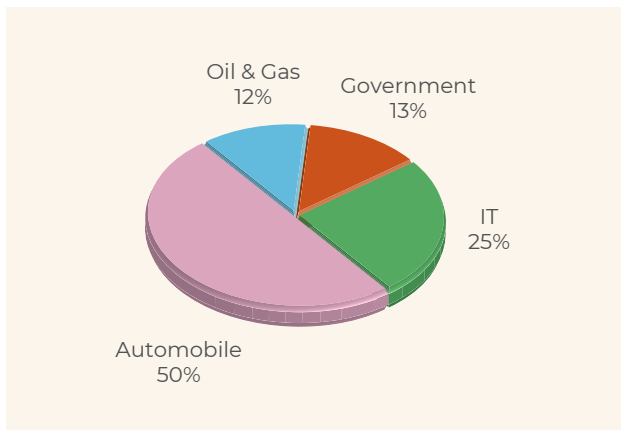
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QUILL BUILDING 3 – BMW (CONT'D)

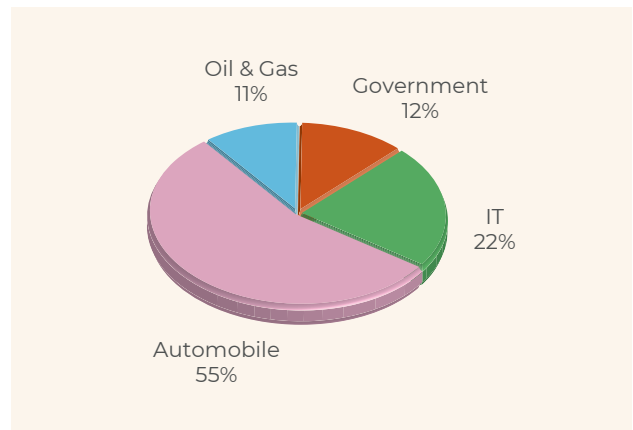


- Trade Sector Analysis :

- By Percentage of Occupied Net Lettable Area



- By Percentage of Gross Rental



- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM3,829,544

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

WISMA TECHNIP



- Address / Location : 241, Jalan Tun Razak, 50400 Kuala Lumpur
- Title : Geran 43313, Lot No. 1262 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
- Property Type and Age : Office Building, 27 years
- Description : 12-storey office building with a mezzanine floor and three split-levels basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Hong Leong Investment Bank as security agent
- Net Lettable Area : 233,021 sq. ft.
- Existing Use : Office Building
- Parking Space : 308 lots
- Date of Acquisition : 3 September 2007
- Acquisition Price : RM125,000,000
- Market Value as at 31 December 2020 : RM173,000,000
- Name of Valuer : CH Williams Talhar & Wong Sdn. Bhd.
- Occupancy as at 31 December 2020 : 83%
- Tenants : Technip Geoproduction (M) Sdn. Bhd.
Tenancy Period : 5+3 years from 1 January 2014 and 1+1 year from 1 November 2019
Technip Marine (M) Sdn. Bhd.
Tenancy Period : 2 years from 1 January 2020
- Trade Sector Analysis:
 - By Percentage of Occupied Net Lettable Area – 100% Oil & Gas Tenant
 - By Percentage of Gross Rental – 100% Oil & Gas Tenant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM3,523,590

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

PART OF PLAZA MONT KIARA



- Address / Location : Plaza Mont' Kiara, No. 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur
- Title : Parent Lot No. 56054, Mukim Batu, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
- Property Type and Age : Commercial lots and car parks, 18 years
- Description : An integrated stratified retail/office commercial units located in Plaza Mont' Kiara within the ground floors of Blocks A & B and Blocks C & D, and at the basement and ground floor of Block E. The car park lots are located in Blocks A, B, C, D and E.
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Hong Leong Investment Bank as security agent
- Net Lettable Area : 73,408 sq. ft. (excluding 1,499 car park lots)
- Existing Use : Retail and car park
- Parking Space : 1,499 lots
- Date of Acquisition : 3 September 2007
- Acquisition Price : RM90,000,000
- Market Value as at 31 December 2020 : RM116,000,000
- Name of Valuer : IVPS Property Consultant Sdn. Bhd.
- Occupancy as at 31 December 2020: 90%
- Tenants : Multi-tenanted retail tenants from various sectors, including banking, food & beverages, beauty & fashion, childcare, fitness and convenient marts
- Tenancy Period : ranging between 1 to 3 years period

MANAGEMENT DISCUSSION AND ANALYSIS

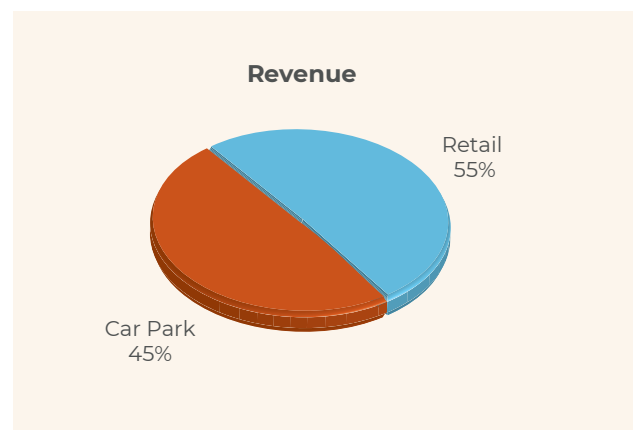
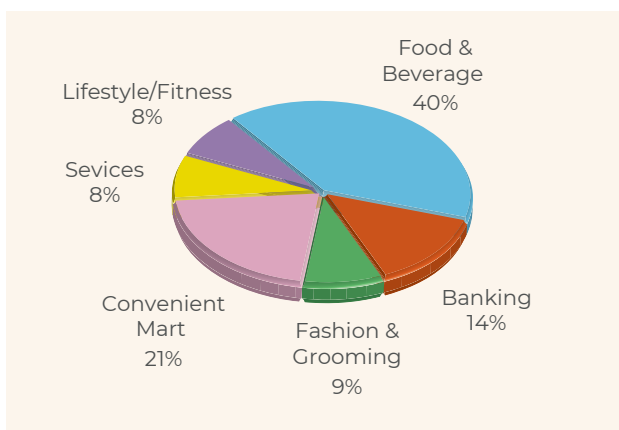
- PORTFOLIO OVERVIEW

(cont'd)

PART OF PLAZA MONT KIARA (CONT'D)



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



- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM3,040,091

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

QUILL BUILDING 5 - IBM



- Address / Location : 3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
- Title : HSD 30754, PT 43965, Mukim of Dengkil, District of Sepang, State of Selangor
- Property Type and Age : Commercial Building, 13 years
- Description : 5-storey office building together with one level of sub-basement and 1 ½ levels of basement car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Hong Leong Investment Bank as security agent
- Net Lettable Area : 81,602 sq. ft.
- Existing Use : Commercial building
- Parking Space : 304 lots
- Date of Acquisition : 14 March 2008
- Acquisition Price : RM43,000,000
- Market Value as at 25 September 2020: RM40,000,000
- Name of Valuer : Knight Frank Malaysia Sdn. Bhd.
- Occupancy as at 31 December 2020 : Vacant
- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM704,068

Maybank Trustees Berhad (“MTB” and “Trustee”), acting solely in the capacity as trustee for SENTRAL, had on 12 November 2020 entered into a sale and purchase agreement with Deriv Services Sdn Bhd for the Proposed Disposal of Quill Building 5 for a cash consideration of RM45 million (“Proposed Disposal”). Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the second quarter of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

TESCO BUILDING, PENANG



- Address / Location : 1, Lebuhraya Tengku Kudin 1, 11700 Penang
- Title : Geran 77969, Lot No. 778, Section 4, Town of Jelutong, North East District, Penang
- Property Type and Age : Commercial Building, 16 years
- Description : 3-storey purpose built hypermarket
- Tenure : Term in perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 275,020 sq. ft.
- Existing Use : Commercial building
- Parking Space : 1,050 lots
- Date of Acquisition : 7 November 2008
- Acquisition Price : RM132,000,000
- Market Value as at 31 December 2020 : RM140,000,000
- Name of Valuer : IVPS Property Consultant Sdn. Bhd.
- Occupancy as at 31 December 2020 : 100%
- Tenant : Tesco Stores (Malaysia) Sdn. Bhd.
- Tenancy Period : 29 October 2004 to 31 August 2032
- Trade Sector Analysis :
 - By Percentage of Occupied Net Lettable Area – 100% Retail Tenant
 - By Percentage of Gross Rental – 100% Retail Tenant
- Maintenance cost and capital expenditure for the year : RM590,585

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

PLATINUM SENTRAL



- Address / Location: Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur
- Title : GRN 46222, Lot 73 Section 70, Within Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
- Property Type and Age : Commercial Building, 9 years
- Description : 5 blocks of 4 to 7 storey commercial building comprising office-cum-retail space, a multi-purpose hall and 2 levels of car park
- Tenure : Term in Perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area: 482,913 sq. ft.
- Existing Use : Commercial building
- Parking Space : 645 lots
- Acquisition Price : RM740,000,000
- Date of Acquisition : 30 March 2015
- Market Value as at 31 December 2020 : RM675,000,000
- Name of Valuer : Nawawi Tie Leung Property Consultants Sdn. Bhd.
- Occupancy as at 31 December 2020 : 84%

- Major Tenants and Tenancy Details :

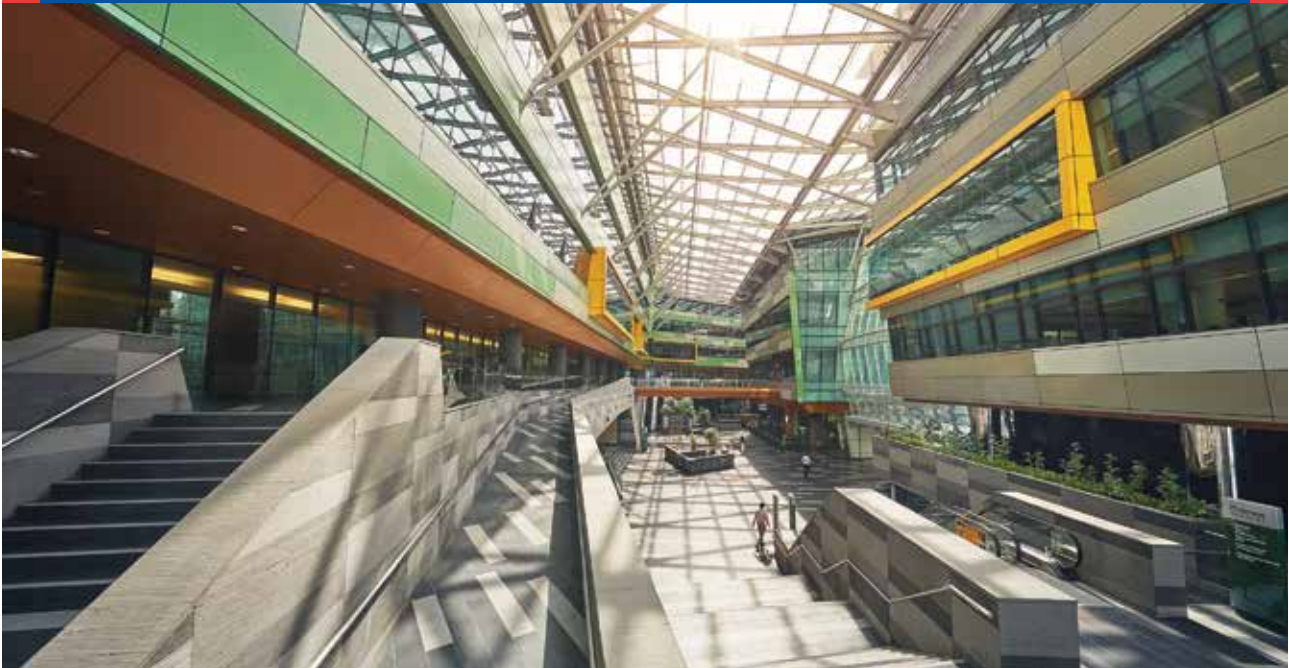
Tenant	Small and Medium Enterprise Corporation Malaysia
Tenancy Period	15+3 years from 1 July 2011
Tenant	SBM Malaysia Sdn. Bhd.
Tenancy Period	3+3+3+3+3 years from 28 October 2011
Tenant	Platinum KLS Centre (MYS) Sdn Bhd
Tenancy Period	9+3 years from 18 July 2019; 3+3+3 years from 27 Aug 2019 and 2+3+3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

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

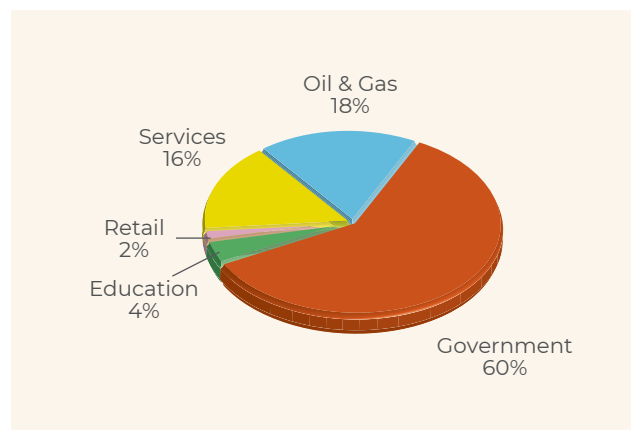
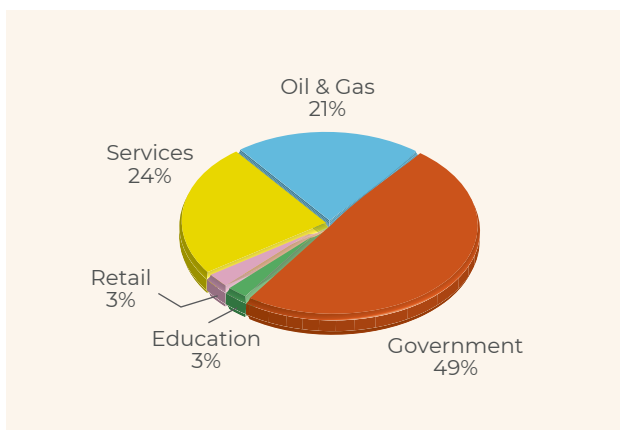
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PLATINUM SENTRAL (CONT'D)



Trade Sector Analysis:

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



- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM9,568,771

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

MENARA SHELL



- Address / Location : 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur
- Title : Parent Lot No. 348, Section 72, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur
- Property Type and Age : Commercial Building, 7 years
- Description : 33-storey stratified office building erected on a 5 storey podium and a 4 storey basement car park
- Tenure : Term in perpetuity
- Encumbrances : Charged to Pacific Trustees Berhad as security agent
- Net Lettable Area : 557,053 sq. ft.
- Existing Use : Commercial building
- Parking Space : 915 lots
- Date of Acquisition : 22 December 2016
- Acquisition Price : RM640,000,000
- Market Value as at 31 December 2020 : RM657,000,000
- Name of Valuer : Nawawi Tie Leung Property Consultants Sdn. Bhd.
- Occupancy as at 31 December 2020 : 99%

MANAGEMENT DISCUSSION AND ANALYSIS

- PORTFOLIO OVERVIEW

(cont'd)

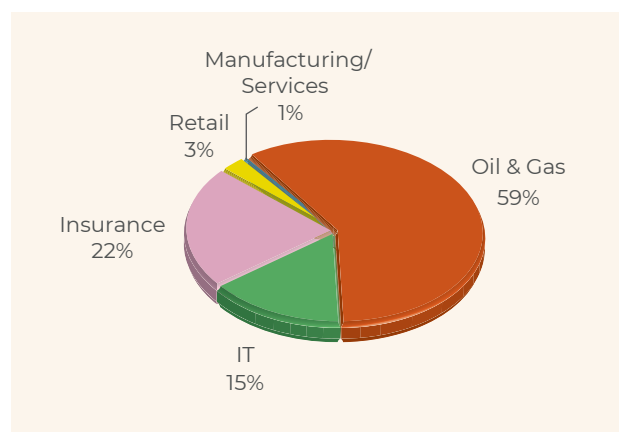
MENARA SHELL (CONT'D)

- Major Tenants and Tenancy Details:

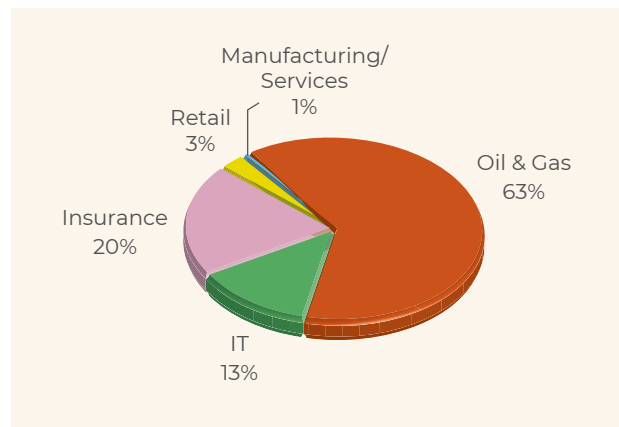
Tenant	Shell Malaysia Trading Sdn. Bhd.
Tenancy Period	15+5 years from 1 November 2013
Tenant	AmGeneral Insurance Berhad
Tenancy Period	3+3+3+3+3 years from 1 August 2015
Tenant	Google Services Malaysia Sdn. Bhd.
Tenancy Period	3+3+3+3+3 years from 1 June 2019 and 3+3+3+3+3 years from 1 April 2020
Tenant	Coca-Cola Far East Limited
Tenancy Period	3+3+3 years from 7 June 2014
Tenant	Saipem Asia Sdn. Bhd.
Tenancy Period	3+2+1+1 years from 1 November 2014
Tenant	Microsoft (Malaysia) Sdn Bhd
Tenancy Period	6+3 years from 15 July 2018
Tenant	ReMark Malaysia Pte Ltd
Tenancy Period	3+3 years from 1 October 2018
Remaining Tenants	Retail tenants from various sectors including banking, food & beverages, clinic, childcare centre and convenient stores
Tenancy Period	3 years

- Trade Sector Analysis:

- By Percentage of Occupied Net Lettable Area



- By Percentage of Gross Rental



- Property Manager : Zaharin Nexcap Property Consultants Sdn. Bhd.
- Maintenance cost and capital expenditure for the year : RM13,706,732

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL REVIEW

OVERVIEW – 2020 OPERATING ENVIRONMENT

The year 2020 was stirred by a whirlwind of unexpected events, the most significant being the COVID-19 pandemic. This unprecedented outbreak spread with alarming speed, infecting millions and bringing economic activity to a near standstill as countries impose tight restrictions on movement to halt the spread of the virus. The COVID-19 outbreak has generated both demand and supply shocks spreading across the global economy. At the sectoral level, tourism and travel-related industries were among the hardest hit as authorities encourage “physical distancing” and consumers staying indoors. This represents the largest economic shock the world has experience in decades. International Monetary Fund (“IMF”) forecasts a -4.9% YoY (2019: +2.9% YoY) contraction in global growth in 2020. The global economy is expected to rebound in 2021 with a growth of 5.2% due to robust growth in the emerging and developing economies, albeit uncertainty and significant downside risks such as trade tensions, low commodity prices still looming.

Malaysia was not spared from this catastrophic event. The effects of COVID-19 synchronised closely with the oil price plunge that has significant economic implications for Malaysia and the political upheavals also weighted heavily on the overall country’s economic performance in 2020. Malaysia’s economy bottomed in 2Q 2020 after the movement control order (“MCO”) was effected. Economic activity however, recovered as the MCO moved into a recovery phase as the flattened domestic pandemic curve enabled the progressive easing and re-opening of industries and businesses. The easing of the MCO under a new normal environment and assistance from the economic stimulus package and monetary easing, has allowed Malaysia’s economy to re-start in the second half of the year, albeit not to the pre-pandemic levels until a vaccine or cure is discovered. As anticipated, Malaysia’s economy contracted 3.4% in the fourth quarter and its annual 2020 gross domestic product (“GDP”) fell 5.6%.

As expected, the 2021 Budget announced by the Government is an expansionary budget focused on supporting businesses and the B40 segment to alleviate the impact of the pandemic. In tandem with this, the Malaysian economy is projected to recover to above pre-crisis levels in 2021, supported by fiscal expansion and accommodative monetary policy. The Ministry of Finance (“MOF”) has forecasted real GDP growth forecast of 6.5-7.5% for 2021 (from a contraction of -4.5% YoY in 2020F).

The Government is expected to continue increasing expenditure in 2021 to support economic activity and mitigate the impact of the

pandemic. The Government’s policies are geared towards ensuring economic recovery with the on-going implementation of the RM305 billion economic stimulus package and short-term economic recovery plan (PRIHATIN, PENJANA, KitaPRIHANTIN) as well as the recently announced RM15 billion PERMAI stimulus package. Bank Negara Malaysia (“BNM”) has cut the Overnight Policy Rate (“OPR”) by four successive times totalling 125bps** in 2020, pushing the OPR to a record low of 1.75%. It is also expected that Malaysia’s monetary policy will continue to remain supportive of economic recovery with room for further easing if needed, amid the current deflation environment and benign inflation outlook.

The increased uncertainty in the economy in 2020 has also led to financial market volatility last seen during the global financial crisis. In terms of market outlook, despite concerns about growth outlook, the Malaysian equity market bounced strongly in 2020 off its March lows of 1,220. The KLCI registered an impressive recovery to end the year at 1,602.57, erasing its YTD loss and being one of the best performing ASEAN markets. The uptrend and concurrent surge in market trading activity has occurred despite sustained net foreign selling, mainly due to recovery in the rubber glove sector and strong retail participation in 2020. Given low fixed deposits rates and cheap margin financing, retailers entered the equity market to seek better returns amid battered down share prices.

The Malaysian Real Estate Investment Trust (“M-REIT”) sector also experienced significant operating impact attributed to the COVID-19 pandemic and the resultant MCO. These events have deeply impacted the operations and earnings of M-REITs with high exposure to retail and hospitality. The weak earnings generally were attributed to the rental assistance rolled out as well as weaker occupancy and rental reversions for the leases due for renewal.

During this trying times, the government vide Securities Commission of Malaysia (“SC”) had provided temporary relief to listed M-REITs by increasing the gearing limit stipulated under SC’s Guidelines on Listed Real Estate Investment Trust (“Listed REIT Guidelines”) from 50% to 60% until 31 December 2022. We applaud the SC’s timely decision to grant such temporary relief measure to M-REITs as it will provide better cash flow flexibility, amid the challenging operating environment during the COVID-19 pandemic.

(* MOF Budget 2021 Economic Outlook 2021

** -25bps to 2.75% at 21-22 Jan 2020 Monetary Policy Committee (“MPC”) meeting; -25bps to 2.50% at 2-3 Mar 2020 MPC; -50bps to 2.00% at 4-5 May 2020 MPC; -25bps to 1.75% at 6-7 July 2020 MPC)

MANAGEMENT DISCUSSION AND ANALYSIS - OPERATIONAL REVIEW

(cont'd)

Notwithstanding, the sector has demonstrated resilience and continue to be an attractive sector and a suitable investment option. The current low interest rate environment remains favourable to M-REITs, as yield spreads between M-REITs and the 10-year MGS continue to be at high. Although lagging behind its historical high of circa 6.5%, the M-REITs is still recording an average yield of 4.5%-5.5% at present, which still proves M-REITs to be the robust alternative to government bonds (yield of c.2.9% currently).

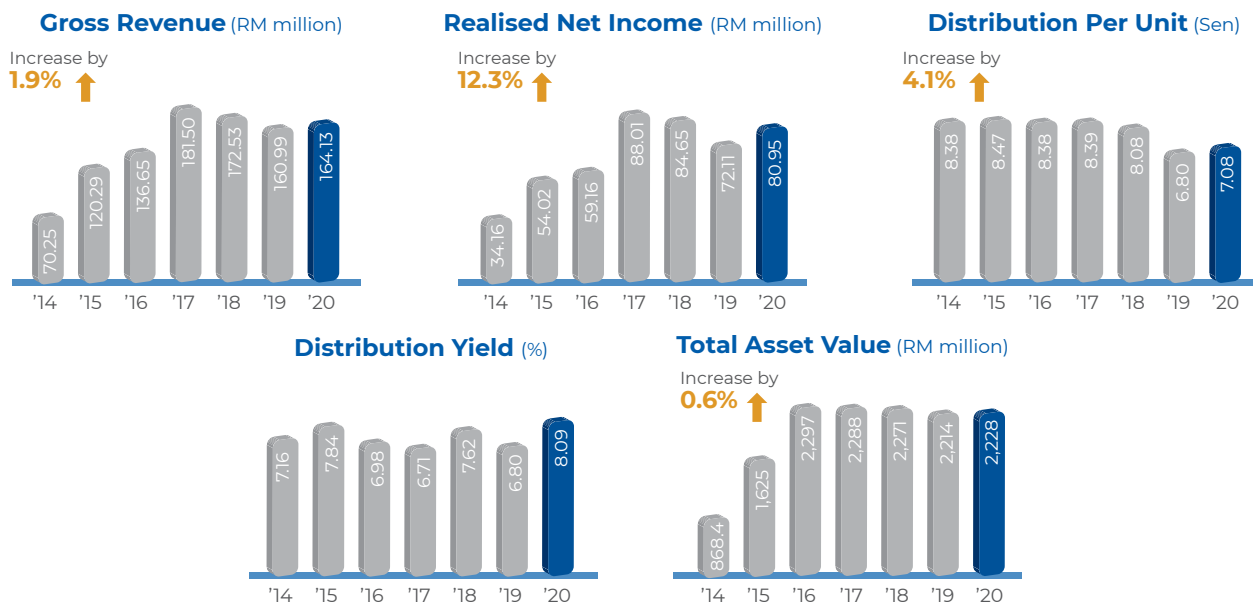
In anticipation of further OPR cut by BNM, coupled with continued muted earnings growth, stocks with resilient yield and have capital preservations characteristics will continue to be favoured by investors. Therefore, we believe that M-REIT will remain attractive to investors in this current market environment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

In respect of the Klang Valley office market, 2020 was a challenging year. As at 3Q 2020, Klang Valley was estimated to have an existing stock of 114.93 million sq. ft., with concentration of supply in Central Kuala Lumpur ("CKL") and

Metropolitan Kuala Lumpur ("MKL") of 42.9% and 43.2%, respectively. The volume of future office supply in Klang Valley remains high with 6.11 million sq. ft. under construction, bringing total supply to 121.04 million sq. ft. by 2022. Klang Valley occupancy rates were stable with an average of 79.3%. as at 3Q 2020, a marginal decrease of 0.2% and 1.5% based on quarter-on-quarter and year-on-year comparisons, respectively. Meanwhile, occupancy rates in Cyberjaya/ Putrajaya averaged at 66.7% (Cyberjaya: 72.6%, Putrajaya: 60.9%). Offices with secured tenancies and committed leases are expected to be stable in the short term. However, the impending supply and the expected increase in vacancy rate to 23% by 2022 will continue to put pressure on the average occupancy rate and rental. New purposed built office buildings with quality specifications that meet tenant's requirements, located in established commercial areas with proximity to public transportations will likely secure better take-up rates upon completion. The Klang Valley office market will continue to remain a tenants' market with ample supply from both existing and incoming supply. Notwithstanding, physical offices will continue to remain important as a driver of connectivity and productivity for businesses in spite of the pandemic. Improving business and consumer sentiments post COVID-19 would also be positive for the real estate sector.

(Source: Property Market Commentary on Purpose-Built Office Sector in Klang Valley and Purpose Built Retail Sector in Klang Valley and Penang dated December 2020 prepared by C H Williams Talhar & Wong Sdn. Bhd.)

FINANCIAL PERFORMANCE



MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL REVIEW

(cont'd)

FINANCIAL PERFORMANCE (cont'd)

For financial year ended 31 December 2020 ("FY2020"), SENTRAL recorded a realised gross revenue of RM165.69 million, representing an increase of 2.2% as compared to RM162.07 million recorded in the preceding financial year ended 31 December 2020 ("FY2019"). Correspondingly, it recorded a net property income of RM126.12 million for FY2020, representing an increase of 3.6% as compared to RM121.75 million recorded in the preceding financial year. The improved performance was mainly due to higher revenue contribution from recorded from Menara Shell, Wisma Technip and Tesco Penang and lower property operating expenses incurred for some of the properties under the portfolio.

SENTRAL recorded a total realised income and distributable income of RM80.95 million for FY2020, an increase of 12.3% and 10.89% from the total realised income and distributable income of RM72.11 million and RM73.01 million for FY2019. The increase is mainly due to higher net property income and lower finance cost. Correspondingly, the realized Earnings Per Unit ("EPU") and distributable income per unit for FY2020 is 7.55 sen, which is approximately 12.3% and 10.89% higher compared to the EPU and distributable income per unit of 6.73 sen and 6.81 sen recorded in FY2019.

Taking into consideration the on-going uncertainties and challenging operating landscape, it was a positive year for SENTRAL with its performance meeting market consensus. The FY2020 result was underpinned by its stable portfolio occupancy rate and the ability of the Manager to manage operational cost and cash flows effectively during this pandemic. The Manager remained focused in deploying its planned marketing and asset management strategies in 2020 which is to concentrate on tenant retention, resulting in healthy weighted average lease expiry profile ("WALE") and average occupancy rate of 4.51 years and 90% respectively, as at 31 December 2020.

Distribution to Unitholders

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

On 19 January 2021, the Board had declared a final Distribution Per Unit ("DPU") of 3.65 sen for the period from 1 July 2020 to 31 December 2020, which was paid out to unitholders of SENTRAL on Friday, 26 February 2021. This final DPU of 3.65 sen, together with the interim distribution of 3.43 sen per unit for the period from 1 January 2020 to 30 June 2020, which was paid on 30 September 2020, amounted to a FY2020 DPU of 7.08 sen. The Trustee and the Board of the Manager did not recommend any further distribution for the FY2020.

On a year-on-year comparison, FY2020 DPU of 6.80 sen is 4.1% higher than the FY2019 DPU of 6.80 sen and this translates to a distribution yield of 8.09% based on the closing price of RM0.875 per unit as at 31 December 2020.

Overall, with the commitment of delivering sustainable distribution and growth in total return to unitholders, the Management has delivered a total DPU of 110.81 sen since June 2007.

SENTRAL's unit price trading performance during the first half of year experienced a decline from its unit price opening of RM1.00 in the beginning of the year, in tandem with the overall performance of the KLCI which was negatively impacted by COVID-19. Its unit price subsequently rebounded in second half of the year to close at RM0.875 on the back of better financial performance and optimism of a healing economy, albeit not to pre-COVID 19 levels. Due to the decline in its unit price, SENTRAL recorded a negative total return of 4.0%, contributed by a depreciation in unit price of 12.1% and distribution yield of 8.09%.

BUSINESS PERFORMANCE

(A) Portfolio Highlights

As at 31 December 2020, SENTRAL's portfolio investment comprised ten (10) commercial buildings with five (5) located in Cyberjaya, four (4) in Kuala Lumpur, one (1) in Penang and it continued to receive steady income from these portfolio of assets in FY2020. For further details of each property, kindly refer to SENTRAL's Portfolio Overview on pages 13 to 26.

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL REVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(A) Portfolio Highlights (cont'd)

Revaluation of Properties as at 31 December 2020

Summarised below is the latest valuation of SENTRAL's portfolio of properties as at 31 December 2020:

Name of Properties	Valuation as at 31 Dec 2019 (RM'000)	Valuation as at 31 Dec 2020 (RM'000)	% of Investment
Quill Building 1-DHL 1 and Quill Building 4-DHL 2	133,300	135,000	6.3
Quill Building 2-HSBC	123,000	123,000	5.8
Quill Building 3-BMW	78,000	78,000	3.6
Wisma Technip	173,200	173,000	8.1
Part of Plaza Mont' Kiara	118,500	116,000	5.4
Quill Building 5-IBM	40,000	40,000	1.9
Tesco Building Penang	140,000	140,000	6.6
Platinum Sentral	686,000	675,000	31.6
Menara Shell	651,000	657,000	30.7
Total Investment Properties	2,143,000	2,137,000	100.0

The annual valuation of SENTRAL's portfolio of properties was conducted at the close of FY2020. SENTRAL's total portfolio registered a portfolio value of RM2.137 billion for FY2020 compared to the Net Book Value as at 31 December 2020* of RM2.144 billion recorded in FY2020, translating to a revaluation loss of RM7.18 million. The portfolio revaluation loss was mainly due to the devaluation of Platinum Sentral and Part of Plaza Mont Kiara.

The fair valuation loss on investment properties recognized in the Condensed Consolidated Statement of Comprehensive Income amounts to RM5.498 million. The reconciliation between the decrease in investment properties and fair value loss is as follows:

	RM'000
Decrease in investment properties as per 31 December 2020 valuation	(7,176)
Less: Unbilled lease income receivable	1,678
Fair value loss of investment properties (Unrealised)	(5,498)

Upon incorporating the fair value loss of investment properties, the total net asset value ("NAV") and NAV per unit (after income distribution) are RM1.32 billion and RM1.1984 per unit, respectively (FY 2019 total NAV and NAV per unit (after income distribution) is RM1.32 billion and RM1.2011 per unit respectively).

Note:

* The Net Book Value as at 31 December 2020 (prior to the revaluation) for the properties comprise of the brought forward net book value as at 31 December 2019 together with asset enhancement related cost incurred in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL REVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(A) Portfolio Highlights (cont'd)

Property Portfolio Summary Information

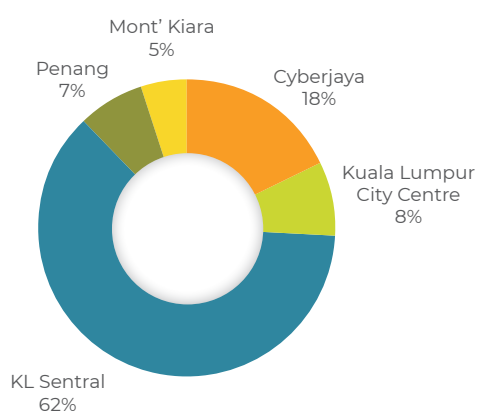
Portfolio details	FY 2019	FY 2020
No of Assets – Commercial Real Estates ⁽¹⁾	10	10
Valuation of Investment Properties (RM'000)	2,143,000 ⁽²⁾	2,137,000 ⁽³⁾
Net Letterable Area ("NLA") (sq. ft.)	2,189,592	2,196,540 ⁽⁴⁾
Portfolio Occupancy rate (%)	90.0	90.0
Weighted Average Lease Expiry (years)	4.90	4.51
Renewal Rate (%)	92.0	85.0

Notes:

- (1) SENTRAL's composition of investment portfolio consist of only real estate assets.
- (2) After taking into account the accrued rental income of RM17.82 million as required under MFRS 140, paragraph 50, the investment properties amount as shown in the Statement of Financial Position is RM2.13 billion.
- (3) After taking into account the accrued rental income of RM16.15 million as required under MFRS 140, paragraph 50, and the asset held for sale of RM40.0 million the investment properties amount as shown in the Statement of Financial Position is RM2.08 billion.
- (4) The change in NLA is due to the re-measurement of office space in Platinum Sentral.

Geographical Diversification (by Valuation)

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

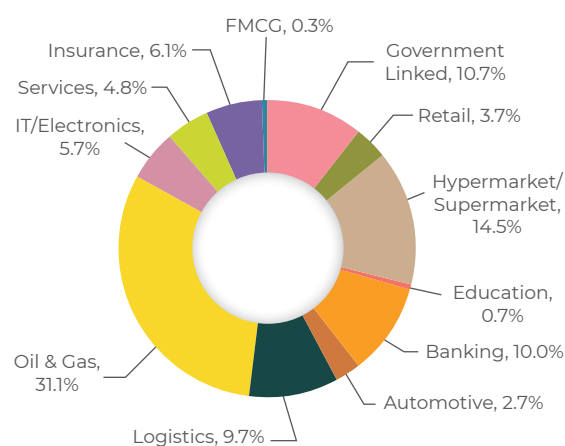


Klang Valley	75%
Cyberjaya	18%
Penang	7%

Note:

- (1) Based on valuation dated 31 December 2020

A Well Balance Tenancy Mix (By Net Lettable Area)



MANAGEMENT DISCUSSION AND ANALYSIS

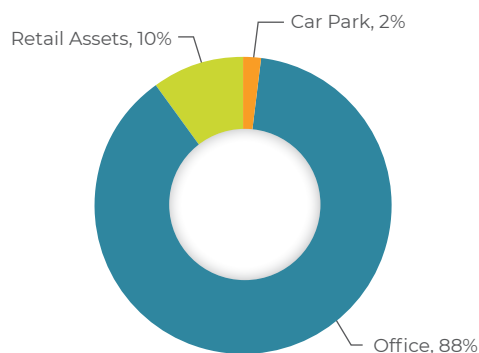
- OPERATIONAL REVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(A) Portfolio Highlights (cont'd)

Segmental Contributions (By Valuation)



Notes:

- (1) Office comprises Quill Buildings, Platinum Sentral, Menara Shell and Wisma Technip
- (2) Retail Assets refers to retail portion of Plaza Mont' Kiara & TESCO Building Penang
- (3) Car Park refers to car parking bays in Plaza Mont' Kiara
- (4) Based on valuation dated 31 December 2020

(B) Investment and Asset Management Strategies

The investment objective of SENTRAL is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders and to achieve long-term growth in the net asset value per unit of SENTRAL.

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

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

1. Acquisition growth and portfolio management strategy

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

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

2. Active asset management strategy

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

- Maximization of tenant retention through proactive tenant management and efficient property related services;
- Diversification of tenant base to balance exposure to certain business sectors that are more susceptible to general economic cycles;
- Implementation of proactive marketing plans;
- Continued minimization of property expenses without compromising the quality and services; and
- Asset enhancement by constantly improving and maintaining the quality and physical condition of the properties.

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL REVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

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

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

Investment/Divestment activities in FY2020

During the year, the Trustee, acting solely in the capacity as trustee for SENTRAL, had on 12 November 2020 entered into a sale and purchase agreement with Deriv Services Sdn Bhd for the Proposed Disposal of Quill Building 5 for a cash consideration of RM45 million ("Proposed Disposal"). Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the second quarter of 2021. Save for the above, there were no other acquisitions and/or disposals in FY2020.

(C) Review of Operation Activities

Amidst the pandemic and the economic downturn, SENTRAL is not spared from the challenging and demanding operating environment. Moving forward, we expect weak business sentiment to prevail in this volatile domestic and global economic environment. Major office occupiers in Klang Valley such as the oil & gas and financial services sectors continue to be cautious in its rental commitments amid the subdued business sentiment caused by the prolonged COVID-19 pandemic and oil price fluctuations.

The sense of growing uncertainty surrounding space requirements or leasing demands due to the nationwide MCO has had a major effect on our leasing activities. Business owners had to put on hold their business expansion plans and real estate decisions. There are also the new normal requirements for businesses to adjust to,

post-MCO. Specifically, with the increased requirements for physical distancing in the workplace, tenants have had to rethink their operations model whereby some office operations had to be split into multiple sites, provide bigger working spaces to employee and/or with the reduced appeal to physically meet-up and interact face to face, initiate work from home options.

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

In 2020, we commenced early negotiations for the lease renewals of key tenants such as DHL Information Services (Asia Pacific) Sdn Bhd in Quill Building 1 - DHL1 and Quill Building 4 - DHL2 to ensure successful tenant retention. We have tied in a 5-year lease renewal for the above properties with several enhancement initiatives to increase the value proposition of SENTRAL's properties which will meet the tenants' business requirements and the "COVID-19 new normal" operating requirement.

The nationwide MCO has left many businesses and economic sectors struggling to stay afloat. With the easing of MCO on 4 May 2020, more business activities and services gradually resumed, subject to conditions and standard operating procedures ("SOP") set by the relevant authorities. However, the road to recovery for many businesses will be long and bumpy. The ability of tenants to ride out this pandemic is essential to the sustainability of SENTRAL's occupancy rate and income. With that in mind, we had initiated a tenant assistance programme to cater to the needs of affected tenants, mainly the SME retail tenants. Various forms of assistance i.e. rebates, payment deferment schemes, allowing tenants to swap cash security deposit with Bank Guarantees have been provided. The objective of these assistance is to elevate tenants' cash flow burdens due to the inability to operate during the MCO period and to ensure the sustainability of their operations in the longer run.

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL REVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

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

In addition, we continue to focus our marketing efforts to widen SENTRAL's tenant base to include tenants from other industries namely from service related sectors such as the service office/co-working sector. SENTRAL's new office/co-working operator in Platinum Sentral had in September 2020 taken up additional space in the building and this is expected to augur well in view of the increasing demand for co-working spaces. We expect that the unprecedented crisis will benefit co-working operators, which offers flexible contract arrangements as companies rethink their operation models in this challenging business environment.

SENTRAL had approximately 371,000 sq. ft. or 19% of its total leased net lettable area due for renewal in 2020. Our active leasing and asset management strategy throughout the year has ensured successful take-up rate of approximately 314,000 sq. ft. of NLA or 85% of the leases due in 2020.

Correspondingly, SENTRAL recorded an average occupancy rate of 90% as at 31 December 2020 (2019: 90%) in terms of NLA and is above the Klang Valley office market average occupancy rate of 79.3%* in 2020.

Moving forward, we expect competition in the Klang Valley office market to remain intense in a midst of a prolonged oversupply condition exacerbated by the pandemic. With the positive leasing outcomes achieved in 2020, we will continue to pursue the current marketing programmes and leasing strategies deployed with the aim of maintaining a stable portfolio occupancy rate throughout 2021. Similar to the previous year, strong tenant management and tenant retention will continue to be the key focus in our leasing strategies in 2021. We will also leverage on new and existing networks to market the available office spaces in SENTRAL's portfolio with the focus on bringing in new tenants from the information & technology ("IT"), oil & gas, e-commerce, serviced office and shared services sectors.

Consistent quality and service of our portfolio of properties is crucial for our properties to remain competitive and relevant. On a yearly basis, we will embark on refurbishments and

asset enhancement works mainly aimed at promoting a conducive work environment for tenants. This will also include providing a safer and greener/sustainable environment which can also assist the tenants to achieve their health, safety and environment ("HSE") and sustainability goals.

Due to the MCO restrictions in 2020, we had rescheduled certain less critical planned 2020 enhancement works to the following year. In its place, resources have been deployed on assessing the risk of COVID-19 impacting SENTRAL's portfolio of properties. This is vital in order to improve the quality and service delivery of SENTRAL's properties to meet the requirements of the new normal. Based on this risk assessment, we have installed automated facial recognition readers with temperature scanning at the lift lobby entrances to cater for the implementation of COVID-19 SOP in Menara Shell. With the increasing need for tenants to operate business operations remotely, new Building Automation System ("BAS") were installed in two of the Cyberjaya properties to enable remote/real time monitoring and maintenance of the buildings' operating systems. Other notable enhancements in 2020, included the upgrading of lobby for Quill Building 1 – DHL1 and washrooms upgrading and new terrace composite flooring at Block D, Platinum Sentral.

As for 2021, we will resume improvement works planned for Quill Building 1 – DHL1 and Quill Building 4 – DHL2, Platinum Sentral and Menara Shell. For Platinum Sentral, building safety will be prioritized with the upgrade of the outdoor courtyard wood deck areas which could be a potential safety hazard for tenants if upgrading works are not done to reinforce the wood decks. In addition, enhancement of the lighting system to provide better visibility at dark secluded areas at Levels 2 and 3 of Platinum Sentral will also be part of the safety enhancement for the building. Meanwhile, the installation of the new perimeter fencing will also be carried for Quill Building 1 – DHL1 and Quill Building 4 – DHL2, to enhance the properties security features.

(* *Property Market Commentary on Purpose-Built Office Sector in Klang Valley and Purpose Built Retail Sector in Klang Valley and Penang dated December 2020 prepared by C H Williams Talhar & Wong Sdn. Bhd.*)

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL REVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(D) Risk Management

Risk management is an integral part of SENTRAL's business as it ultimately supports the business in meeting its business objectives and strategies, and consequently creating and preserving value for its unitholders.

Business Risk

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

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

Prolonged COVID-19 Pandemic

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

Credit Risk

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

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

Liquidity Risk

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

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

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

Interest Rate Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL REVIEW

(cont'd)

BUSINESS PERFORMANCE (cont'd)

(D) Risk Management (cont'd)

Interest Rate Risk (cont'd)

However, in 2020 and subsequent to the refinancing of the RM335 million borrowings under Murud Capital Sdn Bhd, SENTRAL's borrowings on fixed interest rate was reduced to 46% of total borrowings. We have kept 54% of the borrowings on floating rate in anticipation of future OPR cuts by BNM, which will aid in lowering SENTRAL's overall financing cost. It is expected that Malaysia's monetary policy will continue to remain supportive of economic recovery with room for further easing if needed amid the current deflationary environment and benign inflation outlook.

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

Compliance Risk

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

As part of the requirements set out in the Listed REIT Guidelines, SENTRAL had in 2018 appointed a Compliance Officer who is required to proactively identify applicable laws and regulatory obligations, and any updates or changes therein and ensure that SENTRAL's day-to-day operations comply with these requirements. The Manager has in place a monitoring framework that tracks SENTRAL's compliance of these applicable legislations and regulations on an on-going

basis. The Compliance Officer also periodically monitors the operations of SENTRAL to ensure that there are no breaches to the covenants of the Trust Deed and any other contracts/agreements entered into by SENTRAL with third parties. The Compliance Officer provides a compliance report to the Audit Committee on a quarterly basis.

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

OUTLOOK AND PROSPECTS

The weakened economy brought about by the unprecedented COVID-19 pandemic is expected to dampen business sentiment with businesses maintaining their cautious outlook on business expansion strategies. The extent of economic recovery and speed of recovery will depend on how quickly the virus is contained, the steps authorities take to contain it, and how much economic support the government can deploy during the course of this pandemic to contain the immediate impact and aftermath.

In terms of sector outlook, the growth momentum for construction sector in 2021 is expected to expand by 13.9% bolstered by the acceleration and revival of major infrastructure projects and affordable housing. The performance of the non-residential subsector is expected to recover marginally on the back of on-going commercial projects such as the Bukit Bintang City Centre, Cyberjaya City centre, Forest City and Malaysia Vision Valley 2.0.

(Source: MOF Budget 2021 Economic Outlook 2021)

Amid the weak economic and business sentiment, we expect the Kuala Lumpur office market down cycle to persist in the coming year with future supply of office space coming into the market coupled with weaker absorption rates. As news on the COVID-19 vaccine development continues to ebb and flow, we expect the prolonged COVID-19 pandemic will exert further pressure on the oversupplied Klang Valley office market.

MANAGEMENT DISCUSSION AND ANALYSIS

- OPERATIONAL REVIEW

(cont'd)

OUTLOOK AND PROSPECTS (cont'd)

In the wake of this pandemic, businesses are required to adjust to the new normal. As movement controls are relaxed, business activities and services can gradually resume to normal subject to conditions and stringent SOP which we expect to be adopted for the long term. This has propelled many organisations to revamp existing operating workflow and to embrace technology in their business operations. This may benefit co-working operators, which are able to offer flexible contract arrangements as organisation rethink and adapt to alternative work models in this challenging business environment. Physical distancing measures may lead to a reversal of open office trends and opting for decentralised offices.

In terms of demand, with the ever evolving business landscape, there continues to be a shift in demand from the banking and oil & gas sectors which have traditionally bolstered the demand for the Klang Valley office space, to other sectors namely the services sector, serviced offices, shared service operations, IT and technology based sectors and start-ups. Office developments within the fringes of Central Kuala Lumpur such as KL Sentral, Mid Valley and Bangsar South still enjoy favorable demand and hence, leasing activities in these areas are expected to remain buoyant. These localities are strategic, have high concentration of office developments, and are supported by good public transportation and accessibility.

Focusing on asset management and enhancement initiatives by refurbishing/revamping office buildings to meet the new normal requirements and adopting more effective leasing strategies that are centred on tenant retention will be essential for landlords to improve their market competitiveness and to attract new occupiers. Until a vaccine is developed and readily available to the masses, hygiene will be the centre of workplace planning and landlords will have to ensure that their buildings continue to carry out regular disinfecting and provide the necessary preventive measures/SOP.

We expect that the office sector outlook in the near term will continue to be subdued with various challenges taking a toll on the overall health of the economy. Consequently, the weak economic momentum coupled with the influx of new office supply into the market will continue to put pressure on the overall occupancy and rental levels when demand for office space is low and newly completed buildings have no significant committed tenants. This is likely to exert pressure on SENTRAL's operation in the coming year. Notwithstanding, we believe that SENTRAL's operation will be able to sustain these challenges as we will continue to intensify our efforts to manage SENTRAL's operations efficiently underpinned by our proactive approach towards asset, portfolio and cost management. The focus will be on tenant retention and cost efficiency measures, while continuing to pursue growth by actively exploring acquisition opportunities based on a prudent acquisition strategy.

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

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

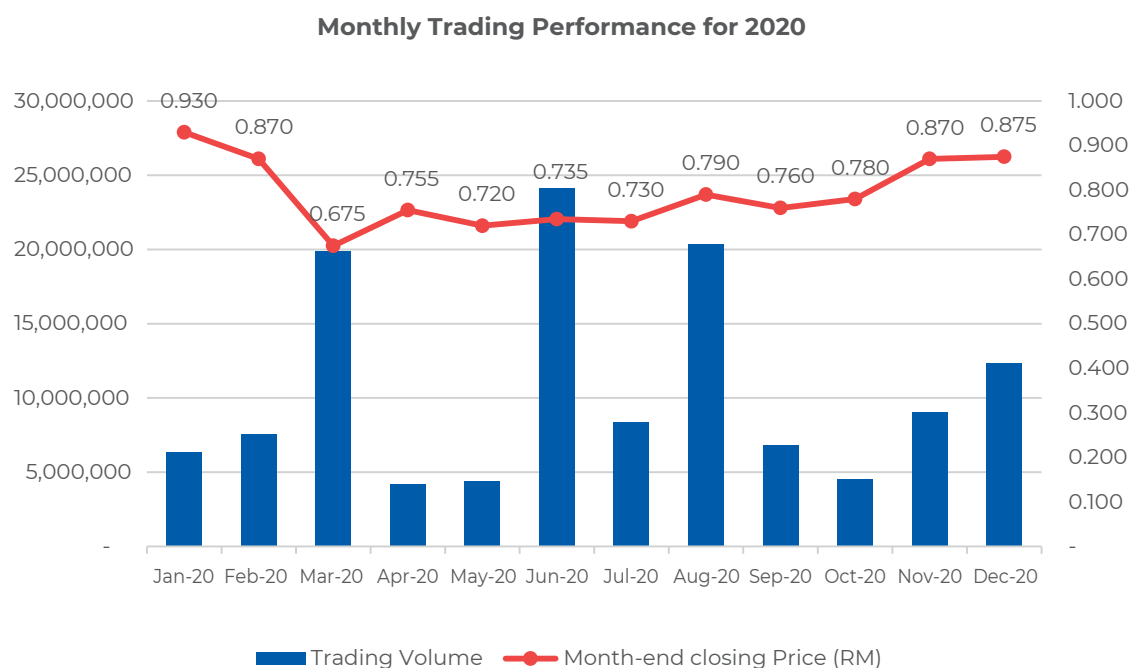
MANAGEMENT DISCUSSION AND ANALYSIS

- TRADING PERFORMANCE AND INVESTOR RELATION

(A) Trading Performance

Unit Price Performance

SENTRAL's Monthly Trading Performance for 2020



	Trading Volume	Month-end closing Price (RM)
Jan-20	6,366,100	0.930
Feb-20	7,605,200	0.870
Mar-20	19,901,600	0.675
Apr-20	4,224,600	0.755
May-20	4,437,000	0.720
Jun-20	24,121,900	0.735
Jul-20	8,382,800	0.730
Aug-20	20,346,200	0.790
Sep-20	6,839,800	0.760
Oct-20	4,516,300	0.780
Nov-20	9,063,500	0.870
Dec-20	12,331,600	0.875

MANAGEMENT DISCUSSION AND ANALYSIS

- TRADING PERFORMANCE AND INVESTOR RELATION (cont'd)

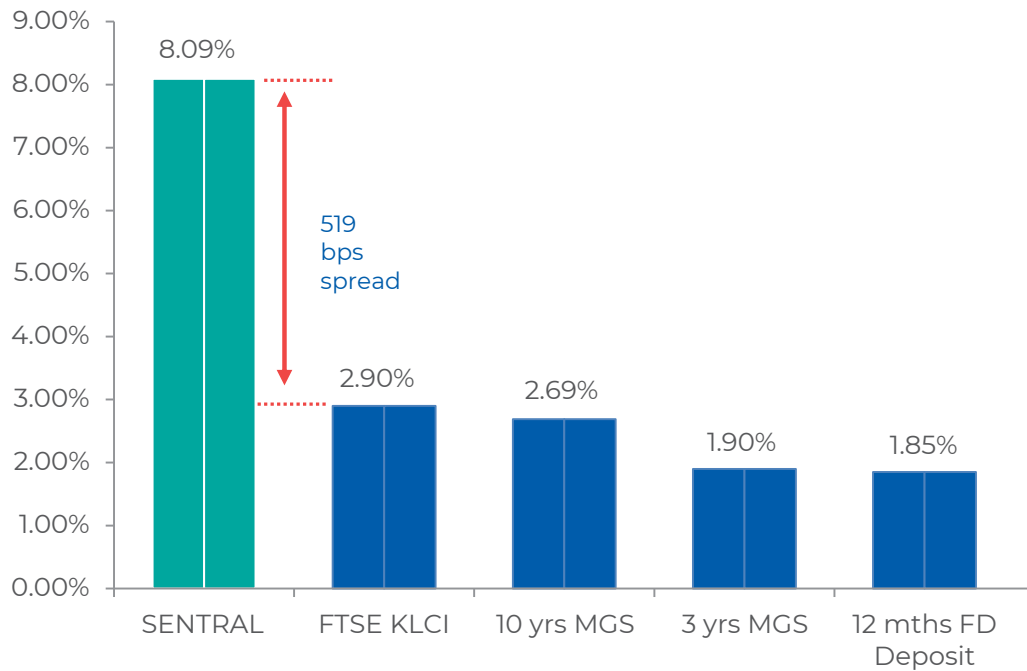
(A) Trading Performance (cont'd)

SENTRAL's Unit Price versus Performance Benchmarks

- 8 January 2007 (from Listing Date) to 31 December 2020



Comparative Yields



Source:

- 1) Rates for 5-yrs MGS & 10-yrs MGS rate was obtained from HSBC Daily Commentary Report dated 31 December 2020.
- 2) 12 months FD rate is from Maybank.
- 3) Dividend Yield of FTSE Bursa Malaysia KLCI as at 31 December 2020 is from Bloomberg.

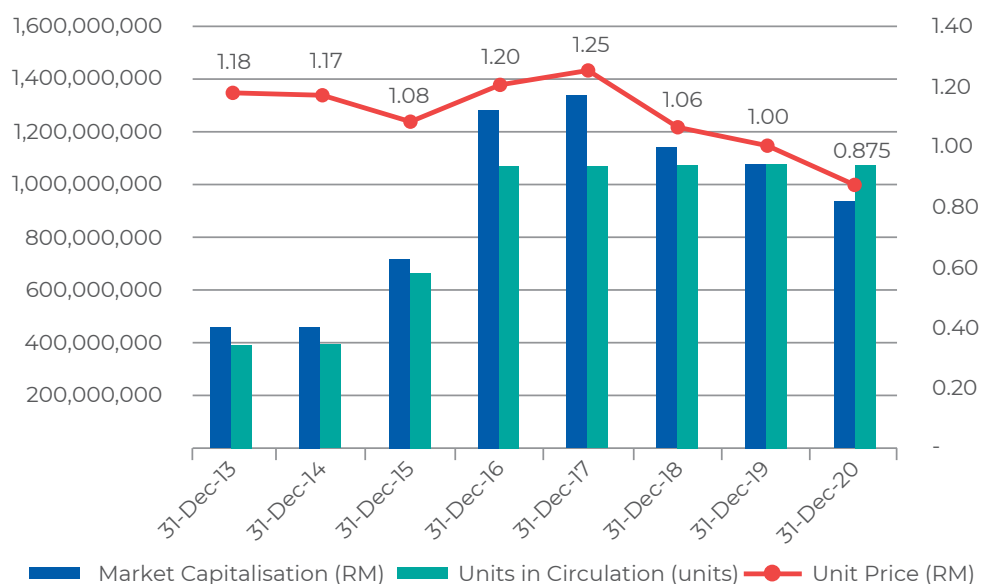
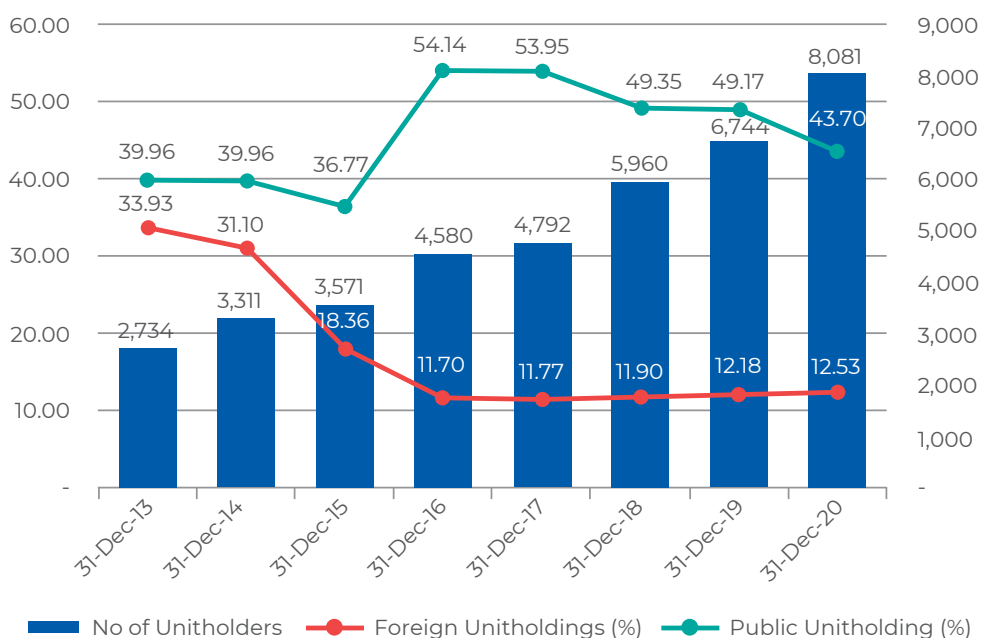
MANAGEMENT DISCUSSION AND ANALYSIS

- TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

(A) Trading Performance (cont'd)**Market Capitalisation**

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

Market Capitalisation, Unit Price and Units in Circulation**Unitholders Statistics (No. of Unitholders vs Foreign Unitholding % vs Public Unitholding %)**

MANAGEMENT DISCUSSION AND ANALYSIS

- TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

(B) Investor Relations Initiatives (“IR”)

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

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

Communication Channel	Medium of Communication	Stakeholders
Analyst and investor briefings*/one-on-one meetings*	<ul style="list-style-type: none"> ■ Quarterly financial earnings releases ■ Corporate exercise announcements 	<ul style="list-style-type: none"> ■ Institutional investors ■ Analysts
Property Tours [^]	<ul style="list-style-type: none"> ■ Group tour ■ One-on-one tour 	<ul style="list-style-type: none"> ■ Institutional investors ■ Analysts
Conferences*	<ul style="list-style-type: none"> ■ Investors conferences ■ Industry conferences ■ Non-deal roadshows 	<ul style="list-style-type: none"> ■ Institutional investors ■ Analysts
Corporate website and investor relation portal	<ul style="list-style-type: none"> ■ www.sentralreit.com ■ Corporate announcements ■ IR enquiry contact 	<ul style="list-style-type: none"> ■ Institutional investors ■ Retail investors ■ Analysts ■ Media
Research coverage	<ul style="list-style-type: none"> ■ 8 research coverage 	<ul style="list-style-type: none"> ■ Institutional investors ■ Retail investors ■ Analysts ■ Media
Media engagement	<ul style="list-style-type: none"> ■ Media briefings ■ Media releases 	<ul style="list-style-type: none"> ■ Media ■ Public
Annual General Meetings*	<ul style="list-style-type: none"> ■ Reporting of financial performance 	<ul style="list-style-type: none"> ■ All unitholders ■ Public
Publications	<ul style="list-style-type: none"> ■ Annual reports ■ Company Presentations 	<ul style="list-style-type: none"> ■ All unitholders ■ Analysts ■ Media ■ Public

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

[^] Not conducted in 2020 due to COVID-19.

Unitholders' Meetings

Eighth Annual Unitholders' Meeting

Due to the MCO from 18 March 2020 to 12 May 2020, SENTRAL had announced on 14 April 2020 that its 8th Annual General Meeting (“8th AGM”) which was scheduled on 28 April 2020 at 10.00 a.m. be deferred to a later date which will be notified in due course.

In view of this unprecedented circumstances, the 8th AGM of SENTRAL was subsequently held on 12 June 2020. Having regard to the well-being and the safety of our unitholders, the 8th AGM was conducted entirely via remote participation and electronic voting. The online AGM was conducted in accordance with the practices that have already been adopted by other internationally developed capital markets.

MANAGEMENT DISCUSSION AND ANALYSIS

- TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

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

Unitholders' Meetings (cont'd)

Eighth Annual Unitholders' Meeting (cont'd)

During the 8th AGM unitholders' approval was sought for the proposed authorization and issuance of new units ("Proposed Unitholders' Mandate") pursuant to Clause 6.59(1A) of the Listing Requirements, as well as to brief Unitholders about SENTRAL's financial results for FY2019. We are pleased to report that the resolution for the Proposed Unitholders' Mandate was duly passed.

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

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

Research coverage in 2020

In 2020, SENTRAL was covered by 7 investment banks. Below is a summary of the reports published for SENTRAL's 4-Q 2020 results:

Coverage	Rating	Target Price (RM per unit)
RHB Research Institute	Buy	1.00
Hong Leong Investment Bank Research	Buy	0.96
Alliance DBS Research	Buy	1.20
Maybank IB Research	Buy	1.23
CGS CIMB Research	Buy	0.999
UOB Kay Hian Research	Buy	1.00
Kenanga Research	Buy	0.935

(C) Awards and Recognition

Malaysian Investor Relations Association Berhad ("MIRA") 10th Malaysia Investor Relations Award 2020



SENTRAL received the awards for the Best Chief Executive Officer for IR (Small Cap) and Best IR Website (Small Cap) at the MIRA 10th Malaysia Investor Relations Award 2020 ceremony held virtually via a video presentation in view of the current pandemic.

In terms of the rating process, nominees were scored based on a weighted 70:30 ratio between votes and diagnostic assessment conducted by KPMG respectively. The survey, with nominations classified in 10 categories, was carried out over a cumulative 3 months period and directed to an estimated 1,200 investment professionals and analysts covering Malaysian stocks. The impact of the current COVID-19 crisis was also factored in with the existing criteria in MIRA's survey on how companies are managing communication with stakeholders in these challenging times.

Receiving the awards this year is a recognition of our continuous effort to engage with our unitholders, the investment community, and other stakeholder, and is a testament of the effectiveness of our Investor Relations function during this unprecedented times.

MANAGEMENT DISCUSSION AND ANALYSIS

- TRADING PERFORMANCE AND INVESTOR RELATION

(cont'd)

(D) CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

SENTRAL's CSR initiatives are carried out by SRM and is focused on supporting the welfare of needy children. In the wake of COVID-19, our efforts in FY2020 were concentrated on reaching out to the B40 group, marginalized and poor communities. Most of these groups consist of families with children who are unable to work due to the pandemic and are in need of basic necessities such as food to survive. SRM participated in following food aid programs with 2 non-profit community centers:

- Donation of RM177,800.00 to Grace Community Services to purchase essential food pack for 230 families from October 2020 to April 2021. Under the monthly food aid, each family will receive food pack consisting of rice, cooking oil, flour, noodles, milk, sugar, and other non-food supplies. Most of the beneficiaries are from the lower income group (B40) with large family dependents between 3 and 6 members including children, single parent – the widowed, aged, separated, and divorced or unemployed and dependent on welfare aid.



** Volunteers from Sunway University College helping with the packing of the food packs.*



** Volunteers receiving certificates of attendance for helping with the packing of the food packs.*

- Contribution of 150-180 buns per weekly from July 2020 to December 2020 as part of the dinner pack distribution to the street communities organized by Pit Stop Community Café. The café operates a soup kitchen and prepares and packs meals for distributions to the various community center in KL city center. Some of the community centers include:
 - i. Anjung Singgah – a homeless transit center located at Jalan Hang Lekiu, Kuala Lumpur
 - ii. Pertubuhan Kesihatan dan Kebajikan Umum Malaysia (PKKUM) an outreach center at Jalan Chow Kit, Kuala Lumpur; and
 - iii. Rumah Kanak Kanak Trinity, Section 7, Petaling Jaya



Our CSR efforts are also detailed in pages 134 to 135 of the Sustainability Statement.

PROPERTY MARKET UPDATES

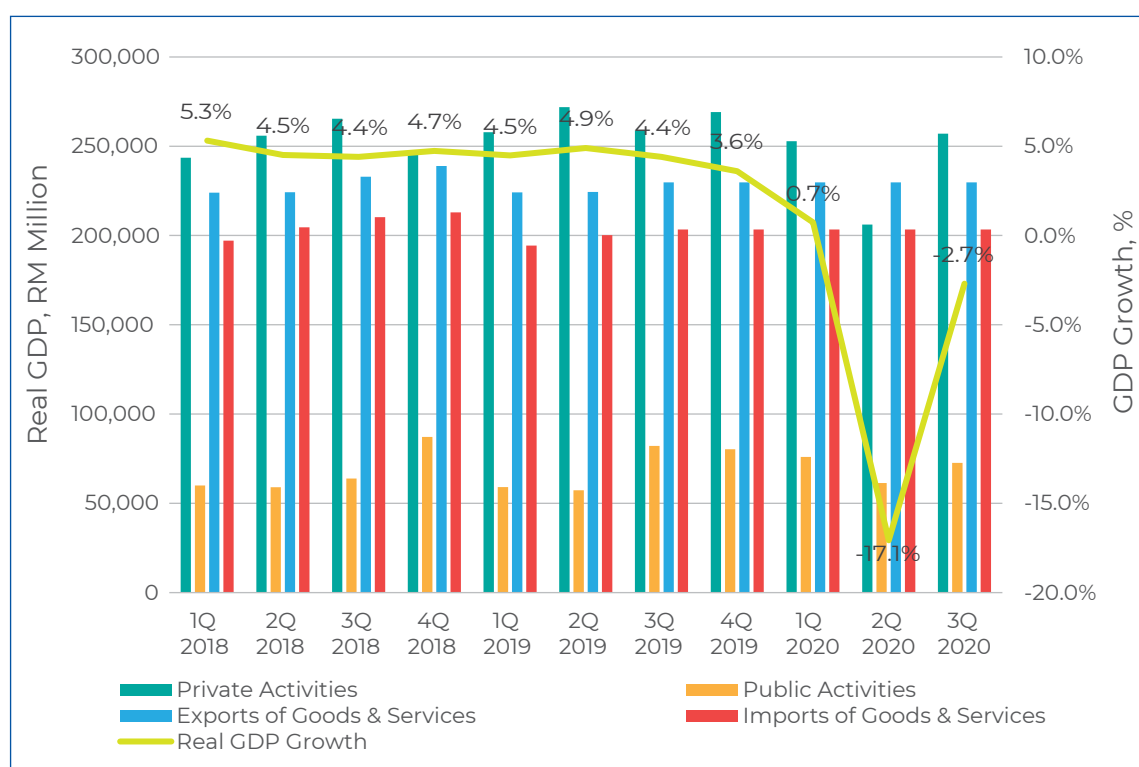
PROPERTY COMMENTARY ON THE PURPOSE BUILT OFFICE SECTOR IN KLANG VALLEY AND PURPOSE BUILT RETAIL SECTOR IN KLANG VALLEY AND PENANG DATED DECEMBER 2020 PREPARED BY C H WILLIAMS TALHAR & WONG SDN BHD

PURPOSE-BUILT OFFICE MARKET OVERVIEW

1.1 GENERAL

1.1.1 Economic Overview

Chart 1.1: Real GDP Growth Domestic Product (GDP) and Sources of Contributions



Source: Bank Negara Malaysia, CBRE | WTW Research, December 2020

Malaysia's GDP contracted at a slower pace at -2.7% in 3Q2020, compared to -17.1% in 2Q2020, which reflected the better economic situation and demand conditions after the easing of the Covid-19 movement restrictions.

The overall domestic demand remained weak despite it registering a lower drop of -3.3% than 2nd quarter's pandemic induced plunge of -18.7%. The smaller contraction reflected the gradual recovery from both consumption and investment activities following the resumption of overall economic activities and supported by the government's stimulus measures and series of financial aid packages rolled out during the pandemic, including Prihatin, Prihatin SME+, Penjana and Kita Prihatin. Private consumption improved slightly to -2.1% (2Q 2020: -18.5%), attributed by the gradual recovery in income conditions and supported by stimulus measures such as the EPF i-Lestari withdrawals, wage subsidies and sales tax reduction for cars. Capital spending remained low in both private and public investment activities, registering -9.3% (2Q2020: -26.4%) and -18.6% (2Q2020: -38.7%) respectively. In contrast, public consumption reported a growth of 6.9% (2Q2020: 2.3%), attributed by the increased Government spending on supplies, services and emoluments.

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT OFFICE MARKET OVERVIEW (cont'd)

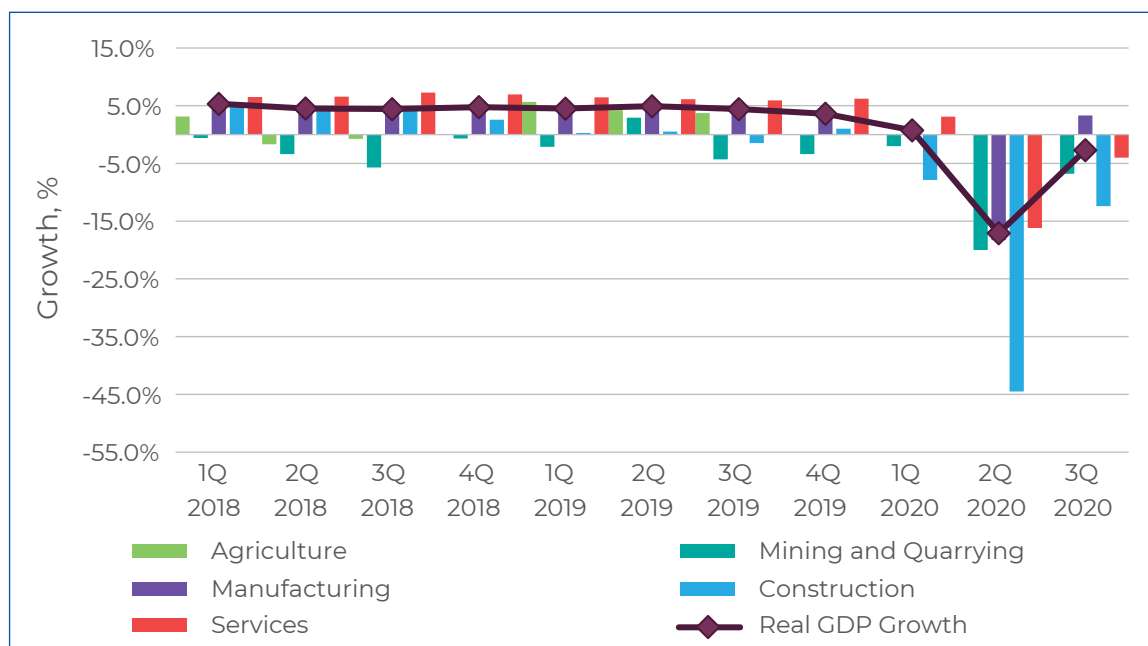
1.1 GENERAL (cont'd)

1.1.1 Economic Overview (cont'd)

Out of the five main economic sectors, the manufacturing sector recorded the best recovery in 3rd quarter, up 3.3% (2Q2020: -18.3%), with the improved productions across major manufacturing clusters. The services sector improved with a smaller contraction of -4.0% (2Q2020: -16.2%); Contractions remained in most service subsectors especially wholesale and retail trade, cushioned by the finance and insurance (5.5%) and information and communications (5.4%) subsectors. The mining and quarry sector eased to -6.8% (2Q2020: -20.0%), with the improved demand for oil and natural gas.

Similarly, the construction sector recovered at a lower drop of -12.4% (2Q2020: -44.5%), as most project development activities have resumed. The agriculture sector recorded a minor contraction of -0.7% (2Q2020: 1.0%), due to slower production growth in the oil palm sub-sector and labor shortages for harvesting activities. Tourism activity remained sluggish with the closure of international borders, impacting key sub-sectors such as food and beverage, accommodation and transport. Domestic travel activity has partly contributed to some increase of activity in these sub-sectors.

Chart 1.2: Real GDP Growth Domestic Product (GDP) by sub-sectors



Source: Bank Negara Malaysia, CBRE | WTW Research, December 2020

The labour participation rate improved, in line with the gradual recovery in economic activity amid stagnant wages. The Consumer Price Index recorded a decline of -1.4% (2Q2020: -2.6%), with mixed performance across sub-sectors; selected essential services such as food and beverage, restaurants & hotels expanded albeit at a slower pace. Domestic retail fuel prices were higher, in line with the recovery in global oil prices. Nevertheless, headline inflation remained negative.

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT OFFICE MARKET OVERVIEW (cont'd)

1.1 GENERAL (cont'd)

1.1.2 Outlook

The economic growth will continue unevenly and the annual GDP growth is expected to be negative throughout 2020, i.e. GDP contraction of between -3.5% and -5.5% in 2020 as projected by Bank Negara Malaysia (BNM). Malaysia's exports growth will be fairly robust and dependent on the recovery of global demand. The prolonged uncertainties following resurgence of the pandemic will continue to affect the overall global economic recovery.

The uncertainty surrounding global trade tensions and prevailing weaknesses in the property segment continued to weigh on the economic growth prospects. Nevertheless, the country's GDP growth in 2021 is projected to be fairly robust underlined by the reasonable resilience of the country's economic landscape with the continued support by the financial institutions in credit intermediation and stimulus measures by the government in manufacturing and export activities.

1.2 PBO SUPPLY AND DEMAND

1.2.1 Existing Supply

Table 2.1: Summary of Purpose-Built Office Space (as at 3Q2020)

Supply/Performance	Klang Valley (KV)	Zone		
		CKL	MKL	GKL
Existing Supply (million square feet)	114.93	49.39	49.67	15.87
% of Share		42.9%	43.2%	13.8%
To-date vacancy Rate	20.7%	19.7%	20.0%	25.8%
Future Supply (4Q2020 – 2022) (million square feet)	6.11	4.47	1.64	0.00
% of Share		73.2%	26.8%	0.0%

Source: CBRE|WTW Research, December 2020

The Klang Valley (KV) had 114.93 million square feet of Purpose-Built Office (PBO)¹ space as at 3Q2020. Within the first half of 2020, the latest completions of PBO buildings were Menara Hap Seng 3 and Tropicana Garden Office Tower. These buildings are mainly occupied by Tokio Marine and Tropicana Group.

¹ CBRE |WTW Research defines purpose-built offices (abbreviated as "PBO") in the Klang Valley as privately-owned modern and free standing multi-storey buildings with present day conveniences, amenities and parking facilities for tenants/visitors and within integrated commercial developments.

These buildings are generally categorised as:

- "Grade A/Premium A" or Prime office buildings: High quality modern space, largely column free and includes recent generation of building services and amenities. These buildings are situated in premier locations and possibly in major suburban towns.
- Non-prime office buildings are referred to as buildings of reasonably good quality modern office space and older buildings situated in all other locations in the Klang Valley.
- Government office buildings are excluded.

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT OFFICE MARKET OVERVIEW (cont'd)

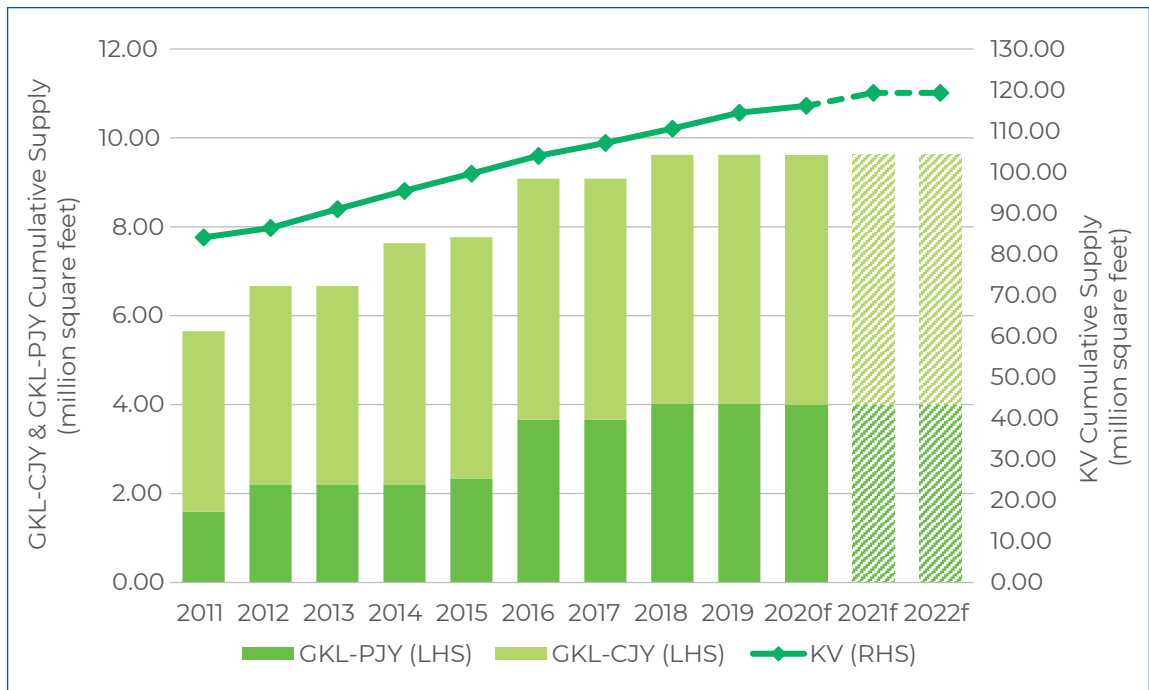
1.2 PBO SUPPLY AND DEMAND (cont'd)

1.2.1 Existing Supply (cont'd)

In Putrajaya and Cyberjaya, the existing supply of PBO space was 5.6 million square feet and 4.01 million square feet respectively, representing 60.5% of total supply in GKL. Mainly occupied by government entities, the existing PBO buildings in Putrajaya are mainly in the Central Business District in Precincts 1-4.

The chart below illustrates the supply of PBO space in the KV vis-à-vis Cyberjaya and Putrajaya (2011 to 2022f).

Chart 1.3: Cumulative Supply of Purpose-built Office Space in Klang Valley vis-à-vis Putrajaya & Cyberjaya (2011 to 2022f)



Abbreviation : GKL-Greater Kuala Lumpur; PJY-Putrajaya, CJY-Cyberjaya; f: forecast, RHS – Right Hand Side; LHS – Left hand Side

Source : CBRE|WTW Research, December 2020

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT OFFICE MARKET OVERVIEW (cont'd)

1.2 PBO SUPPLY AND DEMAND (cont'd)

1.2.2 Future Supply

Table 2.2: List of Future Purpose-Built Office Buildings in the Klang Valley (4Q 2020f-2022f)

Year	Zone	Name of Building	Net Lettable Area (square feet)
4Q 2020	CKL	Menara TCM, Permata Sapura ²	880,000
	MKL	HCK Tower @ Empire City	350,000
Total 4Q 2020			1,230,000
2021	CKL	Affin Bank HQ (TRX), HSBC HQ (TRX), Menara UOB 2, Menara Great Eastern 2, PNB 1194 (Redevelopment of Bangunan MAS)	1,890,000
	MKL	iMazium, MyIPO (PJ Garden Sentral)	620,000
Total 2021			2,510,000
2022	CKL	UOB Tower 2, Aspire Tower @ KL Eco City, Merdeka PNB 118	2,370,000
Total 2022			2,370,000
Grand Total (4Q2020 – 2022)			6,110,000

Source: CBRE|WTW Research, December 2020

Another twelve (12) PBO buildings with about 6.11 million square feet of PBO space are expected to be completed by end-2022. Most of these buildings are parts of large integrated developments such as Tun Razak Exchange and Merdeka PNB 118. Due to the Movement Control Order (MCO), most of these completions were delayed to 2021 and beyond. No completions were noted in 2Q2020, as construction activities remained limited, even though some businesses re-opened from May 3rd, 2020.

About 20.1% of future supply or a total space of 0.88 million square feet contributed by three (3) buildings are expected to be completed in 4Q2020. PBO buildings previously slated for completion by 3Q2020 have been pushed to beyond 2020. Another 4.88 million square feet may be completed by end of 2022. Merdeka PNB 118, expected to be the tallest tower in Malaysia and South East Asia, is to complete construction by the end of 2022. Most of this future supply will be owner occupied and/or taken up by Government Linked Companies (GLCs).

There are several upcoming office developments in Putrajaya, mainly for government use, but are excluded from our survey.

2 At the time of our study, only Menara TCM was fully completed in building construction and allowed for occupation.

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT OFFICE MARKET OVERVIEW (cont'd)

1.3 Performance

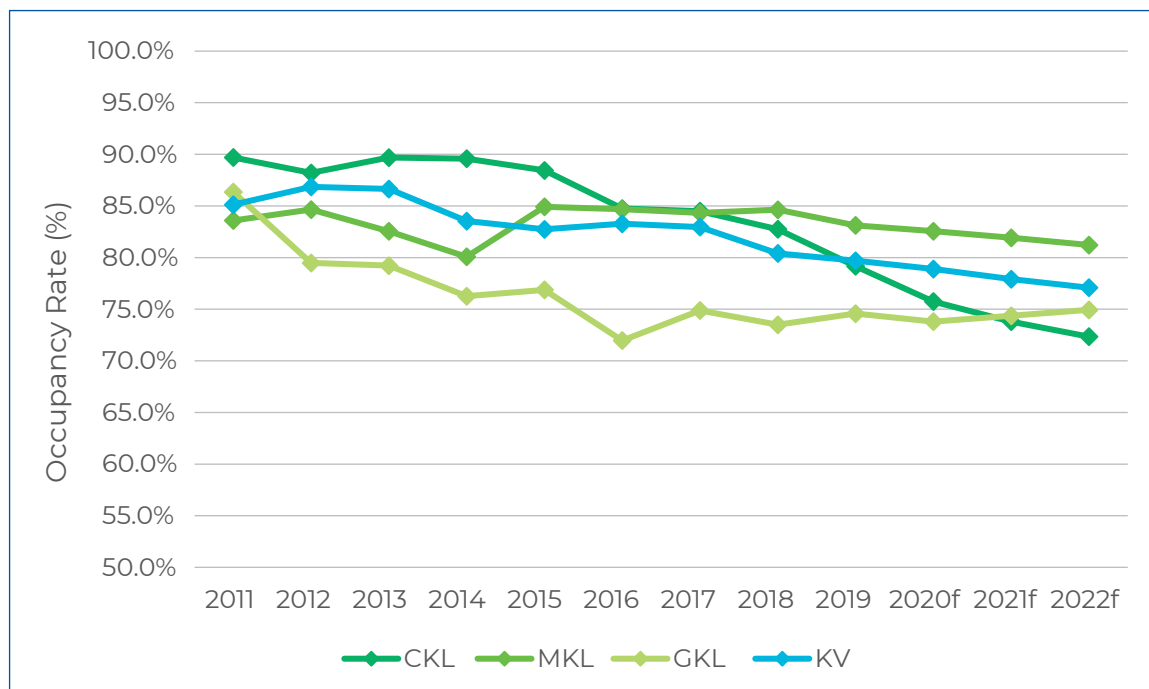
1.3.1 Occupancy

Demand for PBO space in the general market is highly dependent on the country's economic situation as experienced during the 1998-economic downturn when demand showed a significant decline. Demand for specific office space depends on various market-level factors such as location, building specifications, availability of public transportation, surrounding amenities / facilities and neighbourhood developments.

During the review period, the occupancy rate of PBO space in KV appeared stable at 79.3%, a marginal decrease of -0.2% and -1.5%, based on q-o-q and y-o-y comparisons respectively, backed by the medium to long term tenancies in the market.

Office buildings in Cyberjaya had been enjoying stable occupancy rates between 73.7% and 80.2%, in the last five years with the majority on long-term lease commitments, whereas Putrajaya occupancy rates, are slightly lower, hovering between 50.9% and 67.8% over the same period, mainly occupied by government related agencies. As at 3Q2020, the average occupancy rate of office space in Cyberjaya / Putrajaya averaged 66.7% (Cyberjaya:72.6%, Putrajaya: 60.9%). With the designated multi-media Super Corridor (MSC) status and the availability of infrastructure support, the office occupiers in Cyberjaya are mainly information technology (IT) and supporting back offices of finance, insurance and trading companies.

Chart 2.4: Occupancy Rate of Purpose-built Office Buildings in the Klang Valley (2011 to 2022f)



Abbreviation : CKL-Central Kuala Lumpur; MKL-Metropolitan Kuala Lumpur; GKL-Greater Kuala Lumpur; KV-Klang Valley; f: forecast

Source : CBRE|WTW Research, December 2020

PROPERTY MARKET UPDATES

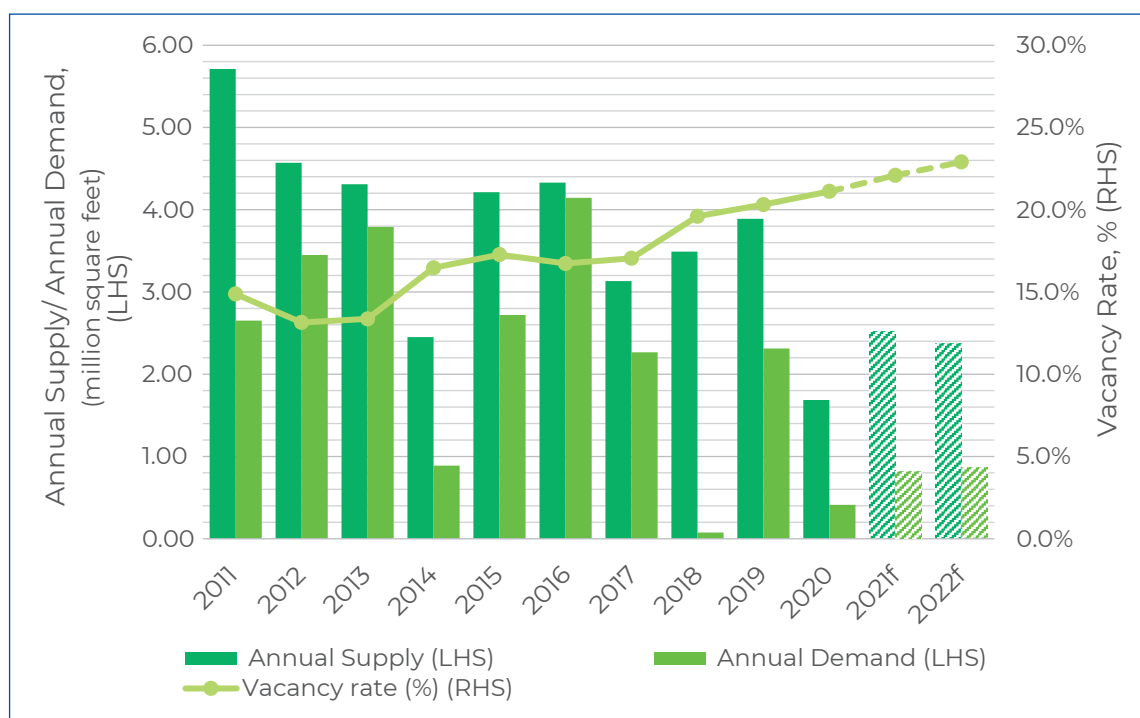
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PURPOSE-BUILT OFFICE MARKET OVERVIEW (cont'd)

1.3 Performance (cont'd)

1.3.2 Take Up

Chart 2.5: Supply, Take-up & Vacancy Rates of Purpose-Built Offices in the Klang Valley (2011 to 2022f)



Note : The above analysis includes the ongoing future supply which have commenced construction during the review period and taking into consideration on the pre-committed leases.

Abbreviations : KV-Klang Valley; RHS – Right Hand Side, LHS- Left Hand Side; f - forecasted

Source : CBRE|JTW Research, December 2020.

The average annual take-up rate in KV in the last 5 years and 3 years were approximately 2.3 million square feet and 1.55 million square feet respectively, whilst a mere net take-up of 400,000 square feet was observed in 2020. This is mainly due to the slowdown in leasing activities amid new completions.

Taking into consideration the additional supply in the coming 2 years, the ongoing global pandemic and the current slowdown in office take-up as a result of the transformation of the financial sector and slow recovery in the oil & gas sector, a higher vacancy rate is anticipated in the short to medium term. Barring any unforeseen circumstances, the vacancy rate may increase to 23% by 2022, with the 6.11 million square feet of future office space within KV being completed as scheduled.

PROPERTY MARKET UPDATES

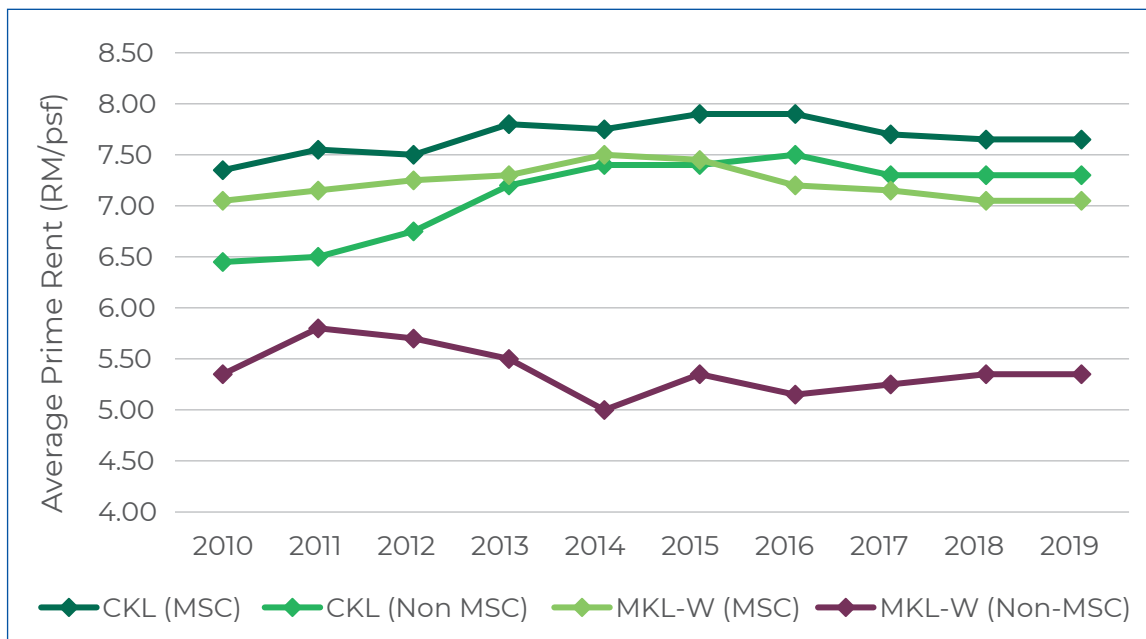
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PURPOSE-BUILT OFFICE MARKET OVERVIEW (cont'd)

1.3 Performance (cont'd)

1.3.4 Investment Activity

Chart 2.6: Rental Trends in Selected Zones



Source: CBRE|WTW Research, December 2020

CKL commands the highest office rents although prime office buildings with MSC status in Metropolitan Kuala Lumpur (MKL) particularly in the Kuala Lumpur Sentral area are steadily closing the gap.

Rental rates appeared stable between RM6.50 and RM11.00 per square foot, amongst Prime PBO buildings in KV. In CKL monthly gross rents offered are about RM6.80 to RM11.00 per square foot, whereas, secondary CKL and MKL-West can command gross rents of between RM4.00 and RM5.00 per square foot for aged buildings and RM6.00 to RM7.00 per square foot for newer buildings.

For PBO buildings in Putrajaya/Cyberjaya, monthly gross rents are generally in the range of RM4.00 to RM5.00 per square foot.

The rental yield remained stagnant, with more landlords likely maintaining the current rental range or provide better incentives to attract new tenancies.

The following table is a summary of the latest transactions of en-bloc office buildings in KV. Generally, yields remained stable at 5.5% to 6.0%.

Due to limited transactions, price trends over the years cannot be concluded for the office market in KV. Major office transactions have been either by the real estate investment trusts (e.g. MRCB-Quill REIT, KLCC REIT, Sunway REIT, Pavilion REIT, AmFirst REIT, Amanahraya REIT and UOA REIT, to name a few) or government-linked Investment companies (GLiCs) (e.g. Pilgrimage Fund (TH), Employees Provident Fund (EPF), Retirement Fund Incorporated (KWAP)).

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT OFFICE MARKET OVERVIEW (cont'd)

1.3 Performance (cont'd)

1.3.4 Investment Activity

Table 2.3: Selected Transactions of Purpose-Built Office Buildings in Klang Valley (2019-2020)

Period/ Year	Development Name	Seller/ Vendor	Buyer	Net Lettable Area (sq ft)	Purchased Consideration/ (Analysis in per square foot)
January 2019	Ikhlas Point, Tower 11	Takaful Ikhlas Family Berhad	Sanichi Capital Sdn Bhd	54,046 ¹	RM46,000,000 (RM851.00) ²
Feb 2019	Wisma KFC	Employee Provident Fund	Royal Group	342,145 ¹	RM130,000,000 (RM380.00) ²
March 2019	Wisma MPL	Malaysia Pacific Corporation	Asia New Venture Capital Holdings Sdn Bhd	338,900	RM189,000,000 (RM558.00)
March 2020	Menara Guoco ^{3&4}	DC Offices Sdn Bhd (subsidiary of Guocoland (M) Sdn Bhd)	TOWER REIT	Built-Up Area 310,183 Net Lettable Area 232,133	RM241,200,000 (RM780.50) ²
June 2020	The Pinnacle Sunway	Sunway Integrated Properties and Sunway Pinnacle (Sunway subsidiaries)	RHB Trustee Bhd (Sunway REIT)	576,864	RM450,000,000 (RM780.07)
Sept 2020	UOA Corporate Tower ^{3&4}	Distinctive Acres Sdn Bhd (subsidiary of UOA Development Bhd)	RHB Trustee Bhd (Trustee of UOA REIT) and Paramount Properties Sdn Bhd	732,871	RM700,000,000 (RM955.10)
Nov 2020	Quill Building 5 ⁴	MRCB-Quill REIT	Deriv Services Sdn Bhd	227,0391	RM45,000,000 (RM198.20) ²

Note: 1 Gross Floor Area

2 Analysis per square foot (psf) based on reported built-up area (BUA) and Gross Floor Area (GFA).

3 Deemed to be a related party transaction in view of the interests of certain directors and major shareholders of the companies

4 This transaction is yet to be finalised.

Source: Bursa Malaysia General Announcements, CBRE|WTW Research, December 2020

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT OFFICE MARKET OVERVIEW (cont'd)

1.4 Market Outlook

With the adverse global economic performance caused by the Covid-19 pandemic, office demand will be slower, in conjunction with the work-from-home trend and the spatial transformation of the finance, insurance, real estate and business services sub-sectors as well as the volatility in the oil & gas and commodity sectors.

Many businesses have resumed with home / flexi working arrangements with business resumption since May 2020. Nevertheless, physical offices will remain important as a driver for connectivity and productivity. As a part of a business continuity plan, companies are also planning multiple offices and separate support teams in different locations within the city, scattered in selected suburban office addresses.

The overall KV PBO market continues to remain a tenants' market with ample options available from both existing and incoming supply. The office demand-supply gap remains amid the weaker office demand, and the Covid-19 impact will lead to a short-term demand dip. Rentals and capital values continue to be under pressure. Flexibility in leasing attributes is expected from the landlords to attract new tenants and retain existing tenants. Offices with secured tenancies and committed leases should appear stable in the short term. Aggressive pre-leasing activities are expected from new buildings and upgrading works are needed for older buildings to remain competitive in attracting new tenants.

PURPOSE-BUILT RETAIL³ SECTOR

2.1 GENERAL

Retail sales growth contracted -20.2% in 1H2020 with the onset of the pandemic, (-11.4% in 1Q2020 and -30.9% in 2Q2020), marked the lowest sales since 1988. Sales have been slowing down since 1st quarter of 2020 with the decline in foreign tourists. The strict MCO implemented since 18th March 2020 due to the pandemic outbreak had forced all businesses including retail malls to close except essential services.

Following the third-wave of the Covid-19 pandemic and the second conditional movement control order (CMCO), the retail sales as at 3rd quarter of 2020 slumped lower than the expected recovery at -9.7%. The overall retail sales remained weak with smaller contractions in 3Q 2020 across sub-sectors after the ease of movement restrictions in June 2020. Consumers have resumed retail activities albeit with caution, where specialty retail stores reported a marginal recovery of 1.5% in sales growth. The Consumer Sentiment Index (CSI) in 3Q2020 improved slightly to 91.5 points (2Q2020: 90.1 points). The supermarket and hypermarkets performed poorer than the previous quarters, declining to -15.1%.

³ A purpose-built retail centre (or "PBR" in short) is defined as an enclosed, multi-level shopping area, positioned as a 'one-stop' shopping destination within a **defined trade area** that **draws on a population catchment of domestic and/or international visitors**. It offers a wide variety of discretionary merchandise from local and/or international retailers. CBRE-WTW Research has categorised this into: (1) Mall/Mega Mall; (2) Neighbourhood (3) Hypermarket; (4) Destination Centre; each type has its own criteria in respect of the target market, products and catchment population area.

PROPERTY MARKET UPDATES

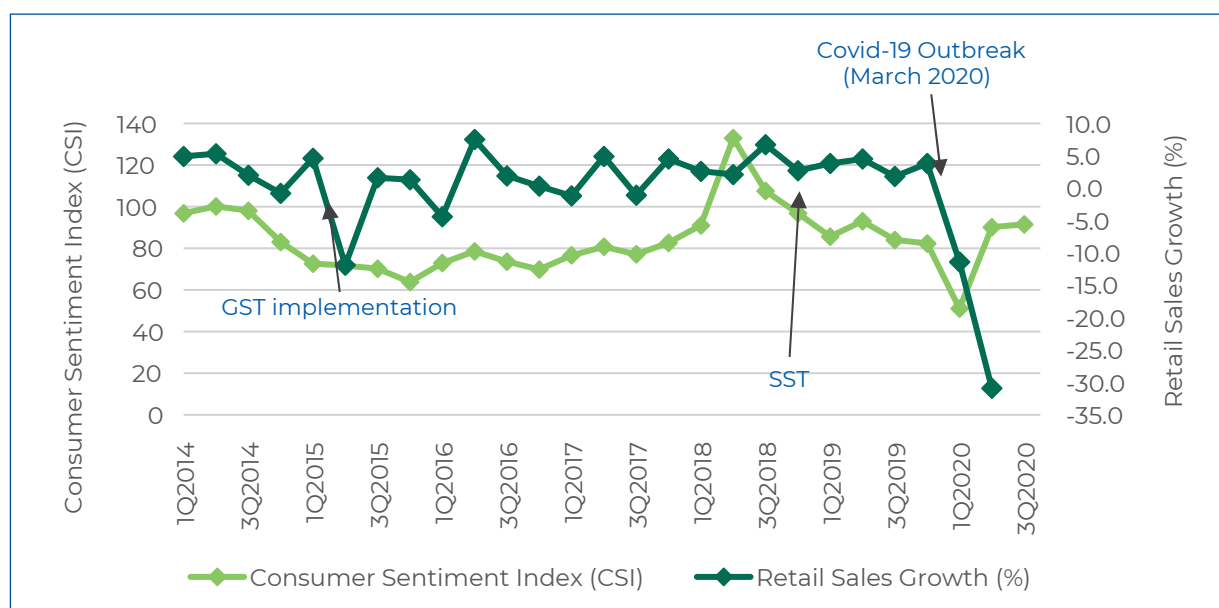
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PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.1 GENERAL (cont'd)

Cautious consumer sentiments are expected to remain until end of 2020, leading to the negative sales growth with a lower projected sale of -15.8% throughout 2020.

Chart 3.1: Summary of Consumer Sentiment Index and Retail Sales Rate



Source: Malaysian Institute of Economic Research (MIER) and Malaysia Retailers Association (MRA), December 2020

2.2 KLANG VALLEY

2.2.1 Supply and Demand

Table 3.1: Summary of Existing Purpose-built Retail Space in the Klang Valley (as at 3Q2020)

Supply/Performance	Klang Valley (KV)	Zone	
		Kuala Lumpur (KL)	Outside Kuala Lumpur (OKL)
Existing Supply (million square feet)	58.64	31.10	27.53
% of Share		53.0%	47.0%
To-date Vacancy Rate	16.1%	14.7%	17.5%
Future Supply (million square feet) (4Q2020 - 2022)	13.01	8.21	4.81
% of Share		63.1%	36.9%

Source: CBRE|WTW Research, December 2020

PROPERTY MARKET UPDATES

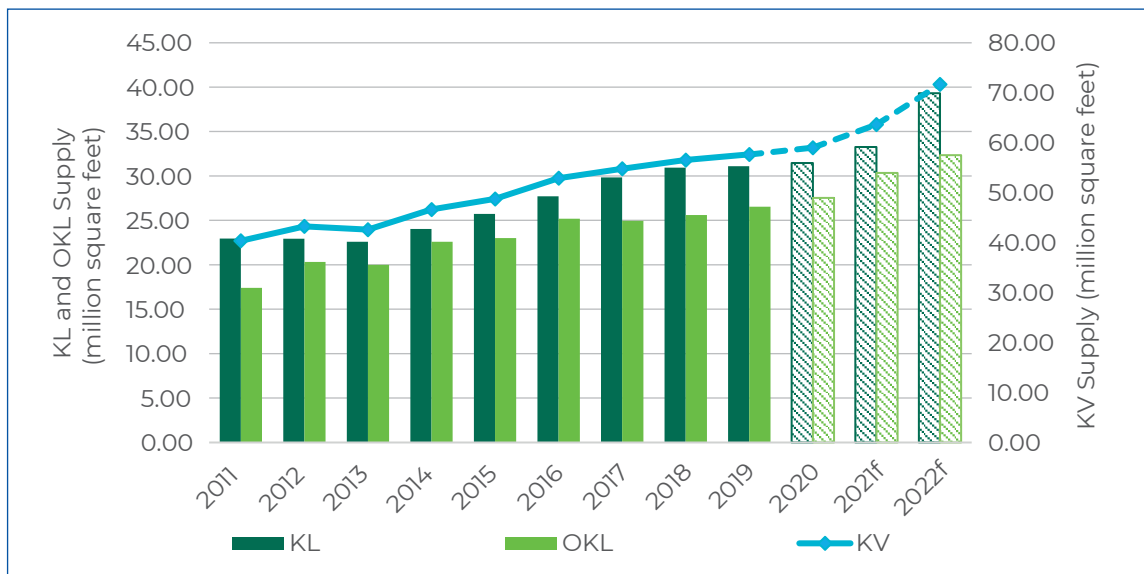
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PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.2 KLANG VALLEY (cont'd)

2.2.1 Supply and Demand (cont'd)

Chart 3.2: Cumulative Supply of Purpose-Built Retail Space in the Klang Valley, Kuala Lumpur vis-a-vis Outside Kuala Lumpur (2011 to 2022f)



Abbreviation : KV- Klang Valley, KL-Kuala Lumpur, KV- Klang Valley, LHS-Left Hand Side, RHS-Right Hand Side

Source : CBRE|WTW Research, December 2020

As at 3Q2020, KV has a total of 58.64 million square feet of Purpose-Built Retail (PBR), with approximately 53% in Kuala Lumpur (KL) (31.10 million square feet), and the balance of 47% located Outside Kuala Lumpur (OKL).

Only one (1) mall opened in 1Q2020 - Tropicana Gardens Mall in Kota Damansara (OKL), with 1.00 million square feet of net lettable area. Directly linked to Sunway Nexis MRT Station, the mall is anchored by Village Grocer and MBO Cinema, with an estimated 30% occupancy rate.

By 2022, the KV's PBR market is expecting an additional 13.01 million square feet of retail space. Ten (10) malls are expected in the KL market, and seven (7) malls in OKL including the extensions of Setia City Mall Phase 2 and IOI City Mall Phase 2 with 1 million square feet of net lettable area.

Three (3) regional malls located in the city center are expected near the existing established Bukit Bintang shopping district, namely Tun Razak Exchange Lifestyle Quarter, Mitsui Shopping Park Lalaport and Warisan Merdeka Mall. Anchor tenants secured by these mall operators will be crucial in determining sustainability in mall positioning and tenant mix in the coming years after the pandemic.

More retail space is also observed to be opening in MKL and GKL to capture the growing population in new neighbourhood areas. MKL has more new retail mall developments mainly due to the growing population with the availability of public transport such as MRT and LRT which also enabled Transit Oriented Developments (TOD) in the area.

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.2 KLANG VALLEY (cont'd)

2.2.1 Supply and Demand (cont'd)

By end-2020, KL East Mall provided an additional 360,000 square feet of retail space in Taman Melawati.

The MCO period has delayed completions of ongoing construction of retail malls. KL East Mall in Taman Melawati which was targeted by March 2020 with a pre-leasing occupancy of 75%, was postponed to November 2020. Such delays are expected to occur for other ongoing retail developments.

Table 3.2: Future Supply of Purpose-Built Retail Space (4Q 2020f-2022f)

Year	Name of Retail Centre	Estimated Net Lettable Area (square feet)
Kuala Lumpur (KL)		
4Q2020	KL East Mall	360,000
2021	Datum Jelatek	1,800,000
	Mitsui Shopping Park Lalaport KL	
	Sapura Corporate HQ Retail	
2022	Pavilion Damansara Heights	6,040,000
	Maju KL Retail Mall	
	8 Conlay Lifestyle Quarter	
	Tun Razak Exchange Lifestyle Quarter	
	Warisan Merdeka Mall (PNB 118 Retail Centre)	
	Pavilion Bukit Jalil	
Subtotal Kuala Lumpur (4Q 2020 – 2022)		8,200,000
Outside Kuala Lumpur (OKL)		
2021	PIER 8 @ Gravit8	2,810,000
	Eco Hill Walk Mall	
	KSL Esplanade Mall	
	One Utama E- Phase 2	
	Setia City Mall- Phase 2	
	IOI City Mall	
2022	Empire City Mall	2,000,000
Subtotal Outside Kuala Lumpur (4Q2020 – 2022)		4,810,000
Total Klang Valley (4Q2020 – 2022)		13,010,000

Source: CBRE | WTW Research, December 2020

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.2 KLANG VALLEY (cont'd)

2.2.1 Supply and Demand (cont'd)

The overall occupancy rate of PBR in KV appeared stable at 83% since 1Q2020, despite some store closures, as most tenants were still bound by their commercial leases. KL performed slightly better compared to OKL.

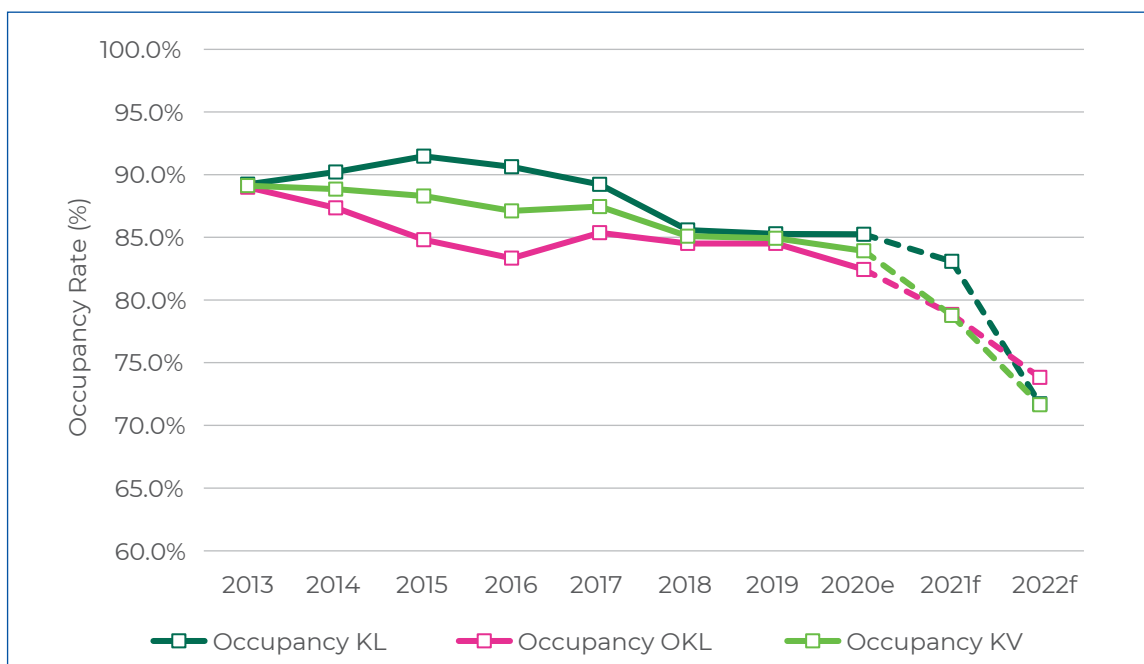
Since the closure of international borders, malls with high tourist footfalls during pre-Covid-19 were adversely impacted in terms of sales. Hence, the target market has shifted towards domestic shoppers.

A few retailers maintained their branch opening schedules which were planned before the MCO, i.e. Adidas, Jo Malone, Tesco, Muji. These new openings are in townships, mostly targeted at the local catchment nearby residential neighbourhoods.

Significant store exits and rationalizations were observed, in tandem with the introduction of new online platforms and collaboration with delivery services. Prime retail malls with good tenant waiting lists are maintaining their occupancy rates, with mainly brand expansion by the Food & Beverage and Fashion & Accessories retail categories.

However, some retailers have chosen to focus on their online platforms, as such as Mango, MPH Bookstore and Borders Bookstore. Since the MCO, MPH Bookstore closed 2 stores in Kuala Lumpur and ESPRIT closed all their stores, focusing their business in their online platforms.

Chart 3.3: Occupancy Rates of Purpose-Built Retail in the Klang Valley



Abbreviation : KL- Kuala Lumpur, OKL – Outside Kuala Lumpur, KV – Klang Valley
 Source : CBRE|WTW Research, December 2020

PROPERTY MARKET UPDATES

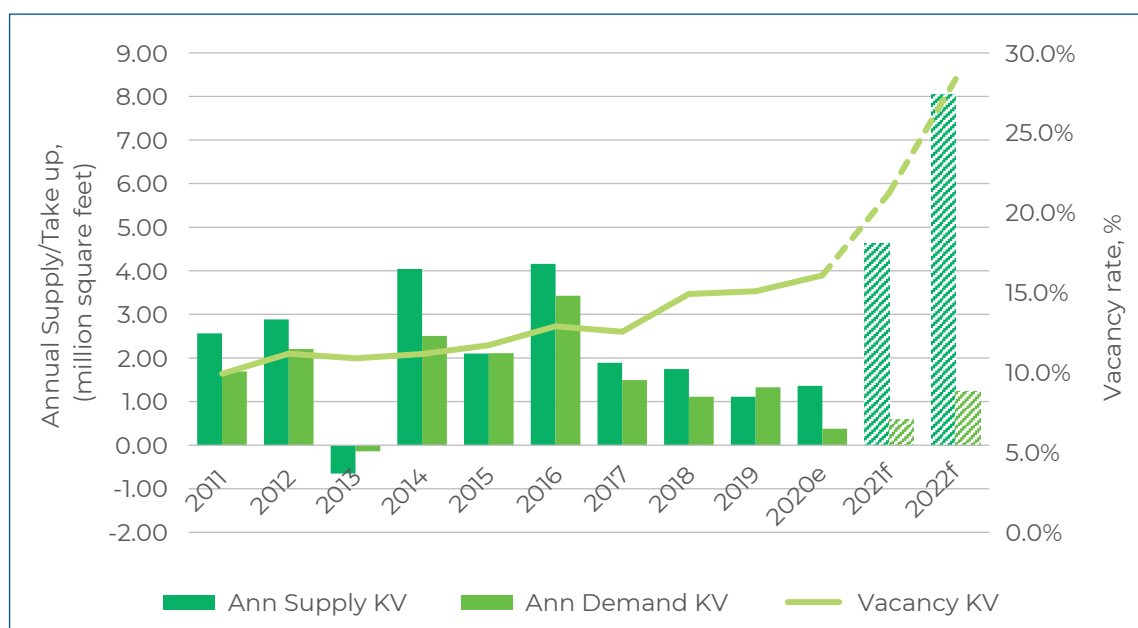
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PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.2 KLANG VALLEY (cont'd)

2.2.1 Supply and Demand (cont'd)

Chart 3.4: Supply, Take-up & Vacancy Rates of Purpose-Built Retail in Klang Valley (2011 to 2022f)



Note : The above analysis includes the ongoing future supply which have commenced construction during the review period and taking into consideration on the pre-committed leases.

Abbreviation : KV- Klang Valley, KL-Kuala Lumpur, OKL – Outside Kuala Lumpur

Source : CBRE|JTW Research, December 2020

The average annual take-up rate of PBR in KV within the last 5 years was 1.89 million square feet and approximately 1.30 million square feet in the last 3 years (2017-2019). During the review period, i.e. 1Q to 3Q2020, only 86,100 square feet of net take up was observed compared to the earlier net take-up of 1.17 million square feet within the similar period of 2019. The only new completion during the review period, i.e. Tropicana Garden Mall (approximately 1 million square feet) in OKL has merely marked 30% tenancies during their opening prior to MCO.

The business landscape remains challenging for the majority of retailers as consumer spending is expected to recover at a slower pace after the third wave of the Covid-19 pandemic. Coupled with the moderate economic recovery, the retail take-up in the coming years will be slower with higher projected vacancy rate of up to 28% by 2022, despite efforts to secure pre-opening tenancies prior to the pandemic.

PROPERTY MARKET UPDATES

(cont'd)

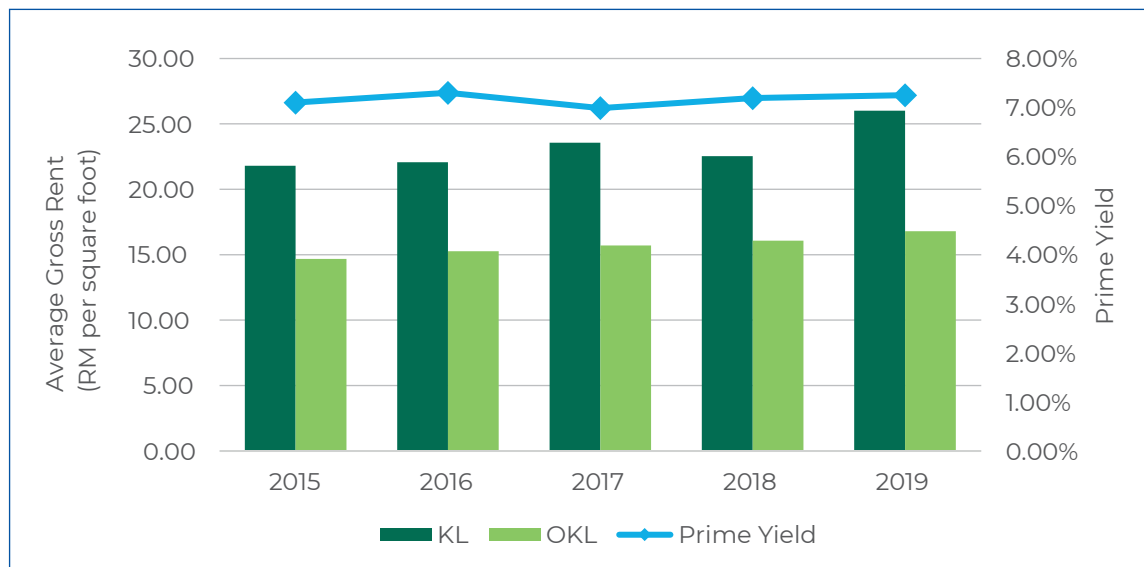
PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.2 KLANG VALLEY (cont'd)

2.2.2 Investment Activity

Based on REITs Annual Reports 2019, the average gross rental of prime PBR in KV is about RM25 per square foot: about RM26 per square foot in KL compared to about RM17 per square foot in OKL. Prime retail rentals in KV are expected to remain stable. Prime yields have appeared steady since 2006, between 6.0% and 7.0%.

Chart 3.5: Average Prime Gross Rental in the Klang Valley (2015-2019)



Abbreviation : KV- Klang Valley, KL- Kuala Lumpur, OKL – Outside Kuala Lumpur; RHS – Right Hand Side

Source : REITs Annual Reports, 2015- 2019, CBRE | WTW Research, December 2020

As at 1H2020, most retail REITs have reported a decline in both rental and car park incomes compared to the previous year. Selected retail REITs reported better performance, such as Pavilion REIT with rent revision and tenancy renewals which were concluded before the MCO.

Retailers are expected to have a better bargaining position in new tenancy negotiations and rental renewals amid the current challenging retail market. The majority of retailers have been asking for rental waivers or rebates from landlords, especially rental rebates for the first 2-weeks of the MCO, rebates on service charges, advertising and promotional charges. Rental rebates are commonly in the range of between 10% and 30% while some vary depending on past sales performance or rental records.

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.2 KLANG VALLEY (cont'd)

2.2.2 Investment Activity (cont'd)

The Investment market was generally subdued in 2020. The last transaction of a PBR center was a share disposal of 49% of Pavilion Bukit Jalil in May 2019 with a selling price of RM1,480 million. Prior to that, three (3) notable transactions involving retail centers were acquired by two (2) Real Estate Investment Trusts (REITs), which were Da Men USJ in Subang Jaya, The Intermark Mall in Kuala Lumpur city center and Tropicana City Mall and Office in Petaling Jaya.

Table 3.3: Purpose-Built Retail Transactions (2015 – 2019)

Year	Building Name	Seller	Buyer	Net Lettable Area (square feet)	Selling Price RM million (RM per square foot)
2019	Pavilion Bukit Jalil ⁴	Pioneer Haven Sdn Bhd	Regal Path Sdn Bhd	1,839,914	1,480.0 (804)
2018	SS Two Mall	SS Two Mall Sdn Bhd (subsidiary of AsiaMalls Sdn Bhd)	DK-MY Properties (subsidiary of DK Group of Companies)	460,000	180.0 (529.8)
2017	AEON Mahkota Cheras	AEON (M) SDN BHD	Foremost Wealth Management Sdn Bd	69,998	87.8 (1,254)
2017	Empire Shopping Mall	Mammoth Empire Sdn Bhd	Perlaburan Hartanah Berhad	350,000	570.0 (1,629)
2015	The Intermark Mall	The Intermark Sdn Bhd	Pavilion REIT	225,014	160.0 (711)
2015	Da Men USJ	Equine Park Country Resort Sdn Bhd & Revenue Concept Sdn Bhd	Pavilion REIT	420,920	488.0 (1,159)
2015	Tropicana City Mall & Offices	Tropicana City Sdn Bhd	Capitamalls Malaysia Trust	639,447	540.0 (844)

Source: Bursa Announcement, CBRE | WTW Research, December 2020

4 The 2019 transaction of Pavilion Bukit Jalil is a share disposal of 49% to the buyer.

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.2 KLANG VALLEY (cont'd)

2.2.3 Market Outlook

The KV retail market is expecting additional space of about 0.63 million square feet and 4.35 million square feet by 2020 and 2021 respectively. This block of retail space may only be able to reach optimal tenancies after the rebound of international tourism and retail markets, possibly towards the end of 2022.

The overall retail industry has not stabilized despite some semblance of normalcy. Despite the visible changes in trend and lifestyle, the demand for retail space by both retailers and customers is still relevant with changes in respect of size, usage and functionality of the physical store.

E-commerce have become a major channel adopted by almost all groups; retail malls, retailers and consumers, allowing some retailers to conduct store rationalization and/or focus on their online platforms.

Despite pre-leasing activities of incoming malls such as Mitsui Shopping Park Lalaport and TRX Lifestyle Quarter which are positioned with theme and secured anchor tenants, these malls targeting the international tourist footfalls will face challenges in striving for optimal tenancies, compared to neighborhood malls catering to the local catchments within established residential enclaves.

The expansion and entry of new stores will be slower, including those planned before the pandemic. Landlords have given rental rebates / waivers, and are currently prioritizing tenant retention which may allow more flexibility in tenancy commitment in the near term.

Unless the pandemic is contained and international borders are re-opened, there will be continued downward pressure on occupancy rates and rental levels in KV retail malls as additional supply enters the market.

PROPERTY MARKET UPDATES

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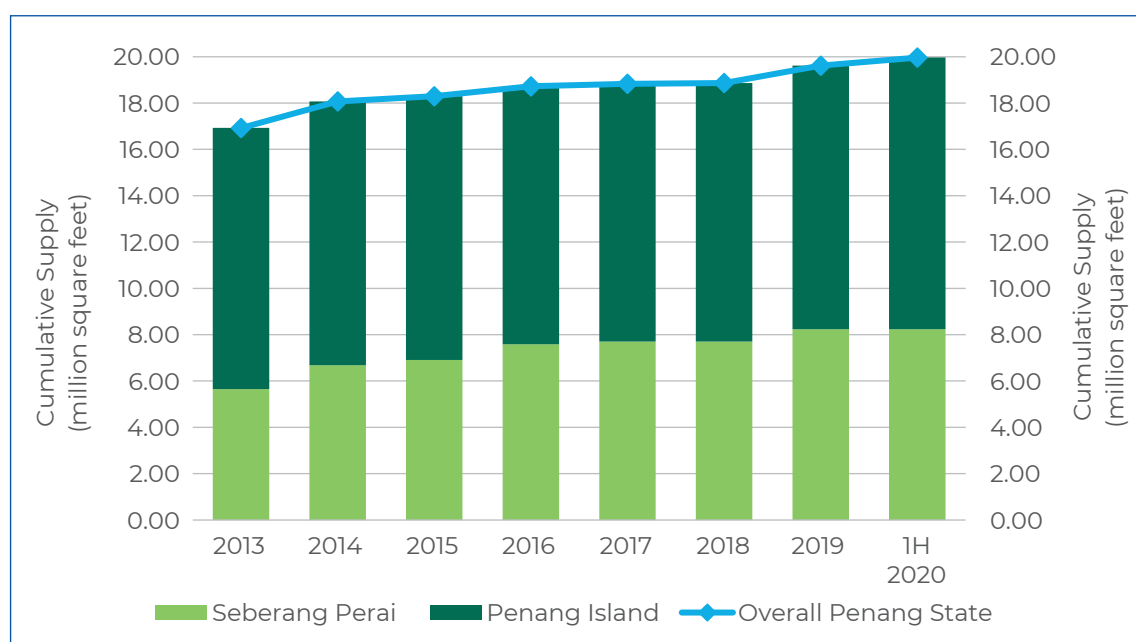
PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.3 PENANG⁵

2.3.1 Existing Supply

The existing supply of PBR space in Penang state stands at approximately 19.966 million square feet.

Chart 3.6: Supply of Purpose-Built Retail Space, Penang, 2013 – 1H2020



Source: NAPIC, CBRE|WTW Research, December 2020

Most retail accommodation is located in Penang Island, 11.731 million square feet or approximately 59% of the total existing supply. Seberang Perai accommodates the remaining 8.235 million square feet (41%).

Table 3.4: Supply of Purpose-Built Retail Space in Penang, December 2020

Supply	Overall (Penang State)	Location	
		Penang Island	Seberang Perai
Existing Supply (million square feet)	19.966	11.731	8.235
Share (%)	100%	59%	41%

Source: NAPIC, CBRE|WTW Research, December 2020

⁵ In general, Penang state is categorised into two (2) main areas, i.e. Penang Island and Seberang Perai.

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.3 PENANG (cont'd)

2.3.1 Existing Supply (cont'd)

Existing retail space in Penang State comprises 42 shopping centres (13.161 million square feet), 50 arcades (approximately 4.047 million square feet) and 17 hypermarkets (2.758 million square feet). No new supply entered the Penang market in 2020.

Table 3.5: Existing Supply of Purpose-Built Retail Space by Type, December 2020

Local	Shopping Centre		Arcade		Hypermarket		Total	
	No.	Retail Space (million square feet)	No.	Retail Space (million square feet)	No.	Retail Space (million square feet)	No.	Retail Space (million square feet)
Penang Island	18	6.944	46	3.975	4	0.812	68	11.731
Seberang Perai	24	6.217	4	0.072	13	1.946	41	8.235
Total Penang State	42	13.161	50	4.047	17	2.758	109	19.966

Source: NAPIC, CBRE|WTW Research, December 2020

2.3.2 Future Supply

Upcoming PBR centres in Penang State totals about 2.68 million square feet of net lettable area. The bulk of the upcoming space is in Seberang Perai (58%). Two PBR centres are expected to be completed next year and contribute an additional 580,000 square feet of net lettable area.

Table 3.7: Upcoming Purpose-Built Retail Space in Penang, 2021 - 2023

Location	Proposed Retail Mall	Estimated Net Lettable Area (square feet)	Expected Year of Completion
Penang Island	Penang Time Square Phase 3	230,000	2021
	Retail Mall @ Sunshine Tower	900,000	2022
Seberang Perai	Sunway Carnival Extension	350,000	2021
	GEM Megamall	1,200,000	2023

Source: NAPIC, CBRE|WTW Research, December 2020

2.3.3.1 Market Occupancy

The overall occupancy rate of PBR centres in Penang State was in the region of 70% to 73% in the past 5 years. PBR space on Penang Island continued to outperform Seberang Perai, which registered average occupancy rates in the region of 80% whilst the latter in the region of 60%. The higher occupancy rate of the island is attributed mainly to the relatively larger working population as well as tourist visitors.

PROPERTY MARKET UPDATES

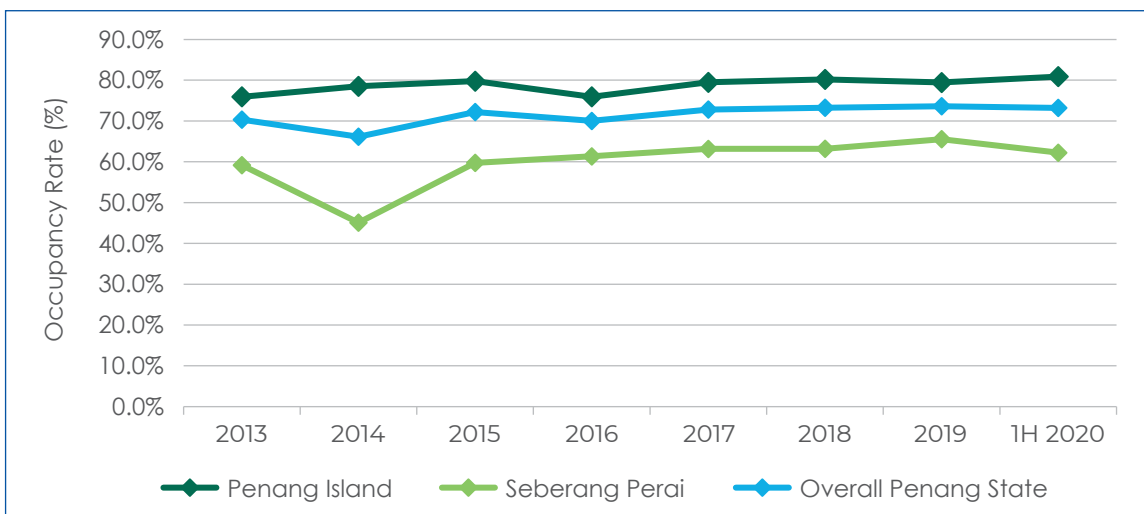
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PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.3 PENANG (cont'd)

2.3.3.1 Market Occupancy (cont'd)

Chart 3.7: Overall Occupancy Rate of Purpose-Built Retail in Penang

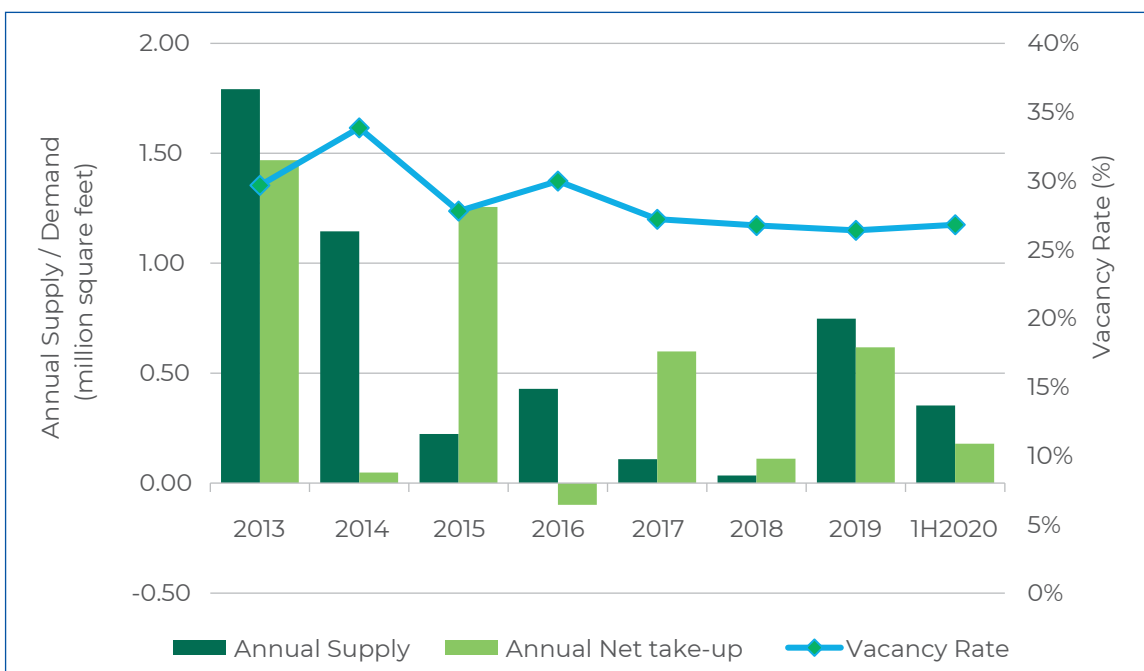


Source: NAPIC, CBRE | WTW Research, December 2020

2.3.3.2 Annual Supply, Annual Net Take-Up and Vacancy Rate

The trend of annual supply, net take-up and vacancy rate of retail accommodation in Penang State is summarised in the following chart.

Chart 3.8: Annual Supply, Net Take-up and Vacancy Rate in Penang (2013 -1H2020)



Source: NAPIC, CBRE | WTW Research, December 2020

PROPERTY MARKET UPDATES

(cont'd)

PURPOSE-BUILT RETAIL SECTOR (cont'd)

2.3 PENANG (cont'd)

2.3.4 Investment Activity

Gross rentals for the ground floor of selected prime shopping centres in Penang Island commanded higher rental rates of up to RM50 per square foot per month. For en-bloc hypermarket, the gross rentals range from RM2.40 to RM3.20 per square foot per month in Seberang Perai and Penang Island.

2.3.5 Market Outlook

The retail property sector has been severely hit by the Covid-19 pandemic, especially during the Movement Control Order (MCO) period. Marked improvement in shopper traffic can be seen after the lifting of the MCO and with the Recovery Movement Control Order (RMCO) in place.

However, the return of the shopping crowd is not stable yet with the emergence of sporadic new clusters of Covid-19 cases which prompted further restrictions on visiting public places such as retail complexes. Full recovery of the retail property sector is yet not certain in the near future.

Single ownership retail complexes such as Gurney Plaza, Gurney Paragon and Queensbay Mall on Penang Island, and Sunway Carnival and Aeon Mall in Seberang Perai, are expected continue to maintain their occupancy rates and rentals, with their ability to respond quicker to market changes as compared to stratified shopping complexes with multiple ownership.

Notwithstanding the above, as consumer sentiment remains muted, shoppers will be more cautious in spending. Essential items such as groceries and household products will be prioritised over luxury items. On the other hand, luxury items will mainly be purchased by local high-income earners with the implementation of entry restrictions on foreign tourists. Moreover, many consumers are shifting to online purchase thus reducing their usual shopping activities pre-MCO. Hence, retail sales of goods in traditional (multi-tenant) shopping centres are more adversely affected as compared to hypermarkets. As such, the average occupancy rate of hypermarkets in general is expected to outperform the traditional (multi-tenant) shopping centres particularly in this short-term period, which resulted a more resilient rental market for hypermarkets.

Retailers have started to strategize their business model, by incorporating online services to drive their business. Apart from allowing customers to do online purchase directly through their web site, retailers have also partnered with delivery service providers such as Grab and Foodpanda. More retailers are also encouraging customers to make payment via mobile payment apps such as Touch 'n Go and Boost. This shifting landscape may become the new normal in the near future.

It was reported that Ideal United Bintang International Bhd (IUBIB) aims to convert the 1st Avenue shopping mall which was acquired last year into a virtual mall. The mall will showcase the integration of digitalisation and information technology with the physical stores, offering interactive online retail experience by combining a reactive campaign with promotions provided by tenants. The mall will also collaborate with an online shopping platform i.e. Shopee to establish a "mall within a mall" virtual experience concept that allows shoppers to shop virtually at 1st Avenue Mall through the Shopee platform. The mobile app which is integrated with the virtual mall is expected to be introduced by 1Q2021.

IN THE NEWS

3 FEBRUARY 2020

REITs stand out against low interest rates

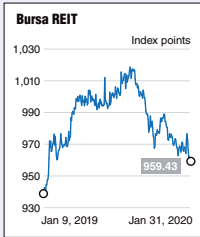
BY ARJUNA CHANDRAN SHANKAR

KUALA LUMPUR: Real estate investment trusts (REITs) are expected to be sought after, more so after Bank Negara Malaysia's recent cut in the overnight policy rate (OPR) by 25 basis points which resulted in lower bank deposit rates.

The OPR cut, which had an impact on Malaysian Government Securities (MGS) yields could drive investors for alternative yielding assets, said Affin Hwang Capital Research.

"We anticipate the compression in MGS yields to drive investors to demand alternative yielding assets such as REITs, thereby rerating the sector's valuation," it added. Currently, REITs listed on Bursa Malaysia are offering yields at above 4% (see table), compared with banks' fixed deposit rates of below 3%.

Rakuten Trade Research vice-president Vincent Lau believes that REITs would do well in a low-interest rate environment, particularly those who are in the retail space.



"REITs would do well in a low-interest-rate environment. In particular, retail REITs are expected to be resilient as high tenant occupancy alongside food and beverage (F&B) demand in shopping malls will continue to be a driving force for footfall," said Lau, who cited REITs such as Pavilion REIT and IGB REIT will fare well in 2020.

Meanwhile, TA Securities con-

restore the attractiveness of REITs vis-à-vis the yields of other fixed income instruments.

TA Securities forecasted an 8.1% year-on-year (y-o-y) growth in the distribution per unit (DPU). This growth is expected to be driven by higher rental post asset enhancement initiatives (AEIs), contributions from newly acquired assets and better operational efficiencies.

Should domestic economic activities continue to gain traction, TA Securities noted that the potential upside to its DPU forecasts is present. Balance sheet-wise, REITs' financial footing remains solid according to TA, with an average gearing ratio of the REITs that it covers standing at 36.1% as at Sept 30, 2019, while the debt maturity is well spread and financing costs are expected to remain stable.

"Over the near term, we believe refinancing risks are low as REIT managers have been proactive, taking advantage of the current accommodative interest environment to lengthen debt tenures,

Performances of REITs listed on Bursa Malaysia

COMPANY NAME	PRICE	ONE YEAR RETURN	MKT CAP	DISTRIBUTION YIELD - TRAILING 12 MONTHS
	(RM)	(%)	(RM BIL)	(TTM) (%)
KLCCP Stapled Group	7.83	5.18	14.14	NA
IGB Real Estate Investment Trust	1.92	13.28	6.82	4.81
Sunway Real Estate Investment Trust	1.82	9.48	5.36	5.28
Pavilion Real Estate Investment Trust	1.71	3.76	5.20	5.16
Axis Real Estate Investment Trust	1.78	9.22	2.55	5.14
YTL Hospitality REIT	1.33	11.09	2.27	5.95
Capitaland Malaysia Mall Trust	0.995	-2.54	2.04	7.11
AL-Agar Healthcare REIT	1.4	7.07	1.03	5.57
MRCB-QUILL REIT	0.93	-8.01	0.997	11.45
UOA Real Estate Investment Trust	1.25	-0.75	0.53	7.46
AL-Salam Real Estate Investment Trust	0.82	6.76	0.48	6.94
KIP Real Estate Investment Trust	0.895	21.63	0.452	6.88
Hektar Real Estate Investment Trust	0.975	-6.91	0.450	8.29
Amnahraya Real Estate Investment Trust	0.73	-6.54	0.42	8.15
AmFirst Real Estate Investment Trust	0.485	0.85	0.33	8.23
Tower Real Estate Investment Trust	0.8	-7.16	0.22	4.91
Altium Real Estate Investment Trust	1.04	-1.99	0.21	4.34
Amniah Harta Tanah PNB	0.78	11.91	0.17	7.47

As of Jan 31, 2020
Sources: Bloomberg/Asia Analytica

REITs expected to perform better on VMY2020 hopes

FRONT PAGE 3

refinance loans ahead of maturities and establish new loan facilities for future drawdown," said TA Securities.

REITs that own mall and hotel assets are expected to perform better pining their hopes on the Visit Malaysia 2020 (VMY2020) programme in helping to draw higher tourist arrivals for the year.

Beside the rate cut that has made REITs attractive to yield-seeking investors, lower interest rates also help to reduce financing costs for any asset acquisitions.

PublicInvest Research said in a recent research note dated Jan 23 the low-interest-rate environment could serve to stoke risk appetite for asset acquisitions, as they are generally funded by borrowings.

However, from the earnings perspective, PublicInvest Research opined that the impact of the OPR cut would be mildly positive, as there would be cost savings from lower interest rates on the floating rate debts owed by REITs.

Most of the REITs under our coverage have the majority of their borrowings pegged at a fixed rate.

"That said, the impact on earnings is marginal with the lower finance costs only expected to increase earnings [of these REITs with floating rates] by about 1%," opined PublicInvest Research.

The research house added that of the REITs it covers, Sunway REIT's floating-rate loans account for 57% of its loans, while Axis REIT is 21%. Over at IGB REIT, all its borrowings are placed at fixed rates.

Affin Hwang Capital viewed that the OPR cut would reduce REITs' finance costs and lift earnings, but the impact on near-term profits in 2020 and 2021 is likely minimal.

"Most of the REITs under our coverage (Axis REIT, IGB REIT, KLCC Stapled Group and YTL REIT) have the majority (more than 70%) of their borrowings pegged at a fixed rate, while the others have pegged 43% of their borrowings at a fixed rate," noted Affin Hwang.

Affin Hwang has maintained its "overweight" call on the REIT sector, and highlighted KLCCP Stapled Group is highly defensive in terms of earnings and its yield is sustainable. It also likes Axis REIT for its industrial and warehouse portfolio and attractive valuation, and IGB REIT for its prime assets, robust earnings track and strong management.

MRCB-Quill REIT posts Q1 net income of RM19.79mil

KUALA LUMPUR: MRCB-Quill Real Estate Investment Trust's (MQREIT) net income of RM19.79mil in the first quarter ended March 31, 2020, was 2% higher than in the previous corresponding quarter on the back of higher revenue and lower expenses.

Revenue for the quarter rose 1.2% to RM42.22mil from RM41.72mil in the comparative quarter.

Earnings per unit and distributable income per unit was about 2% higher year-on-year to 1.85 sen.

According to MQREIT, it received higher revenue contribution from certain properties, namely Menara Shell, Wisma Technip and Tesco.

Concomitantly there was a decline in finance costs, administration expenses and trustee's and manager's fees.

At end-March, MQREIT's average occupancy rate stood at 90.3%, it said about 370,000 sq ft or 19% of its total leased net lettable area is up for renewal in 2020 with the bulk of these leases due in the final quarter of 2020.

It added that 95% of the leases due in 1Q2020 have been renewed and early negotiations have commenced for the bulk of the leases due in the fourth quarter.

Meanwhile, the REIT had a gearing ratio of 38.3% as at end-March, which falls below the Securities Commission's 50% threshold.

According to MQREIT CEO Yong See Hin, RM335mil in borrowings due on March 30 was successfully refinanced for another five years, thereby increasing the debt average term to maturity to 3.32 years.

"While we expect the low interest rate environment in period, MQREIT will consider to ramp up its floating interest rate exposure to fixed rate at an appropriate time, to cushion it from any potential rise in interest rates in a volatile market environment," she added.

21 JANUARY 2020

MQREIT likely to focus on asset management and/or enhancement

MRCB-QUILL REIT (has 20, 90, 100)

Maintain bold with a lower target price (P) of RM1.40. MRCB-Quill REIT's (MQREIT) core net profit (CNP) for the financial year ended Dec 31, 2019 (FY19) was below expectations — 93% net full-year forecast and 89% of consensus. Its FY19 revenue also fell short, at 97% of our full-year estimate, and down 7.2% year-on-year (y-o-y) due to lower revenue from Platinum Sentral, Wisma Technip and Quill Building (QB), as well as a loss of revenue from the disposal of QBB.

In FY19 CNP, excluding a negative revaluation of assets of RM8.7 million, and 49% y-o-y RM16.4 million due to interest income down 20% y-o-y. The total FY19 distributable per unit (DPU) was 0.8 sen, 16% lower than FY18's DPU of 1.1 sen but in line with expectations.

The group recognized a deficit on the revaluation of assets in Q4 FY19 amounting to RM8.7 million, leading to the quarter's reported net loss of RM2.4 million. Strip-out the asset revaluation's impact, its 4Q FY19 CNP of RM12.4 million translated into an 8.4% y-o-y decline, the result of weaker rental revenue and a 34% y-o-y drop in interest income.

For the full year, MQREIT achieved an overall portfolio occupancy of 90%, a slight lower than FY18's 91%, the overall average occupancy's main driver was Platinum Sentral. It achieved an 84% occupancy at end-FY19, ending the year with 50,000 sq ft of unleased space left vacant by the Land Public Transport Agency and MyHISR, Separately, Menara Shell achieved a 95% occupancy at end-FY19, with finalising tenancy for the remaining 3%.

For 2020, the group believes the Klang Valley's office market will remain challenging. Therefore, it will still focus on asset management and/or enhancement and more effective leasing strategies, particularly for Platinum Sentral, targeting tenant retention.

We cut our FY20 and FY21 earnings per share forecasts or DPU by 1.8% to 1.9% due to house-keeping and introduced FY22 forecast numbers. We forecast a 90% average occupancy for FY20, reflecting a gradual improvement in tenancy at Platinum Sentral and reduced occupancy at Wisma Technip F&M.

Our 'hold' call is kept, supported by still attractive revised FY20 to FY22 forecast dividend yields of 6.8% to 7.3% — the highest in our real estate investment trust (REIT) sector coverage. Update risks are better than consensus and improved occupancy rates. Downside risks are non-renewal of expiring leases and lower occupancy rates. — CGS-CIMB Research, Jan 20

FY/DEC QUARTER	2018A	2019A	2020F	2021F	2022F
Gross property revenue	272.9	161.1	167.7	172.2	276.8
Net property income	132.8	121.8	126.7	128.9	133.2
Net profit	73.13	25.12	73.39	76.14	79.15
Distributable profit	69.89	29.12	73.37	76.21	79.15
DPS (sen)	0.981	0.269	0.908	0.929	0.972
Dividend yield (%)	8.08	6.81	6.78	7.04	7.31
Asset leverage (%)	37.6	37.8	37.7	37.7	37.7
BVPS (sen)	1.28	1.23	1.24	1.24	1.24
P/BV (x)	0.78	0.81	0.81	0.81	0.81
Return on ROE (%)	5.46	4.24	5.24	5.29	5.92
% change in DPS estimates			(1.92)	(1.85)	
CGS-CIMB consensus DPU (x)			1.03	1.05	

Sources: CGS-CIMB Research, company reports

22 JUNE 2020

MQREIT TO RAISE RM450M FROM BOND ISSUE

PETALING JAYA: MRCB-Quill REIT (MQREIT) proposes the establishment of a commercial papers (CP) and/or medium term notes (MTN) programme of up to RM450 million. The CP/MTN programme was lodged with the Securities Commission yesterday. It is unrated and will have a legal tenure of seven years from the date of the first issuance. "Proceeds raised from the issuance will amongst others, be advanced to MQREIT to finance or part-finance its investment activities, refinancing of its existing and/or future borrowings/facilities, and/or for its working capital requirements," MQREIT said.

MRCB-Quill REIT posts higher Q1 net profit of RM19.8m

PETALING JAYA: MRCB-Quill REIT (MQREIT) achieved a net profit of RM19.79 million in the first quarter ended March 31 (Q1'20), an increase of 2% from RM19.41 million a year ago, attributable to higher revenue generated from the selected properties and lower finance cost, administration expenses, trustee's and manager's fee.

Its revenue jumped 1.2% to RM42.22 million from RM41.72 million in the previous year's corresponding quarter.

Correspondingly, MQREIT recorded a realised earnings per unit (EPU) and distributable

income per unit of 1.85 sen which is 2% higher than the EPUs and distributable income per unit of 1.81 sen recorded in Q1'19.

MQREIT manager MRCB Quill Management Sdn Bhd (MQM) chairman Ian Sri Saw Choo Boon said the group is committed to provide support where necessary to its stakeholders.

It has put in place the necessary precautionary measures at its properties to mitigate the risk of exposure to Covid-19, and will extend assistance via rental support to its retail tenants which were badly affected by the nationwide movement control order.

MQM CEO Yong Su-Lin said amid market uncertainties, MQREIT will remain vigilant on managing cash flow and exercising financial discipline to continue delivering value to its unit holders.

Thus far, MQREIT has been able to sustain a stable occupancy and healthy weighted average lease expiry, which stood at 4.65 years, with an average occupancy rate of 90.5% as at March 31.

In terms of lease renewal, MQREIT has 370,000 sq ft (19% of its total leased net lettable area) due for renewal in 2020 with the bulk of these leases due in Q4'20. 93% of the leases due in Q1'20 have

been renewed and early negotiations have commenced for the bulk of the leases due in Q4'20.

"In terms of capital management, MQREIT continues to be in a stable financial position to meet its financial and operational obligations, with a gearing ratio of 38.3% as at March 31. MQREIT's RM335 million borrowings due on March 30, 2020 was refinanced for another tenure of five years, thereby increasing its debt average term to maturity to 3.32 years as at March 31, 2020. After this refinancing, about 54% of its total borrowings is on floating interest rate," she said.

18 JUNE 2020

IN THE NEWS

(cont'd)

MRCB-Quill REIT posts 8.36% higher earnings per unit

KUALA LUMPUR: Real estate investment trust MRCB-Quill REIT (MQREIT) has reported a revised full year 2020 earnings per unit (EPS) of RM38.87 and 3.83 sen (111.0%), an increase of 8.36% from the corresponding period.

An analyst from MRCB-Quill Management has said that MQREIT's performance was supported by the strong recovery in the real estate market in the second half of 2020, as well as the company's strong asset portfolio and high-quality tenants.

The analyst also noted that MQREIT's strong performance was supported by the company's strong asset portfolio and high-quality tenants.

MQREIT catat pendapatan bersih RM38.87 juta

KUALA LUMPUR: MRCB-Quill REIT (MQREIT) telah mencatatkan perolehan bersih dan realiti Pendapatan Suci (EPS) sebanyak RM38.87 juta dan 3.83 sen, masing-masing untuk enam bulan berakhir 30 Jun 2020, yang mencerminkan peningkatan sebanyak 8.4 peratus dalam tempoh yang sama tahun sebelum ini.

Pengurus MQM, MRCB-Quill Management Sdn Bhd (MQM) dalam satu makluman kepada Bursa Malaysia berkata, ia juga telah mengiyahkan agihan perolehan serta agihan tunai (DPU) sebanyak RM38.76 juta dan 3.83 sen, setiap satu bagi separuh pertama 2020 yang diumumkan sebagai hasil berjalannya 9.33 peratus.

"Memandangkan MQREIT membayar agihan separuh tahun DPU sebanyak 3.43 sen dijangka akan diagihkan menjelang 30 September 2020. Tarikh pengumuman telah ditetapkan pada 2 September depan," kata MQM.

Pendapatan bersih yang dilaporkan bagi suku kedua 2020 ini mendapat sebanyak 16 peratus kepada RM10.08 juta dibandingkan dengan suku sebelumnya, disebabkan oleh sumbangan pendapatan yang lebih tinggi daripada Platinum Sentral, Menara Shell & Tricon Plaza Pong sebagai menggabungkan rebot sewa yang telah disediakan untuk kebanyakan penyewa runcit yang berada di Plaza Mont Kiara.

Pengurus MQM, Tan Sri Saw Choo Kwan berkata, prestasi ekonomi dalam separuh pertama tahun telah membolehkan ia dalam menyaksikan pemulihan secara beransur-ansur melalui pengurangan pakai tanggungan ekonomi dan kawalan perkeratan.

Penyewa MQREIT telah bernyawa semula selepas bermulanya Perintah Kawalan Pergerakan Pemulihan pada 9 Jun lepas.

Sementara itu, Ketua Pegawai Eksekutif MQM Yong Siu Lin menyatakan keyakinan bahawa firma itu akan terus mampu mengatasi kesan penyusutan kali ini dengan memberi tumpuan kepada pengurusan kos, pengendalian penyewa dan pengoptimuman sumbangan penyewaan.

"Sehingga 30 Jun 2020, paras portfolio kepeghuan REIT adalah kekal pada 90.4 peratus. Oleh disebabkan itu, aktiviti penyewaan menjadi agak kurang pada suku kedua 2020 dan pembaruan bagi tahun berkenaan pula tertumpu dalam suku sebelumnya.

"Keridung sedang berjalan seperti yang dijadualkan untuk baki pajakan yang berakhir pada akhir kedua 2020 yang mewakili kira-kira 90 peratus daripada jumlah pajakan yang perlu dihayat untuk pembaruan dalam 2020," tambah beliau lagi. — Bernama



PENYENAWA MQREIT telah bernyawa semula selepas bermulanya Perintah Kawalan Pergerakan Pemulihan pada 9 Jun lepas.

17 AUGUST 2020

(吉隆坡16日讯) 由于4个产托收入增加, 马资源桂嘉产托 (MQREIT, 5123, 主要板产托) 截至6月底次季, 净利按年增15.96%至1908万1000令吉, 并宣布每单位派息3.43仙。

马资源桂嘉产托向马证交所报备, 次季营业额按年增3.7%至4063万6000令吉。首半财年净利按年涨8.4%至3885万6000令吉, 营业额则增2.4%至8284万4000令吉。

该公司在文告说, 净利增加主要是因为壳壳大厦 (Menara Shell)、Wisma

馬資源桂嘉產託 每單位派息3.43仙

Technip, Platinum Sentral和檳城特易购带来较高的收入。

“Keridung sedang berjalan seperti yang dijadualkan untuk baki pajakan yang berakhir pada akhir kedua 2020 yang mewakili kira-kira 90 peratus daripada jumlah pajakan yang perlu dihayat untuk pembaruan dalam 2020,” tambah beliau lagi. — Bernama

同时, 房产营运开销减少约60万令吉或5.7%, 管理费按年增1.0%至320万令吉, 及财务成本按年下降8.4%至890万令吉, 这些皆带动盈利增加。

马资源桂嘉产托16%或约37万1000平方尺的净出租面积 (NLA) 即将更新, 管理人已开始进行初期谈判, 以期在租赁期满前锁定租约。

“巴生谷的办公楼市场料继续充满挑战。我们将继续专注于以租户为重的资产管理 and 租赁策略, 以克服充满挑战性的营运环境。”

10 SEPTEMBER 2020

MQREIT's assets holding up well during Covid-19

KUALA LUMPUR: MRCB-Quill Real Estate Investment Trust (MQREIT) has a resilient portfolio of assets with analysts noting that the group's assets are holding up well during the Covid-19 pandemic.

AllianceDBS Research Sdn Bhd (AllianceDBS Research) expected MQREIT to register relatively resilient earnings given its high-quality tenant base, strategically located assets and long-term leases.

The research firm recalled that there were some rental rebates given to retail tenants in Plaza Mont Kiara and Platinum Sentral.

"However, this only impacted a relatively small group of its portfolio with the second quarter of financial year 2020 (QFY20) earnings only seeing a slight 1.6 per cent dip on a quarter-on-quarter (q-o-q) basis," AllianceDBS Research said.

"There were also some non-renewals in Platinum Sentral (B0600 sq ft)."

However, the research firm expected this to normalise as rebates were mostly given out only for QFY20.

"We believe the vacancy in Platinum Sentral could be filled soon as the group has been in active discussions with potential new tenants."

According to AllianceDBS Research, the step up in Menara Shell together with the higher occupancy in Platinum Sentral managed to push up earnings by 16 per cent year on year (y-o-y) in QFY20.

The research firm noted that Platinum Sentral occupancy increased due to the re-awakening tenants which came in QFY19.

It further noted that the co-working tenant is expected to expand further in the second half of FY20 (H2FY20) which



According to AllianceDBS Research, the step up in Menara Shell together with the higher occupancy in Platinum Sentral managed to push up earnings by 16 per cent year on year (y-o-y) in QFY20.

will be positive for the group.

"Collections were relatively healthy with receivables lower by nine per cent q-o-q during the Movement Control Order (MCO)."

"We expect this to normalise in the coming quarters. In terms of y-o-y, receivables were up by 17.6 per cent."

On MQREIT's opportunities for tenant expansion, AllianceDBS Research believed there are opportunities to increase the REIT's occupancy rate resulting from physical distancing measures during the pandemic as office space will need to comply with new standard operating procedures (SOP).

"Working from home policies may also not be viable for those lacking proper infrastructure and facilities. This could result in expansion of office space as well as more take-ups in the co-working space."

18 AUGUST 2020

PROPERTY

MQREIT seen managing Covid-19 challenge well

Analysts positive on real estate investment trust

Real estate investment trust MRCB-Quill REIT (MQREIT) has reported a revised full year 2020 earnings per unit (EPS) of RM38.87 and 3.83 sen (111.0%), an increase of 8.36% from the corresponding period.

An analyst from MRCB-Quill Management has said that MQREIT's performance was supported by the strong recovery in the real estate market in the second half of 2020, as well as the company's strong asset portfolio and high-quality tenants.

The analyst also noted that MQREIT's strong performance was supported by the company's strong asset portfolio and high-quality tenants.

"Rental collection remains commendable as only a small number of affected tenants were given rental deferment as opposed to rental relief."

— IHS Real Estate

IN THE NEWS

(cont'd)

13 NOVEMBER 2020

BIZ in BRIEF

MRCB Quill sells 5-storey office building for RM45m

MRCB Quill Management Sdn Bhd (MQM), as the manager of MRCB-Quill Real Estate Investment Trust (MQREIT), disposed of a five-storey office building, the Quill Building 5 in Cyberjaya, for RM45 million to Deriv Services Sdn Bhd (DSSB). DSSB was incorporated in Malaysia on April 23, 2004, as a private limited company and is the operational headquarters of Deriv Ltd's group of companies, MQREIT said in a Bursa filing yesterday. MQREIT said the disposal was in line with its objective to regularly evaluate and rejuvenate its property portfolio. "MQM opines that it has optimised the potential of the property and given the favourable disposal price for the sale of this asset, it is an opportune time to dispose of this asset," it said. It said the proceeds from the disposal may be utilised, among others, to repay existing borrowings and redeploy the capital for asset enhancement initiatives and investments in other assets. — *Bernama*

14 NOVEMBER 2020

MQ REIT to focus on tenant retention and cost optimisation

KUCHING: Cautious on the impact of the Coronavirus Disease 2019 (Covid-19) pandemic on Malaysia real estate investment trusts (REITs), MRCB-Quill REIT (MQ REIT) is focusing on tenant retention and cost optimisation for new analysts observed.

Keenings Investment Bank Bhd's research team (Keenings Research) in a report, noted that the group remained cautious of the Covid-19 situation which would place pressure on the office market and would continue to focus on tenant retention and cost optimisation for now.

"Due to FTA will see minimal lease expiries of 30 to 31 per cent of net lettable space (NLS) while the issue of oversupply of office spaces

in the Klang Valley remains. Firstly, the group has reserved 11 per cent of the 10 per cent of leases up for renewal in FTA while asset occupancy remains stable at 91.4 per cent in 2QFY20," it added.

On MQ REIT's recently released financial results, Keenings Research said its first nine months of the financial year 2020 (MFY20) realised net income (NI) of RM60.1 million came in above expectations as 5MFY20 rental rebates were not as high as previously anticipated.

"On a year-on-year, year-to-date basis, it said, MQ REIT's top-line was up by three per cent on higher revenue generated from Housa Uaei, Wisma Techniq, and Taseq,

Penang. Efficient portfolio management led to lower property operating expense (POE) as well as lower rental rebates required. As a result, the research team said, its EBITDA was up by 11 per cent.

Aside from that, it noted that MQ REIT's gearing remained stable at 6.18-folds which is below MREIT's gearing limit of 6.6-folds currently.

All in, Keenings Research retained its 'outperform' rating on the stock, noting that MQ REIT has proven to be more stable than its peers given that it operates within the favourable office segment.

Sentral REIT returns to the black

PETALING JAYA: Sentral REIT Bhd, formerly MRCB-Quill REIT, posted a net profit of RM12.22mil in the fourth quarter ended Dec 31, 2020, and declared an income distribution of 3.65 sen per unit.

The real estate investment trust (REIT) manager reported yesterday the net profit was in stark contrast with the net losses of RM24.37mil a year ago. Its unrealised loss was reduced to RM8.4mil compared with RM43mil a year ago.

Its revenue slipped 2.9% to RM39.46mil from RM40.66mil a year ago. For the financial year ended Dec 31, 2020 (FY20), its net profit more than doubled to RM72.57mil from RM29.12mil in FY19.

20 JANUARY 2021

Sentral REIT's realised net income rose 10.8% in 4Q20

by NUR HAZIQAH A MALEK

SENTRAL Real Estate Investment Trust (REIT), formerly known as MRCB-Quill REIT, recorded a net profit of RM12.22 million in the fourth quarter ended Dec 31, 2020 (4Q20) against a net loss of RM24 million recorded in the same quarter last year.

Revenue for the period fell 2.9% year-on-year (YoY) to RM39.46 million due to adjustments on the unrealised revenue on unbilled lease income receivable pursuant to requirements of MFRS 16 Leases recognised on a straight-line basis

over the lease terms.

Its property operating expenses in 4Q20 were RM10 million, a decrease of RM500,000 or 4.4% compared to 4Q19, mainly due to lower operating expenses incurred for some of the properties under the portfolio.

These have resulted in lower property income by RM700,000, or 2.33% compared to 4Q19, the group's exchange filing noted.

Management fees incurred for 4Q20 was RM3.2 million, marginally higher compared to 4Q19 mainly due to higher net investment income in 4Q20.

Finance costs incurred for 4Q20 of RM8.6 million were lower by 16.4%, mainly due to lower Kuala Lumpur Interbank Offered Rate in the quarter and adjustment on unwinding of discount on security deposits under MFRS 139.

Sentral REIT in a separate statement said despite the challenging Klang Valley office market environment, the group recorded a stable financial performance.

"Moving into 2021 and with the reimplementation of the Movement Control Order due to the recent resurgence of Covid-19 cases in the

Klang Valley, we anticipate challenging office market and economic outlook to persist.

"Accordingly, ongoing asset management and leasing strategies centred on tenant retention and prudent cost management will be intensified and will remain our focus to ensure stable occupancy and sustainable income contribution are achieved in 2021," Sentral REIT noted.

For the full year, the REIT achieved a realised net income and distributable income of RM80.95 million, which is 12.3% and 10.9% higher versus the previous year's

RM72.11 million and RM73.01 million respectively.

The group declared a distribution per unit (DPU) of 7.08 sen for the financial year of 2020 (FY20), which is 4.1% higher versus the previous DPU of 6.8 sen.

The DPU for FY20 comprised an interim distribution of 3.43 sen, which was paid to Sentral REIT unitholders on Sept 30, 2020, and the proposed final distribution of 3.65 sen for the six-month period ended Dec 31, 2020.

The proposed final distribution of 3.65 sen is expected to be paid on Feb 26, 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement outlines the corporate governance approach, focus areas and priorities of Sentral REIT Management Sdn Bhd (formerly known as MRCB Quill Management Sdn Bhd) (“SRM” or the “Manager”) as the manager of Sentral REIT (formerly known as MRCB-Quill REIT). SRM recognises the importance of having balanced, meaningful and comparable corporate governance disclosures which will allow stakeholders to appreciate the direction that Sentral REIT (“SENTRAL”) is heading towards and how the outcomes of good corporate governance will be brought to bear.

This Corporate Governance Overview Statement is made pursuant to paragraph 15.25(3) of Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). In producing this Corporate Governance Overview Statement, guidance was drawn from Practice Note 9 of the Listing Requirements, Corporate Governance Guide (3rd edition) issued by Bursa Securities. As a higher order stance, SENTRAL has also taken heed of the observations on disclosure practices as availed by Securities Commission Malaysia (“SC”) in its Corporate Governance Monitor 2020 as well as the expectations set out by Bursa Securities to listed issuers vide its letter.

In line with SENTRAL’s continued endeavor to enrich its corporate governance disclosure tapestry, the Corporate Governance Overview Statement is complemented with a Corporate Governance Report, based on a prescribed format by Bursa Securities so as to provide a detailed articulation on the application of corporate governance practices against the Malaysian Code on Corporate Governance 2017 issued by the SC (“MCCG”). The Corporate Governance Report can be downloaded from SENTRAL’s corporate website, www.sentralreit.com as well as the website of Bursa Securities under the “company announcement” section. The disclosure of the Corporate Governance Report by SENTRAL is a voluntary act in the spirit of exemplifying paragraphs 13.34 and 13.35 of the Guidelines on Listed Real Estate Investment Trusts (“SC REIT Guidelines”) issued by the SC that call for the adoption of good corporate governance practices.

Apart from being augmented with a Corporate Governance Report, this Corporate Governance Overview Statement should also be read in tandem with the other statements in the Annual Report, including the Statement on Risk Management and Internal Control as well as Audit Committee Report to obtain a granular understanding of SENTRAL’s corporate governance principles and practices.

CORPORATE GOVERNANCE APPROACH

As the manager of SENTRAL, SRM seeks to instill good corporate governance ideals and practices as part of its core values. SRM is steadfast in its quest to be a prudent fiduciary for SENTRAL’s unitholders (“Unitholders”) and to protect the best interests of all other stakeholders. In particular, the Board and the Management of SRM are cognisant of their obligations to act in good faith, with due care and diligence, and in the best interests of its Unitholders by epitomising the principles of accountability, objectivity and transparency. SRM’s overarching approach to corporate governance remains consistent and is aligned to SENTRAL’s investment objectives and strategies. The said approach can be summarised as follows:

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

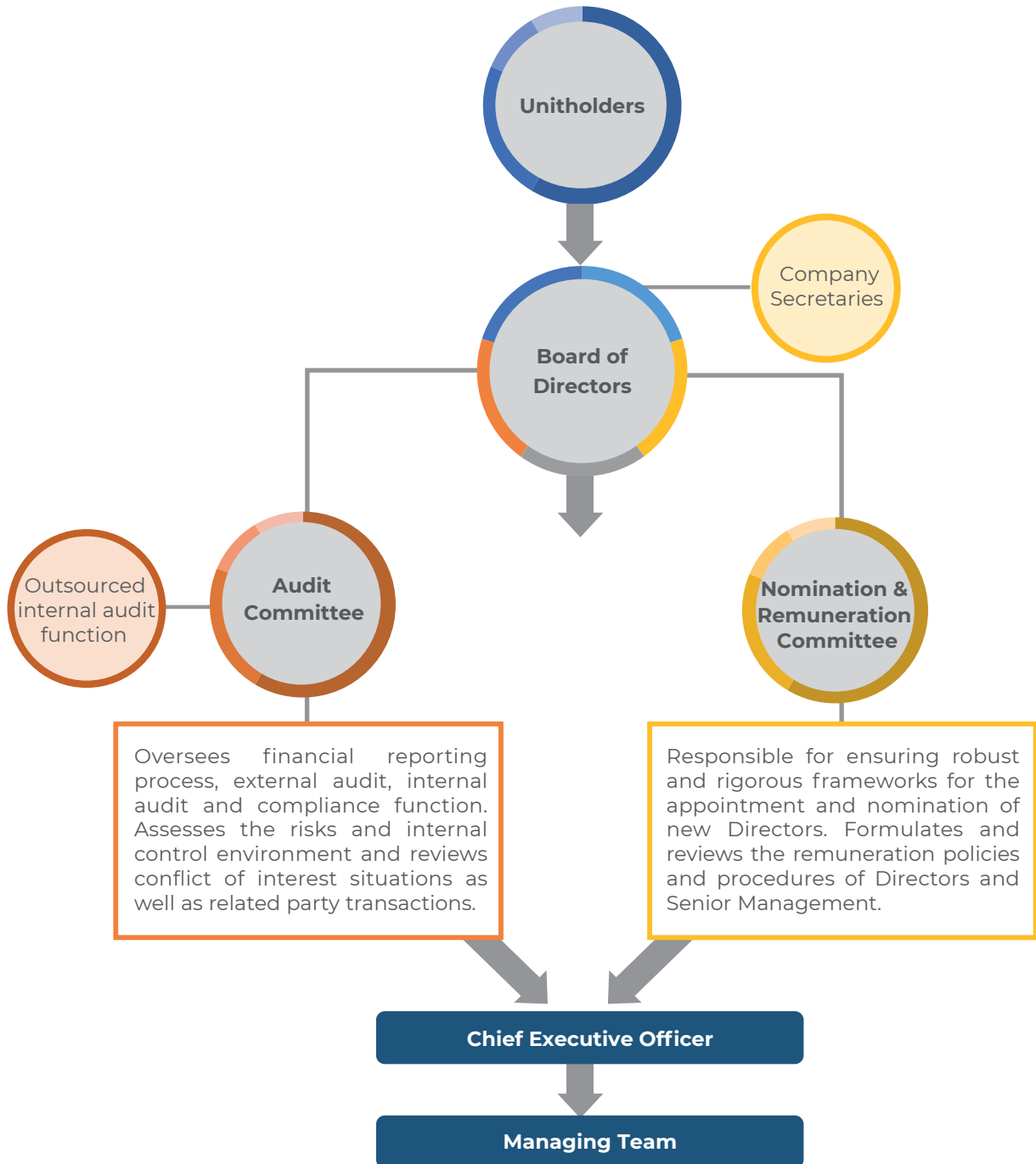
SRM is governed by a robust yet fluid corporate governance framework that is designed to underpin the day-to-day activities with sound processes and procedures. Given its pivotal role in promoting a healthy corporate culture, the Board exercises continued oversight on the prevailing corporate governance policies and procedures to ensure they reflect the evolving expectations of stakeholders, market dynamics and globally recognised higher order practices, whilst remaining relevant to the needs of SENTRAL’s businesses and core values.

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

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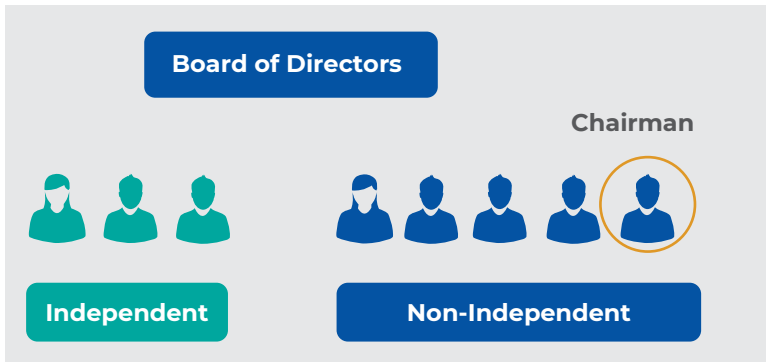
In order to discharge its oversight and governance roles and responsibilities, the Board and Management of SRM operate within the following governance framework:



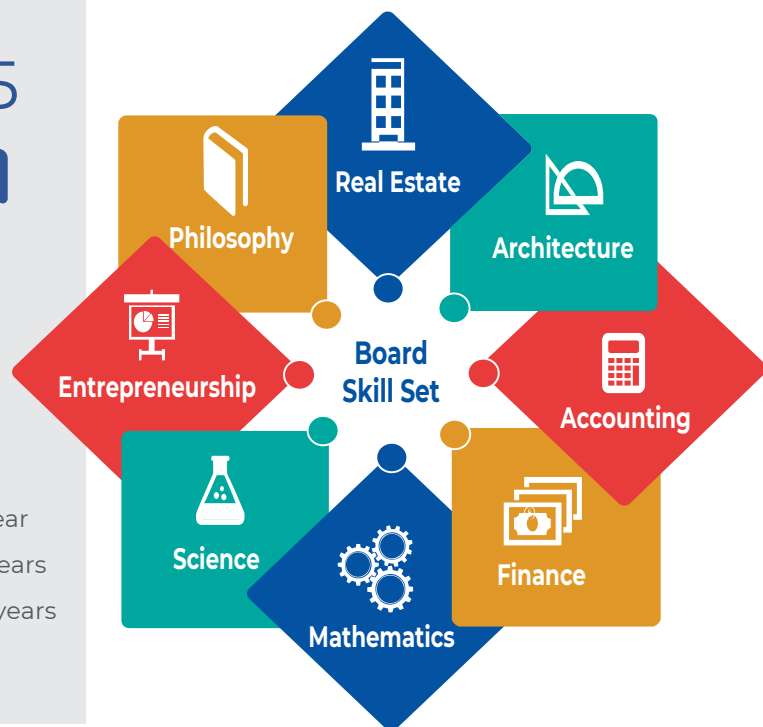
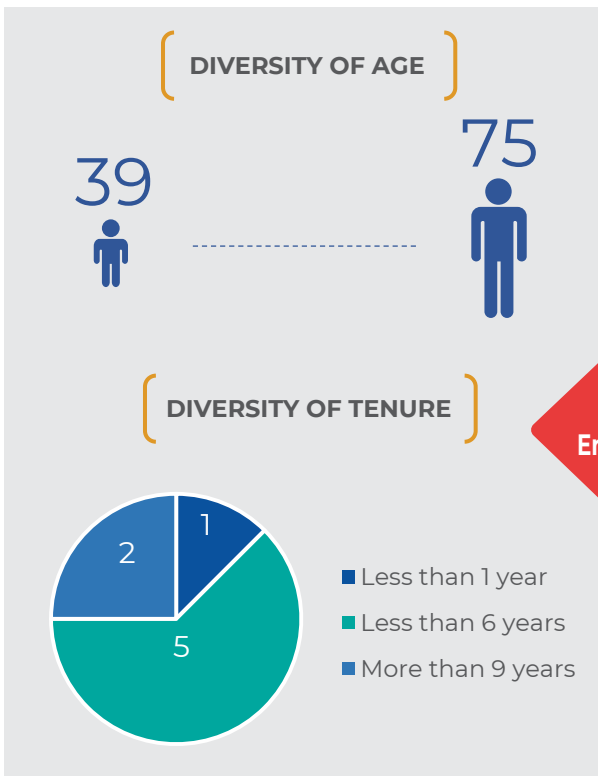
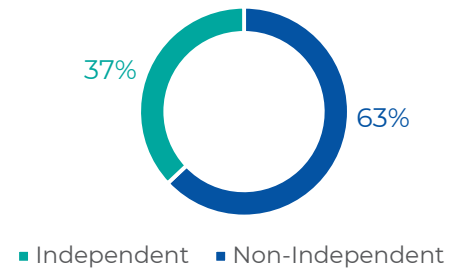
CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

OUR GOVERNANCE AT A GLANCE



BOARD INDEPENDENCE



SUMMARY OF CORPORATE GOVERNANCE PRACTICES

SENTRAL has observed all the Practices enunciated in MCCG for the financial year ended 31 December 2020, save for:

- Practice 4.1 (having at least half of the Board comprising Independent Directors);
- Practice 4.5 (having gender diversity policy, targets and measures);
- Practice 4.6 (use of independent sources to identify directorship candidatures);
- Practice 6.2 (establishment of a dedicated Remuneration Committee);
- Practice 7.2 (disclosure of top five Senior Management personnel's remuneration); and
- Practice 11.2 (the adoption of Integrated Reporting).

In addition, SENTRAL has adopted Step Up 8.4 which calls for the Audit Committee to be wholly composed of Independent Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

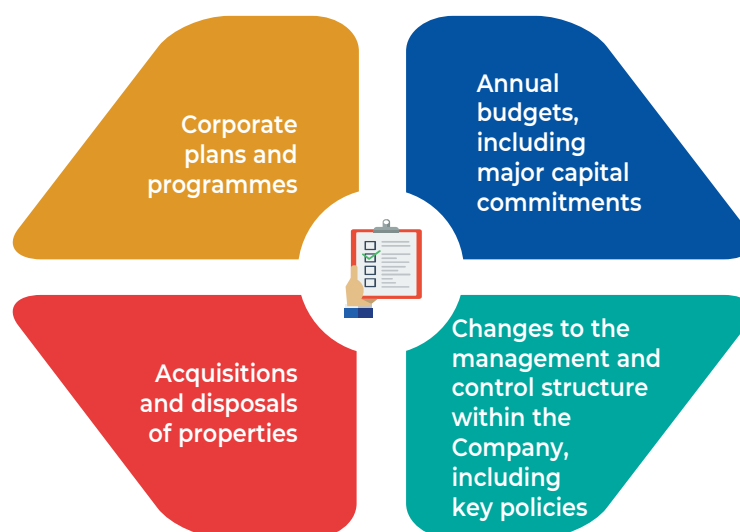
In line with the latitude accorded in the application mechanism of MCCG and the widely held notion that there is no “one-size fits all” modality in applying corporate governance practices, SENTRAL has provided forthcoming and cogent explanations for departures from the Practices in the MCCG. The Board of SRM has provided disclosures on the alternative measures put in place which would to a large extent attain the similar outcomes to that of the Intended Outcomes envisioned by the MCCG.

As SENTRAL scales up in size and scope by progressing along its current trajectory, the Board of SRM will consider the adoption of the departed Practices as SENTRAL would be better positioned to implement these Practices in substance at that juncture. Whilst SENTRAL does not fall within the remit of Large Companies¹ as defined by MCCG, SENTRAL has on its own volition disclosed measures that it has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the application of each individual Practice of MCCG are available in the Corporate Governance Report.

A summary of SENTRAL's corporate governance practices with reference to the MCCG is outlined as below.

Roles and responsibilities of the Board

The Board is collectively responsible for setting the strategic direction and overseeing the overall management of SENTRAL. The Board is accountable to the Unitholders and various other stakeholders in ensuring that it provides an effective oversight of the conduct of the businesses, ensures appropriate risk management and internal control systems are in place as well as regularly reviews such systems to ensure their adequacy, integrity and effectiveness. The Board is guided by the Board Charter which sets out the purpose, composition, and principal responsibilities of the Board as well as acts as a source of reference for Board members in the discharge of their fiduciary duties. The Board Charter incorporates provisions that provide for the clear demarcation of the respective roles and responsibilities of the Board and Management and includes “Reserved Matters” for the Board as outlined below:



The Board Charter and the Terms of Reference of the respective Board Committees are periodically reviewed and revised to incorporate the changes to the Companies Act 2016, Listing Requirements, SC REIT Guidelines as well as the MCCG so as to ensure compliance to mandatory requirements, and where best practices are concerned, to be adopted in the best interest of SENTRAL. The Board Charter is available on SENTRAL's website at www.sentralreit.com.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

To effectively execute these responsibilities, the Board convenes regular meetings during the financial year to deliberate on its strategies, business plans, annual budget, acquisitions and disposals, financial performance and key performance indicators. Meeting attendance of individual Directors during the financial year is outlined in the ensuing page:

Director	Board	Audit Committee	Nomination & Remuneration Committee ("NRC")
Non-Independent Non-Executive Directors			
Tan Sri Saw Choo Boon (Chairman)	6	-	-
Dato' Dr. Low Moi Ing, J.P.*****	6	3	-
Dato' Michael Ong Leng Chun	6	-	-
Ann Wan Tee*****	6	3	-
Kwan Joon Hoe	6	-	-
Independent Non-Executive Directors			
Foong Soo Hah*	3	2	-
Datuk Dr. Roslan Bin A. Ghaffar***	6	4	1
Datuk Kamalul Arifin Bin Othman****	6	4	1
Po Yih Ming**	2	2	-
Legend			
	Chairman		
	Member		

* Foong Soo Hah retired as a Director and ceased as the Chairman of Audit Committee and member of the NRC on 24 June 2020

** Po Yih Ming was appointed as a Director, a member of the Audit Committee and the NRC on 17 July 2020

*** Datuk Dr Roslan Bin A. Ghaffar was redesignated as the Chairman of Audit Committee on 15 July 2020

**** Datuk Kamalul Arifin Bin Othman was redesignated as the Chairman of the NRC on 15 July 2020

***** Dato' Dr. Low Moi Ing, J.P. and Ann Wan Tee ceased to be members of the Audit Committee on 13 August 2020

Table 1: Directors' attendance in the Board and Board Committee meetings

The Board is assisted by the Audit Committee and Nomination & Remuneration Committee which are entrusted with specific responsibilities in order to provide crucial support in discharging its oversight function. The Board Committees are granted the authorities to function in accordance with their respective Terms of Reference to ensure that greater objectivity and independence are provided in the deliberations of specific agenda. The ultimate responsibility for the final decision on all matters deliberated at Board Committees are vested with the Board. Memberships of the established Committees and their respective Terms of Reference are refreshed periodically.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

The Board and Board Committees are supported by two qualified and experienced joint Company Secretaries, who provide the Board with periodic updates on the latest regulatory developments. The Company Secretaries are members of the Malaysian Institute of Chartered Secretaries & Administrators ("MAICSA") and are currently occupied by Mohamed Noor Rahim Bin Yahaya (MAICSA 0866820) and Ho Ngan Chui (MAICSA 7014785). The Company Secretaries also advise and support the Board in upholding high standards of corporate governance and facilitate the flow of information from Management to the Board.

The Board is also cognisant of its responsibility to set the ethical tone and standards of behaviour for SRM. In the previous financial year, SRM had established an autonomous Whistleblowing Policy for complaints to be channeled directly to the Compliance Officer, CEO and/or the Chairman of the Audit Committee, in accordance to the subject matter of the complaint. This allows bona fide ethical concerns to be raised via an objective and confidential point of escalation, and without fear of reprisal. Additionally, in view of the corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission ("MACC") which came into force 1 June 2020, the Manager has implemented several measures such as quarterly reminders on the Anti-Bribery & Corruption Policy and other relevant policies, trainings done for the Board, Management and all property managers as well as inclusion of anti-bribery and anti-money laundering clauses in all tenancy and service contracts. Armed with the initiatives taken above, SENTRAL makes its stance clear on zero tolerance for corruption in all layers of its operations.

Board composition

The Board recognises the importance of diversity and independence in its membership to maintain the right balance for effective functioning of the Board. The composition of the Board, eight (8) members whereby three (3) members are Independent Non-Executive Directors whilst the rest are Non-Independent Non-Executive Directors complies with Paragraph 15.02 of the Listing Requirements of Bursa Securities which requires at least one-third (1/3) of the Board to comprise Independent Directors. Although slightly less than half of the Board comprises of Independent Non-Executive Directors, the Board is of the view that the presence of the Non-Executive Directors ensures deliberations and decision-making processes are detangled from any potential Management biases.

In achieving the visions of SENTRAL, it is imperative for the Board to possess the appropriate mix of skills, qualifications and experiences that can be leveraged upon in responding to changing market dynamics, evolving business models and emergence of novel risks. The culmination of skills, experience and expertise of the incumbent Directors allows the Board to have healthy discussion and debates when deliberating on contentious issues. SRM's current Board skills matrix shows that the Board comprises members with an array of professional skills and background which include, amongst others; property development, real estate holding, fund management, architecture, oil and gas, entrepreneurship and accounting.

When identifying potential candidates for appointment of Director, the Nomination & Remuneration Committee will consider recommendations from existing Board members and Management before recommending to the Board for further deliberation. The appointment of Board and Senior Management are based on objective criteria, merit and with due regard for skills, experience and diversity needed on the Board in the context of SENTRAL's strategic direction.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

During the financial year under review, the Board had seen several changes to the composition of the Board and the Board Committees. On 24 June 2020, Foong Soo Hah had retired as a Director of SRM and ceased as the Chairman of the Audit Committee and a member of the Nomination & Remuneration Committee. In order to fill in the void by the departure of Foong Soo Hah, Po Yih Ming has been appointed as an Independent Non-Executive Director of SRM on 17 July 2020. Po Yih Ming has more than 36 years of experience specialising in tax and she is a member of the Malaysian Institute of Accountants. Given her vast experience in the realm of finance and accounting, she was inducted as a member of the Audit Committee as well as a member of the Nomination & Remuneration Committee. The memberships of the Board Committees have been reconfigured to be fully constituted by Independent Non-Executive Directors.

Board Evaluation

The Board Effectiveness Evaluation exercise ("BEE") for the financial year end 31 December 2020 was facilitated by KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG MRC") so as to inject rigour and objectivity to the assessments of the Board, Board Committees and individual Directors, including Independent Directors. The BEE exercise which was conducted on a 360 degrees approach encompasses coverage on boardroom dynamics, succession planning, information flow and workings of Board and Board committee vis-à-vis Management.

As part of the BEE exercise conducted, the Independent Directors were also subjected to a honed assessment, which is based on a set of objective and qualitative evaluation criteria, so as to ascertain their continued impartiality. It was brought to the fore that the Independent Directors have met the criteria for independence set out in Chapter 1 of the Listing Requirements by Bursa Securities and they continue to be able to exercise independent judgement in the best interest of SENTRAL.

Directors' training and continuing education programme

During the year under review, Directors have fully optimised the opportunities to burnish their expertise and enhance their knowledge. The Directors of SRM have participated in the following professional development programmes:

Name of Directors	List of Training/Conference/Seminar/Workshop Attended/ Participated in 2020
Tan Sri Saw Choo Boon	Reinventing Cybersecurity with Artificial Intelligence Outthink the Competition: Excelling in a Post COVID-19 World Rethinking Workforce Strategy: Changes to safeguard productivity Force Majeure & COVID-19 Malaysia Economic Monitor - "Surviving the Storm" Risks: A Fresh Look from the Board's Perspective Managing Virtual Banking and Insurance Businesses Contracting in a Digital-First Economy Demystifying the Future of Work Business Foresight Forum 2020 Malaysian REITs: Managing the new Normal
Dato' Dr. Low Moi Ing, J.P.	2020 National Housing and Property Summit

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

(cont'd)

Name of Directors	List of Training/Conference/Seminar/Workshop Attended/ Participated in 2020
Kwan Joon Hoe	Anti-Money Laundering Series (AML Series) – Part 1 Anti-Money Laundering Series (AML Series) – Part 2 Case Studies: Lessons on AMLA from a Capital Market Perspective Bracing for Economic Impact Post Global Pandemic BFF 2020: Evolutionary Change to Revolutionary Impact
Ann Wan Tee	Types of Sukuk and Its Salient Features Becoming a Master of Negotiation Mastering the Strategies of a Master Negotiator Cryptocurrency 101, Its Challenges and Issues BFF 2020: Evolutionary Change to Revolutionary Impact
Datuk Dr. Roslan Bin A. Chaffar	Fraud Risk Management Allowed Financial Assistance to Directors Captain's Forum: Transformation Towards Recovery Session 3 - Technology and Data
Po Yih Ming	Importance of Culture Reporting
	Women in Leadership Symposium 2020
	Powertalk Series 2020- Adequate Procedures: The Director's Response to Individual Liability
	ICDM Webcast Series Stakeholder Primacy: Increased Emphasis on ESG Crisis Management - Readiness, Response & Recovery Leadership Today: Authentic, Open & Transparent Cybersecurity Considerations Amid A Global Pandemic Leadership in Times of Distress Managing HR for the Long Haul: Road to Recovery In Times of Crises: Stakeholders Take Centre Stage Leading Through Crisis and Uncertainty: Harnessing Mental Health and Resilience to Navigate Storms of Change Rising Corporate Risks of Weaponised Fake News Navigating the COVID-19 Crisis: The New Normal of the Workforce (Part 1 & 2) What it really means to be a director SMEs: The Mindset to Adopt during a Crisis Virtual Board Meetings: In an era of social distancing boards

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Name of Directors	List of Training/Conference/Seminar/Workshop Attended/ Participated in 2020
	<p><u>MIA Webinar Series</u></p> <p>How to sustain Business during COVID-19 Crisis</p> <p>Red Alert: Directors' Responsibilities in the Zone of Insolvency</p> <p>Apart Together: How do we engage our employees in this challenging time?</p> <p>Integrated Reporting & Impact of Covid19 on value creation</p> <p>Prolonged Lockdowns and Post-MCO Obligations - Employers, are you ready for the perfect storm?</p>
	<p><u>PwC webinar</u></p> <p>Cyber and economic crime: Fraudsters and cyber criminals, too, can work from home</p> <p>Governance and risk: An uncertain world, a riskier landscape</p> <p>Impact of COVID-19 on financial reporting: Not business as usual</p> <p>Rethinking workforce strategy: What needs to change to safeguard productivity</p> <p>Resource Planning: Taking care of your people amid challenging business conditions</p> <p>Restructuring for resilience: Tax Considerations</p> <p>Reviving the economy through PENJANA: Unpacking the key tax measures that empower businesses and the Rakyat</p>
	<p><u>PwC Asia Pacific Risk Symposium 2020</u></p> <p>eGRC - Enabling the data-driven, intelligent enterprise through digitising risk & compliance</p> <p>Data - Future proofing - Navigating from data impediment to data enablement</p>
	<p>Mandatory Accreditation Programme</p>
	<p>Climate Action: The Board's Leadership in Greening the Financial Sector Climate Change</p>
	<p>Fraud Risk Management Workshop</p>
	<p>The Accounting Practice Amidst COVID-19</p>
	<p>Economists in the House: Analysing Malaysia's 2021 Budget</p>
	<p>Leadership Energy Summit Asia 2020</p>
	<p>EY Budget 2021 Briefing</p>
	<p>Bounce Back Together II: Reimagine and Rebuild</p>
	<p>Stakeholder Capitalism: A vital pandemic agenda?</p>
	<p>Malaysian REITs: Managing the New Normal</p>

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

(cont'd)

Name of Directors	List of Training/Conference/Seminar/Workshop Attended/ Participated in 2020
	Artificial Intelligence World Summit
	OECD's Digital Blueprint: Charting Tomorrow's Taxes?
	Powertalk Global Series #1: The regenerative business of the future #2: Digital Leadership and Communication during turbulent times #3: The Modern Board Architecture #4: On Board: The insider's guide to surviving life in the Boardroom #5: Vision 2020: The Pandemic digital tipping point and what to expect in 2021
	International Fiscal Association Indonesia 2020 Annual International Tax Seminar

In year 2020, Dato' Michael Ong Leng Chun and Datuk Kamalul Arifin Bin Othman are unable to attend any training due to their business commitment and tight schedule.

Remuneration

The Nomination & Remuneration Committee assists the Board in developing a remuneration framework for Directors and Senior Management. The formalised Remuneration Policy and Procedures for Directors and Senior Management is periodically reviewed to ensure that it is robust and competitive, designed to attract and retain the best of talents and is aligned to the long-term strategies and risk appetite of SENTRAL.

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

The detailed disclosure of the remuneration of individual Directors, on a named basis, is outlined, as below:

Name of Directors	Directors' Fee	Meeting Attendance Allowance	Total
Tan Sri Saw Choo Boon	75,000.00	18,000.00	93,000.00
Dato' Dr Low Moi Ing, J.P.	54,262.30	27,000.00	81,262.30
Dato' Michael Ong Leng Chun	45,000.00	18,000.00	63,000.00
Kwan Joon Hoe (Note 1)	45,000.00	18,000.00	63,000.00
Ann Wan Tee (Note 1)	54,262.30	27,000.00	81,262.30
Foong Soo Hah*	36,065.57	15,000.00	51,065.57
Datuk Dr Roslan Bin A. Ghaffar***	72,322.40	33,000.00	105,322.40
Datuk Kamalul Arifin Bin Othman****	67,322.41	33,000.00	100,322.41
Po Yih Ming**	29,836.07	12,000.00	41,836.07

(Note 1) 50% fees to these Directors are payable to Malaysian Resources Corporation Berhad and 50% are payable to the Directors.

* Foong Soo Hah retired as a Director and ceased as the Chairman of Audit Committee and member of the NRC on 24 June 2020.

** Po Yih Ming was appointed as a Director, a member of the Audit Committee and the NRC on 17 July 2020

*** Datuk Dr Roslan Bin A. Ghaffar was redesignated as the Chairman of Audit Committee on 15 July 2020

**** Datuk Kamalul Arifin Bin Othman was redesignated as the Chairman of the NRC on 15 July 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Audit committee

As part of the Board's commitment to provide stakeholders with a clear, balanced and comprehensive assessment of SENTRAL's financial performance, the Board has established an Audit Committee to assist in safeguarding the integrity over its financial reporting, internal and external audit and risk management and internal control processes. Recognising that independence is the cornerstone of a well-performing audit committee, the Board has decided to adopt the higher order practice of having an Audit Committee that comprises solely of Independent Directors, chaired by Datuk Dr Roslan bin A. Ghaffar. The vast experience of the members in the areas of accounting, finance and auditing allows the Audit Committee to collectively possess the requisite financial literacy and business acumen which are prerequisites for sound understanding of the financial matters of SENTRAL.

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

The Audit Committee Report, which provides detailed articulation on the composition of the Audit Committee, its responsibilities and main activities during the year, is outlined on pages 83 to 86 of the Annual Report.

Risk management and internal control framework

In an increasingly complex and ever-evolving marketplace, it has become imperative for SRM to have a robust yet dynamic risk management and internal control framework to stay ahead of disruptive forces that are inherent in the core businesses of SENTRAL. The Board performs periodic reviews and closely monitors the resilience of the risk management and internal control framework to ensure its adequacy and effectiveness. The risk management framework put in place by SRM covers the structures, policies, processes and resources to identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risks which are outsourced to an independent internal audit service provider. The internal auditor is accorded with unencumbered access to relevant records, properties and personnel and reports directly to the Audit Committee, free of any influence from Management. For this financial year, an internal audit review of areas concerning related party transactions of SENTRAL, compliance with standard operating procedures, tenancy management, billing processes control, credit control management, timeliness of recording and reporting, segregation of duties, insurance coverage and carpark revenue controls were conducted. The Statement of Risk Management and Internal Control which provides details of internal review, is outlined on pages 87 to 90 of the Annual Report.

Communication with stakeholders

As a spokesperson of SENTRAL, the Board endeavours to promote a candid and transparent relationship with Unitholders as well as other stakeholders. SRM had leveraged on various channels of communication to ensure stakeholders are kept abreast of relevant and material information on the latest developments on SENTRAL. These channels include but are not limited to annual reports, announcements to Bursa Securities, corporate website, briefing sessions, roadshows, conferences and local and foreign fund management dialogues and one-to-one analyst briefings.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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Additionally, the Manager has taken proactive steps to engage with the tenants of SENTRAL amidst the pandemic which has resulted in disruption to business activities. The Board and Management of SRM have placed importance on tenant retention programmes designed to assist tenants that might require some relief measures to get through the economic condition. These measures amongst others took the form of targeted rebates and restructuring of deposits. As from an operational standpoint, regular sanitisation and tracking of COVID-19 cases were undertaken with a view of preserving the well-being of the tenant community.

On a upbeat note, SRM was the recipient for two prestigious awards under the categories of the Best Chief Executive Officer for IR (Small Cap) and Best IR Website (Small Cap) at the 10th Malaysian Investor Relations ("MIRA") Award 2020. The awards are a testament to the continuous effort undertaken to engage with the unitholders and investment community especially against the backdrop of a challenging microenvironment.

The Annual Report of SENTRAL seeks to provide a balanced, comparable and meaningful assessment of its position and prospects. The availability of a Corporate Governance Report outlines the application of SENTRAL's corporate governance practices and sheds light to its commitment to better practices in the realm of corporate governance.

Conduct of general meetings

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

Due to the outbreak of Covid-19 pandemic and the Government's advice against any forms of physical gatherings to mitigate further escalation of the COVID-19, SENTRAL conducted its 8th AGM on 12 June 2020 in a fully virtual manner through live streaming from the broadcast venue at KL Sentral room, Level 30, Menara Allianz Sentral. Unitholders were able to log on and participate remotely as well as pose queries online via the technology platform provided by Boardroom Share Registrars Sdn Bhd. All resolutions tabled during the AGM were voted by poll and the results and procedures were validated by Boardroom Corporate Services Sdn Bhd, an independent scrutineer. In line with the "Guidance and FAQs on the Conduct of General Meetings for Listed Issuers" issued by the SC, only the Chairman, the CEO and the Company Secretary of SRM were present at the Broadcast Venue, whilst the rest of the directors participated virtually. Feedback gathered during the AGM were evaluated and considered for further action by the Board and Senior Management. Minutes of the previous AGM is made available on the corporate website of SENTRAL within 30 days upon conclusion of the said proceedings.

The notice of the upcoming AGM, which is scheduled to be held on 7 April 2021, has been made available to shareholders 28 days prior to the meeting in accordance with Practice 12.1 of MCCG to provide Unitholders with sufficient time to review SENTRAL's financial and operational performance as well as the resolutions that are to be tabled during the AGM. As with the previous year, SENTRAL will hold a virtual AGM this year in view of the increase in the number of positive cases and for the health and safety of all participants.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Focus Areas on Corporate Governance during the year

2020 represented a period in which stewardship and active engagement are key. As the synchronised headwinds in the real estate industry linger on amidst the debilitating COVID-19 pandemic, corporate governance becomes ever more omnipresent. The Board of SRM remains steadfast in the fundamental roles and responsibilities of future-proofing the long-term value for Unitholders. Areas which gained heightened prominence from the Board during the financial year ended 31 December 2020 are as follows:



Ethical policies

In view of SENTRAL's unequivocal stance against corruption and the enforcement of the corporate liability provision vide Section 17A of the Malaysian Anti-Corruption Commission Act 2009, the Board of SRM approved a formalised Anti-Bribery & Corruption Policy for SENTRAL with effect from 1 June 2020.

Trainings and briefings on ethical stipulations were conducted for the Board level, Management and the Property Manager team to ensure individuals across the value chain understand and abide by the policies in place. Periodic reminders are disseminated for all employees for conformity to SRM's ethical policies.

In addition, as part of implementing the "Undertaking Control Measures" limb under the overall T.R.U.S.T acronym outlined in the Guidelines on Adequate Procedures pursuant to Section 17A of the said legislation, SRM has incorporated anti-bribery clauses into all tenant and vendor contracts.



Financial management

Financial management remains on the radar of the Board and Management of SRM, which became more imperative given the economic outlook caused by the slew of cases due to the pandemic. The Board and Management of SRM have undertaken cost optimisation measures through the restructuring of borrowings, replacement of auxiliary police services for private security guards and use of automated systems in relation to facilities management.



Board composition

The Board of SRM saw some changes to the composition of the Board and Board Committees. Po Yih Ming who was appointed to the Board in July 2020 fulfilled the Board's aspiration on gender diversity and skill sets given her experience in the field of accounting and taxation.

Additionally, all the Board Committees are now constituted wholly of Independent Directors as opposed to the previous practice of having a mix of Non-Independent Directors and Independent Directors. The recalibration of the composition serves to reinforce independence and promote higher order governance practice.

CORPORATE GOVERNANCE

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Economic, Environment and Social (“EES”) considerations

EES considerations are becoming more important for companies and investor alike due to changing market environment and heightened stakeholder expectations. In addition to the customary matters that are crucial to SENTRAL, several new material matters were identified namely data privacy, waste management and community partnerships and activities.

Against the backdrop of the pandemic, the Management of SRM has placed added importance on enhancing the quality of assets that are related to health and safety aspects and these include the apparatus used to screen the temperature of visitors that are entering the buildings.

Notably, the Management of SRM embarked on community partnership and corporate social responsibility to regularly outreach to the community in which they operate. In addition to SRM's focus on women and children from underprivileged families, the Manager has also reached out to the B40 community who are badly affected by the impact of the pandemic, which resulted in business closure and job losses.

Further information on SENTRAL's EES considerations are detailed in pages 105 to 107 of the Sustainability Statement.

Corporate Governance Priorities (2021 and beyond)

Forging ahead, SRM endeavours towards achieving high quality outcomes in the realm of corporate governance. The following forward-looking, long-term strategies outlined below were devised by the Board to propel SENTRAL's leadership stature in the corporate governance landscape:

Cyber technology

In view of the remote working and increase use of digitisation, the Manager has placed heightened importance to email privacy and protection of tenant data information. Periodic reminders on cyber security and the Manager's information technology protocols are sent to ensure all employees are informed of the importance of practicing safe data security practices. In the near future, SENTRAL is also planning to introduce an automated system that would link the facilities management system to the central office to reflect and track real time issues.

Reinforcing Board configuration and dynamics

The Board aspires to institute several changes to reinforce its configuration and dynamics. This is in line with the recommendations gathered pursuant to the Board evaluation exercise undertaken and facilitated by KPMG MRC. The recommendations, inter alia, include the potential recalibration of SRM's Board size in line with SENTRAL's footprint and institutionalising a succession plan for key positions in the boardroom.

AUDIT COMMITTEE REPORT

The Audit Committee is led by Datuk Dr Roslan A Ghaffar, an Independent Non-Executive Director, who is not the Chairman of the Board.

During the year under review, the Terms of Reference of the Audit Committee has been revised with effect from 13 August 2020 to be in line with the latest changes to the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the best practices recommended in the Malaysian Code of Corporate Governance 2017 issued by the Securities Commission Malaysia (“MCCG”).

The Terms of Reference has adopted Practice 8.4 (Step Up) of MCCG, where all members of the Audit Committee must be Independent Directors. In view thereof, Dato’ Dr Low Moi Ing J.P. and Ann Wan Tee, who are the Non-Independent Non-Executive Directors had ceased as members of the Audit Committee with effect from 13 August 2020.

Currently, the Audit Committee comprises three (3) members all of whom are Independent Non-Executive Directors. They play an active role in assisting the Board in discharging its governance responsibilities and the Board is of the view that the Audit Committee members have the relevant expertise to discharge the functions of an Audit Committee.

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

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

The Terms of Reference of the Audit Committee is available at the website www.sentralreit.com of Sentral REIT (formerly known as MRCB-Quill REIT) (“SENTRAL”)

AUDIT COMMITTEE REPORT

(cont'd)

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

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

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

In its review of the audited financial statements for the financial year ended 31 December 2020, and based on its discussions with the management and where required, in consultation with the external auditors, the Audit Committee is of the view that the financial statements are fairly presented, and conform to generally accepted accounting principles in all material aspects.

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

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

MEETINGS AND ATTENDANCE

For the financial year ended 31 December 2020, a total of four (4) Audit Committee meetings were held and the attendance of the members at the Audit Committee meetings was as follows:

Audit Committee Member	Designation	Attendance
Foong Soo Hah ¹	Chairman	2/2
Datuk Dr Roslan Bin A Ghaffar ²	Chairman	4/4
Dato' Dr Low Moi Ing, J.P. ³	Member	3/3
Ann Wan Tee ⁴	Member	3/3
Datuk Kamalul Arifin Bin Othman	Member	4/4
Po Yih Ming ⁵	Member	2/2

¹ Resigned as the Chairman and member of Audit Committee on 24 June 2020

² Re-designated as the Chairman of Audit Committee on 15 July 2020

³ Ceased as a member of Audit Committee on 13 August 2020

⁴ Ceased as a member of Audit Committee on 13 August 2020

⁵ Appointed as a member of Audit Committee on 17 July 2020

AUDIT COMMITTEE REPORT

(cont'd)

HOW THE AUDIT COMMITTEE SPENT ITS TIME IN 2020

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

Financial results

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

Internal Audit

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

External Audit

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

Risk Management

- i) Reviewed and deliberated the Corporate Governance Overview Statement, Corporate Governance Report and Statement on Risk Management and Internal Control, and recommended to the Board for inclusion in the Annual Report.

Related Party Transactions

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

AUDIT COMMITTEE REPORT

(cont'd)

INTERNAL AUDIT FUNCTION

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

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

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

RELATIONSHIP WITH THE EXTERNAL AUDITOR AND INTERNAL AUDITOR

The Board, via the Audit Committee, maintains a formal and transparent relationship with the External Auditor as well as the Internal Auditor. The Audit Committee has direct and unrestricted access to both the External and Internal Auditors.

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“Board”) of Sentral REIT Management Sdn Bhd (formerly known as MRCB Quill Management Sdn Bhd) (“the Manager”), as the manager of Sentral REIT (formerly known as MRCB-Quill REIT) (“SENTRAL”), has adopted the relevant corporate governance disclosure under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”). In addition, the Board also observes the provisions of the Malaysian Code on Corporate Governance 2017 issued by the Securities Commission Malaysia (“Securities Commission”). Further information on SENTRAL’s corporate governance framework is also set out on pages 69 to 82. These efforts are all part of the Board’s recognition that a strong corporate governance framework is important. The Board also recognises that an effective corporate governance culture is critical to the Manager’s performance and consequently to the success of SENTRAL. The Board is committed to maintain a sound system of risk management and internal control with a view to safeguard the interest of the Unitholders, its investment and SENTRAL’s assets and to provide the following statement, which outline the nature and scope of internal control of the Manager during the financial year ended 31 December 2020.

BOARD RESPONSIBILITY

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

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

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

The internal audit review undertaken by BDO Governance for the financial year 2020 and the findings arising from the review reported to the Audit Committee include the following:

- (i) internal control review (“ICR”) on tenancy management to collection of rentals; and
- (ii) review of related party transactions for the financial year 2020 for compliance with established internal policies and procedures and applicable provisions of the Listing Requirements and the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission (“SC REIT Guidelines”) relating to related party transactions

and when required, undertake investigations as directed by the Audit Committee. All findings and conclusion, including the recommended action plans, arising from the ICR, which was executed based on a risk-based approach, for financial year 2020 were tabled to the Audit Committee. The reviews were conducted based on an internal audit plan developed together by the management and BDO Governance based on an entity risk assessment thereafter presented to Audit Committee for approval.

The cost incurred for the internal audit function in respect of the financial year 2020 is RM39,000 (excluding services tax and disbursements) and is borne by the Manager.

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement of Risk Management and Internal Control for inclusion in the annual report for financial year 2020 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

CONCLUSIONS

The Board is of the view that the risk management and internal control system in place for the financial year ended 31 December 2020 under review and up to the date of issuance of the annual report and financial statements is sound and sufficient to safeguard the interest of the Unitholders, its investment and SENTRAL's assets.

STATEMENT ON DIRECTORS' RESPONSIBILITY

For preparing the Annual Audited Financial Statements

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

In preparing the financial statements for the financial year ended 31 December 2020, the Directors have:

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

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SUSTAINABILITY STATEMENT

(cont'd)

INTRODUCTION OF SUSTAINABILITY TO SENTRAL AND MESSAGE FROM THE CEO

At SENTRAL, we strongly believe that sustainability is essential for a company's long-term business success. A focus on sustainability allows us to maintain our social license to operate, provide competitive advantage and enhances business efficiency through continuous review and enhance our business strategy and internal processes. We continue to take a conscientious approach towards embedding economic, environmental and social ("EES") considerations within our business operations to achieve sustainable growth and create long-term value to our stakeholders.



CEO MESSAGE

We are pleased to publish SENTRAL's fourth Sustainability Report. This report has documented our sustainability performance for the year ending 31 December 2020, with data for FY2020. The Board maintains overall responsibility on SENTRAL's sustainability strategy and achievement of its long-term performance. The Board is also involved in the review and selection of environmental, social and governance ("ESG") matters based on their significance to the business and its stakeholders.

Our primary objective is to ensure that the SENTRAL's asset portfolio provide unitholders with long-term and sustainable distribution of income, achieving long-term growth in the net asset value per unit. In meeting this objective, we are focused on integrating sustainable practices into our business operations and consider salient sustainability issues as part of the formulation of our strategies.

FY2020 was an eventful year against a backdrop of many challenges, the most significant being the COVID-19 pandemic which has impacted and disrupted our lives from the social, business and economic fronts. As a responsible business entity, we believe in playing our role in safeguarding the health and safety of all our stakeholders as well as providing assistance to tenants in hope that we can sustain business operations and ride through this pandemic in the long run. In adherence to the Government's regulations, we have rolled out the necessary standard operating procedures ("SOP") and preventive measures across our properties. Such initiatives include intensifying cleaning of the common areas of the buildings, temperature screenings, crowd management and physical distancing measures.

We will continue to refine our sustainability framework to adapt to the ever changing business landscape. For SENTRAL's FY2020 sustainability reporting, we have included data privacy, waste management and community partnership and activities as new material sustainability matters. As a responsible corporate citizen, we are committed to continue to take care of and give back to the community in which we operate in. We have implemented community projects which focus on improving the lives of children and women from underprivileged background. This year, we have extended our aid programmes to the B40 communities whose livelihoods have been affected by the pandemic.

We have continued to manage our environmental footprint by installing Building Automated System ("BAS") in some of our buildings to allow real-time monitoring of our energy consumption. Some of our key achievements in FY2020 include a 15% reduction in our electricity consumption and carbon emission and an 11% fall in water consumption. On the technology front, we have also implemented Facial Recognition Reader with temperature scanning in Menara Shell to safeguard the health and safety of our stakeholders.

Moving forward, we will continue to learn from the best sustainability practices to improve our sustainability performance, sharing our achievement in subsequent reporting. We hope that our commitment can contribute meaningfully towards the betterment of our community socially, economically, and environmentally.

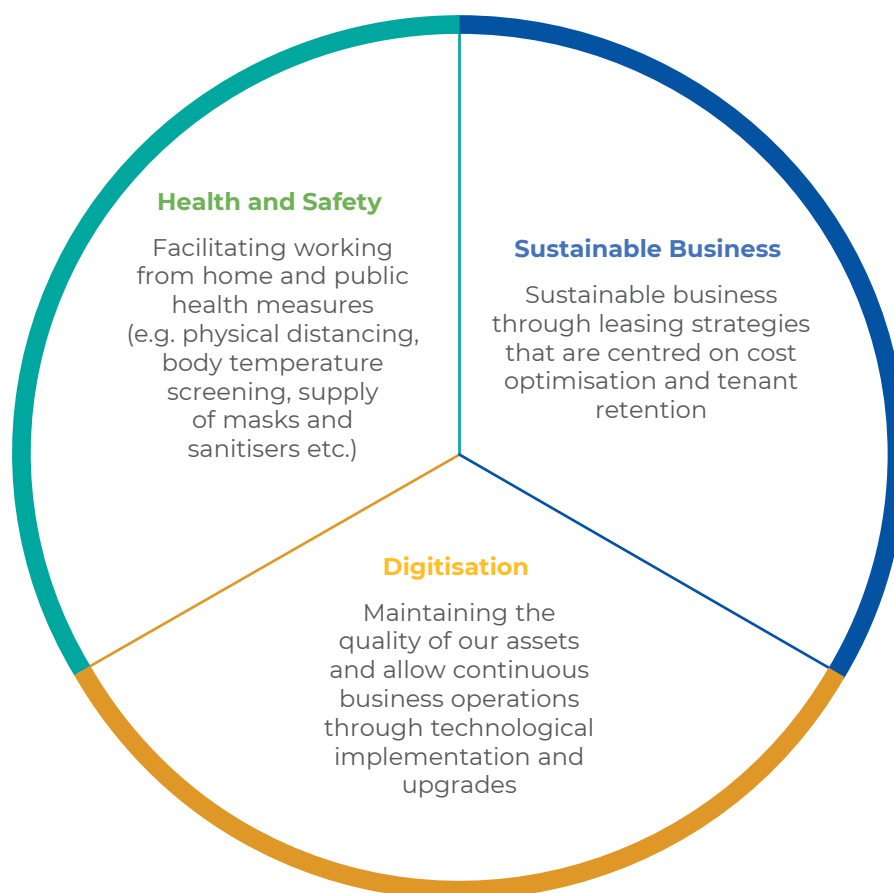


SUSTAINABILITY STATEMENT

(cont'd)

SENTRAL's Response to COVID-19

The COVID-19 pandemic has created unprecedented uncertainty and challenges to the economy, the way we live and work. As we are embracing the "new normal", our people's health remains as our top priority and we will continue ensuring that our employees, tenants, visitors and community are safe. We have been taking robust safety measures across our office and buildings, and maintain our business viability by rolling out a Business Continuity Plan ("BCP"). SENTRAL's BCP focuses on the following key areas:



We aim to continuously monitor the situation of the pandemic closely and adhere to the government's enforcements on public health measures. Further information of SENTRAL's response to the COVID-19 pandemic is available in the Management Discussion and Analysis section and respective material matter sections of this Annual Report.

SUSTAINABILITY STATEMENT

(cont'd)

ABOUT SENTRAL

[GRI 102-13]

SENTRAL is a Real Estate Investment Trust (“REIT”) incorporated in Malaysia and listed on the main board of Bursa Malaysia Securities Berhad (“Bursa Securities”) in 2007. SENTRAL is managed by Sentral REIT Management Sdn Bhd (formerly known as MRCB Quill Management Sdn Bhd) (“we”, “SRM” or the “Manager”), which has three shareholders, namely, Quill Resources Holding Sdn Bhd (“QRH”), a company within the Quill Group of Companies, Malaysian Resources Corporation Bhd (“MRCB”) and Global Jejaka Sdn Bhd (“GJSB”). SENTRAL’s investment objective is to acquire and invest in commercial properties primarily in Malaysia with a view to generate long-term growth and sustainable distribution of income to our unitholders.

As at 31 December 2020, SENTRAL owns 10 commercial properties in Malaysia with a combined value of RM2.14 billion. The locations of SENTRAL’s commercial properties are illustrated in Figure 1.

SENTRAL is also a longstanding member of the Malaysian REIT Managers Association (“MRMA”).

For more information on SENTRAL’s structure, please refer to page 4 of this Annual Report.

For more information on SENTRAL’s properties, please refer to pages 13 to 26 of this Annual Report.

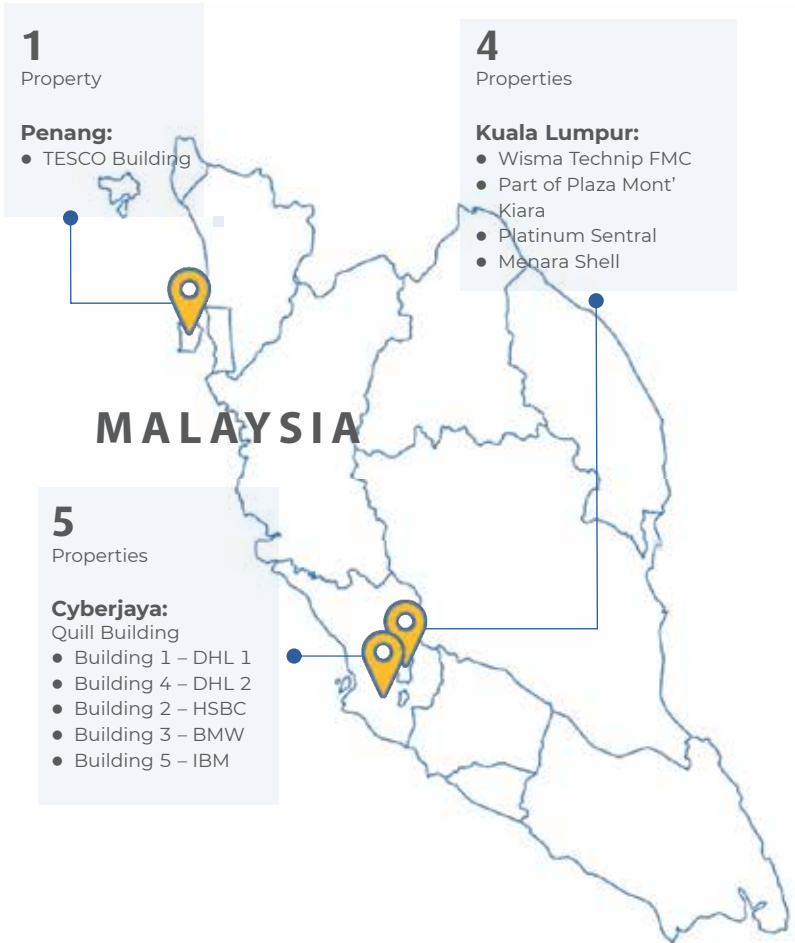


Figure 1: Location of commercial properties

SUSTAINABILITY STATEMENT

(cont'd)

SUSTAINABILITY HIGHLIGHTS

ECONOMIC



RM166 million

Realised Revenue



7.08 sen

Distribution per unit



RM1.1984

Net Asset Value per unit



RM2.14 billion

Property value

ENVIRONMENTAL



15%

Reduction in GHG emissions



15%

Reduction in energy consumption



11%

Reduction in water consumption

GOVERNANCE



Launched our **Anti-Bribery and Corruption Policy**



Zero fines pertaining non-compliance

SOCIAL



Zero

Breach in customer data or privacy



RM1.48 million

Invested in Asset Enhancement Initiatives ("AEI")



RM186,512

Invested to the community



21.9

Average training hours



76%

Local procurement expenditure

SUSTAINABILITY STATEMENT

(cont'd)

ABOUT THIS STATEMENT

[GRI 102-46, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56]

This is our fourth Sustainability Statement ("Statement") which serves to communicate our sustainability efforts and performance from 1 January 2020 to 31 December 2020. This Statement covers all SENTRAL's operations in Malaysia for which we have direct managerial control. This excludes Tesco Building Jelutong Penang which is fully self-managed by the tenant. Information reported about employees are referred to as the employees of the Manager.

This Statement contains information regarding our stakeholder relationships, material matters and forward-looking statements including our key targets and performance indicators to further refine our strategic priorities. This year, we have improved our narrative to provide more concise and clearer insights into SENTRAL's strategies and performance indicators.

Reporting Framework

This Statement has been prepared in accordance with the Global Reporting Initiatives ("GRI") Standards: Core Option, Bursa Securities' Sustainability Reporting Guide (2nd edition) and Listing Requirements. We aim to align our sustainability efforts to the global framework United Nations Sustainable Development Goals ("SDGs") in FY2021 to support Malaysia's commitment in implementing the 2030 Agenda for Sustainable Development.

Independent Assurance

We have not sought any external assurance for this reporting period. We recognise the importance of independent verification and we intend to seek independent assurance on selected key sustainability indicators moving forward.

We value and welcome any feedbacks on our Sustainability Statement to continuously improve our reporting and sustainability practices. Please contact:

Ms. Joyce Loh
General Manager, Investment and Investor Relations

Phone : +603 2859 7175
 Email : joyce.loh@sentralreit.com

SUSTAINABILITY GOVERNANCE

[GRI 102-16, 102-18, 102-20, 102-32]

Governance Structure

The Manager believes that an effective corporate governance culture is the foundation for an organisation's long-term growth. It is essential to protect the best interests of the unitholders and critical to SENTRAL's business performance. We ensure that our procedures and processes are aligned to the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia ("SC") ("MCCG") requirements through our corporate governance framework illustrated in Figure 2, supported by comprehensive guidelines, policies, procedures, effective training and communications.

SUSTAINABILITY STATEMENT

(cont'd)

For our full Corporate Governance Report, please refer to our website at www.sentralreit.com and our Corporate Governance Overview Statement on pages 69 to 82 of this Annual Report.

The Board is the highest decision-making body and is ultimately responsible and accountable for the integration of sustainability in our day to day business to ensure sustainable growth. They also oversee EES risks and opportunities as part of our business strategies and decision-making processes. The CEO leads the implementation of sustainability agenda, develops sustainability strategy, and reports the progress of sustainability initiatives to the Board. The Sustainability Working Committee ("SWC") oversees and monitors the execution of SENTRAL's sustainability initiatives, set targets and reports to the CEO on SENTRAL's sustainability performance. The SWC is supported by executives from relevant departments to allow better management of sustainability initiatives. The detailed roles and responsibilities of our sustainability governance structure is presented in Figure 3 below.

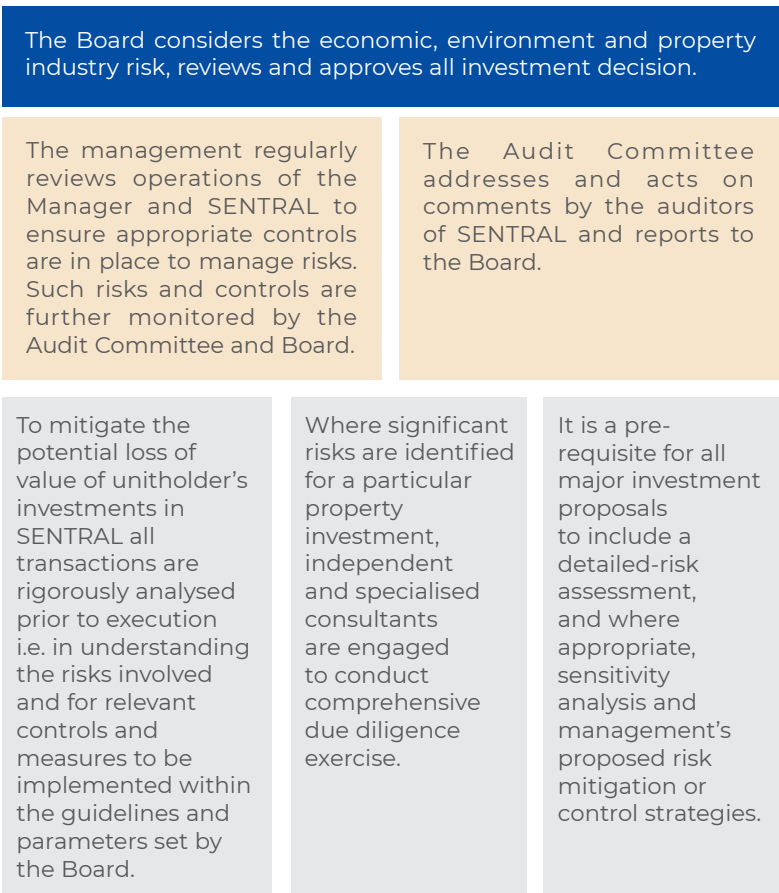


Figure 2: Corporate Governance Framework

Sustainability Governance Structure

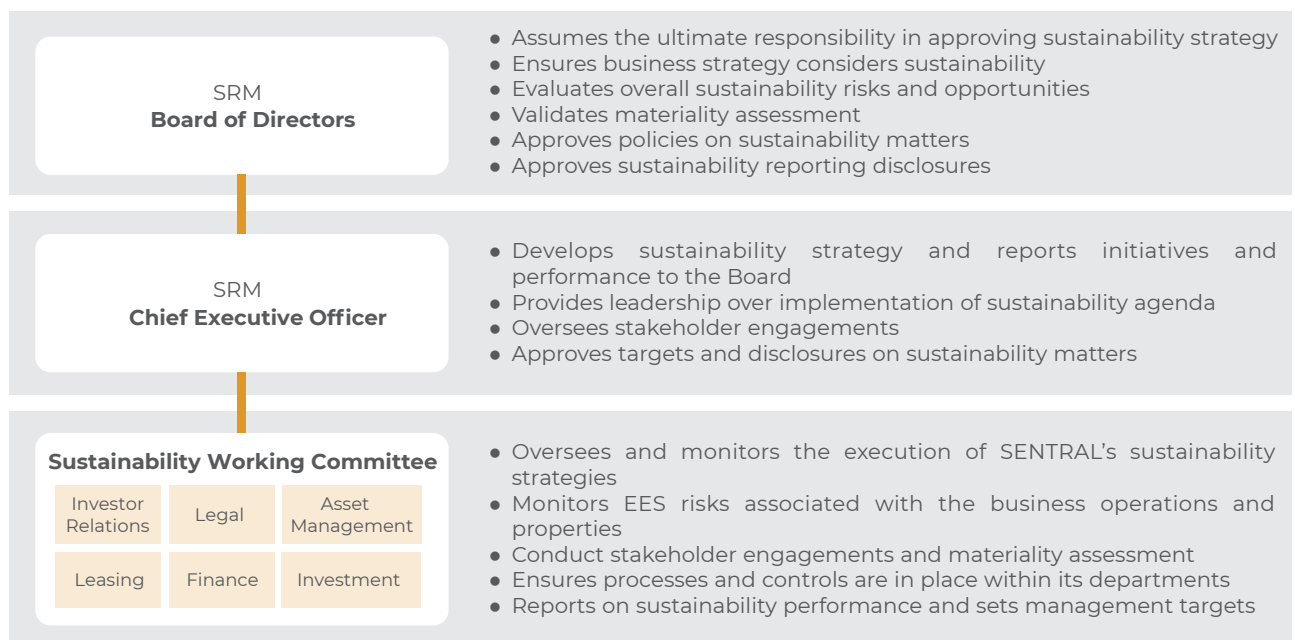


Figure 3: Sustainability Governance Structure

SUSTAINABILITY STATEMENT

(cont'd)

Ethical Business Conduct

[GRI 102-16, 102-17, 103-1, 103-2, 103-3, 205-2, 205-3]

We believe business success relies on our reputation, which is built on the actions and decisions of our employees. At SRM, all our employees are committed in embracing the highest standard of integrity and ethical business behavior.

Our core organisational values illustrated in Figure 4 shapes our culture, attitude and behavior to embrace the highest standard of corporate conduct through good corporate governance policies and practices.

We have in place various policies and guidelines relating to business ethics and work discipline which applies to all SRM's employees. As an extension of our commitment to take our business integrity seriously, we have developed our Anti-Bribery and Corruption Policy ("ABC Policy") on 1 June 2020 based on the Guidelines on Adequate Procedures ("GAP"), issued by the Prime Minister's Department. SENTRAL adopts a zero-tolerance approach against all forms of bribery and corruption and has instituted measures to guard against any unethical behavior.



Figure 4: Organisational Values

Further details of our internal processes and controls related to ethical business conduct is available in the Corporate Governance Overview Statement section of this Annual Report and our Corporate Governance Report FY2020.

Code of Business Ethics	Anti-Bribery and Corruption Policy	Whistleblowing Policy
Outlines regulatory and procedural compliance, conflict of interests, confidentiality and liability of employee, amongst others. Applies to all our employee and Directors and is part of the employee's Terms and Conditions of Service. This include Policy of Giving and Receiving Gifts that states that our employees or any external party that SRM or SENTRAL are prohibited from directly or indirectly receiving or providing gifts, kickbacks or gratuities in any form that may compromise their judgement, with the exception of consumable gifts	Guides all employees and business associates including external suppliers (sub-contractors, consultants, advisors, agents etc.) conducting business on behalf of SRM and/or SENTRAL concerning how to deal with improper solicitation, requests for bribes and other corrupt activities and issues that may arise in the course of the business	Provides a secure and responsible avenue for all employees and external parties in the reporting of improper conduct within SRM's operations

Table 1: Policies Relating to Governance at SENTRAL

SUSTAINABILITY STATEMENT

(cont'd)

FY2020 initiatives	
Anti-Bribery and Corruption	<ul style="list-style-type: none"> • Rolled out and communicated the ABC policy and guidelines to all employees, property managers, service providers, suppliers, tenants and vendors in June 2020. The ABC policy is also available on our website [https://www.sentralreit.com/investor-relations/] • Quarterly email reminders will be sent to employees and property managers to ensure constant awareness in complying to the ABC policy • A 2 hour awareness training was conducted for all of the Board of Directors, employees and all property managers in May 2020 to equip them with relevant knowledge associated with bribery and corruption. Training or briefing will be provided every three years or in the event of changes in regulatory requirements to ensure constant awareness • All Board of Directors, employees and property managers have certified in writing that they have read, understood and will abide by the ABC Policy • Included standard anti-bribery and corruption clauses in the new tenancies, lease agreements, license agreements and service agreements with our tenants and suppliers to reinforce high ethical behaviour across our supply chain
Due Diligence Assessment	<ul style="list-style-type: none"> • Established a due diligence assessment including but not limited to document verification and interview with all property business associates before including into SRM's panelist
Grievance Mechanism for Whistleblowing	<ul style="list-style-type: none"> • Established an email reporting channel [whistleblowing@sentralreit.com] so that our employees, customers or vendors can anonymously report any information regarding violations of the ABC Policy and raise concerns in good faith and in confidence, without fear of reprisals • All concerns can be raised in writing directly to CEO and Chairman of SRM

We aim to conduct regular risk assessments to identify any bribery and corruption risks affecting the business, set anti-bribery and corruption objectives and carry out periodic assessments on the effectiveness of the controls in achieving those objectives, as and when there is a change in law or circumstances of the business. We will also conduct audit once every three years to ensure compliance with the ABC Policy.

All breaches of our policies are thoroughly investigated and substantiated, with applicable and appropriate disciplinary measures taken, including dismissal or termination of contract where necessary. In FY2020, there were no reported incidents related to bribery and corruption.

Further details on SENTRAL's risk assessment practices can be found in the Statement on Risk Management and Internal Control and Corporate Governance Overview Statement section of this Annual Report FY2020, which also takes reference from SENTRAL's Corporate Governance Report FY2020.

Regulatory Compliance

[GRI 103-1, 103-2, 103-3, 307-1, 419-1]

We are firmly committed to ensuring that all our activities and operations adhere to the relevant local laws and regulations, including those that concern environmental and social-related issues. We identify changes in the regulatory landscape to ensure compliance and maintain our license to operate.

SUSTAINABILITY STATEMENT

(cont'd)

Our Corporate Secretariat, Legal and Finance departments work closely with each other to monitor the effectiveness of internal controls, strengthen and improve SENTRAL's compliance performance. Furthermore, we have appointed external consultants as internal auditor to review our internal processes. Our internal compliance officer is responsible in ensuring our business operations complies with all applicable rules and regulations which includes SC's Licensing Handbook and Listed REIT Guidelines, Listing requirements, as well as the General Tax Compliance by the Inland Revenue Board of Malaysia, among others.

Our employees are given the opportunity to attend trainings organised by Bursa Securities, SC, the Malaysian Institute of Accountants and reputable law firms whenever there are new or updated regulatory requirements to keep abreast with the latest developments.

As part of our holistic approach, we are prioritising and growing relationships with our stakeholders who share our commitment to respecting human rights. Since FY2019, we have included the principles of anti-modern slavery in all our service agreements in which both SENTRAL and service providers shall comply with the relevant rules and regulations. In fulfilling this commitment, we aim to extend this clause to all our new tenancy agreements from January 2021 onwards.

The table below outlines the relevant laws and regulations we adhere to, but are not limited to the following:

<p>Malaysian Anti-Corruption Commission (MACC) Act 2009 Introduction of corporate liability for corruption offences that is applicable to Malaysian commercial organisations</p>
<p>MACC (Amendment) Act 2018 Refers to amendments under Section 17A of the MACC Act 2009, where commercial organisation are liable and can be punished if their employees are involved in corruption</p>
<p>Malaysian Employment Act 1955 Prohibits exploitative labour practices</p>
<p>Income Tax Act 1967 and Public Rulings Imposition of income tax that includes collection and recovery of tax, tax refund, offences and penalties, and exemptions, remissions and other relief</p>
<p>Children and Young Persons (Employment) Act 1966 Prohibits the employment of children under the age of 14</p>
<p>Occupational Safety and Health Act 1994 Protects the safety, health and welfare of persons at work</p>
<p>Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007 Prohibit in child labour, slavery, servitude and forced or compulsory labour and human trafficking</p>
<p>Personal Data Protection Act 2010 Regulates the processing of personal data in regard to commercial transactions</p>
<p>Environmental Quality Act 1974 Relates to the prevention, abatement, control of pollution and enhancement of the environment</p>
<p>Construction Industrial Development Board Act 1994 Minimum requirements for engaging contractors and sub-contractors on construction works contracts</p>
<p>Electricity Supply Act 1990 (PW4) Relates to the control of any electrical installation and equipment with respect to matters relating to the safety of persons and efficient use of electricity</p>
<p>Drinking Water Quality Standards 1985 Refers to the standards for drinking water quality</p>

Table 2: Relevant Laws and Regulations that SENTRAL adheres to

There were no incidences of non-compliance with relevant laws and regulations in FY2020. Further information of our Corporate Governance and compliance matters can be found in pages 69 to 82 of our Annual Report.

SUSTAINABILITY STATEMENT

(cont'd)



STAKEHOLDER ENGAGEMENT

[GRI 102-21, 102-40, 102-41, 102-42, 102-43, 102-44]

We believe regular proactive and meaningful stakeholder engagements allows us to obtain insights that helps to drive our business priorities and deliver long-term value to all our stakeholders. Despite the challenging environment caused by the COVID-19 pandemic, we continue to proactively engage our key stakeholders as we believe it is crucial to communicate and to address their concerns in times of uncertainties.





We define our key stakeholders as individuals, companies and/or groups who has significant influence and interests in our business operations. A summary of our stakeholder engagement outcome in FY2020 is illustrated in Table 3:

Stakeholder Engagement Table

Stakeholder	Engagement Objectives	Engagement Method	Stakeholder's Interests and Concerns	SENTRAL's Response	Relevant Material Matter
Analysts and Media 	<ul style="list-style-type: none"> To proactively provide information to allow analysts to disseminate accurate information to the investment community 	<ul style="list-style-type: none"> One-on-one meetings Analyst briefing Investor conferences 	<ul style="list-style-type: none"> Profitability and financial health of SENTRAL SENTRAL's business direction and strategy Timely and transparent disclosure of information and announcements 	<ul style="list-style-type: none"> Improved responsiveness towards feedback and queries Timely update on SENTRAL's business activities and/or related matters through a dedicated Investor Relations ("IR") personnel 	<ul style="list-style-type: none"> Sustainable Business Growth and Financial Performance Regulatory Compliance
Employees 	<ul style="list-style-type: none"> To provide fair and equal opportunities To provide employee development and career progression 	<ul style="list-style-type: none"> Employee survey Annual employee appraisals One-on-one meetings Team meetings 	<ul style="list-style-type: none"> Career progression Employee welfare and benefits Profitability and financial health of SENTRAL Job security 	<ul style="list-style-type: none"> Transparent, open and consistent approach to appraisals Transparent communication on business performance and job security Training and team building Flexible work arrangement such as remote working as part of H&S measures Open door policy to express concerns 	<ul style="list-style-type: none"> Sustainable Business Growth and Financial Performance Employee Management Health and Safety

SUSTAINABILITY STATEMENT

(cont'd)

Stakeholder	Engagement Objectives	Engagement Method	Stakeholder's Interests and Concerns	SENTRAL's Response	Relevant Material Matter
Tenants 	<ul style="list-style-type: none"> To engage existing customers to ensure tenant satisfaction and high retention rate To forge new relationships with potential tenants 	<ul style="list-style-type: none"> Direct feedback from tenants at all stages of the tenancy Regular meetings and discussions 	<ul style="list-style-type: none"> Health, safety and well-being Quick response by management to feedbacks Data privacy Quality of assets and services 	<ul style="list-style-type: none"> Scheduled maintenance for each property Established building procedures and measures including health and safety due to COVID-19 Timely response to tenant's queries 	<ul style="list-style-type: none"> Sustainable Business Growth and Financial Performance Health and Safety Quality of Assets and Services Data Privacy
Government, Regulators and Local Authorities 	<ul style="list-style-type: none"> To seek clarification on the guidelines under their purview To ensure compliance and proper administration of the legislations and local authorities' regulations affecting the operations of the REIT 	<ul style="list-style-type: none"> Consultation meetings together with consultants, advisors and industry associations Seminars and workshops 	<ul style="list-style-type: none"> Compliance to legislations and guidelines affecting the REIT industry including health and safety compliance for COVID-19 Refining and updating legislations through consultations with industry players 	<ul style="list-style-type: none"> Appointed professional consultants and advisors during consultations sessions Adherence and report on compliance Monitored compliance through internal assessment 	<ul style="list-style-type: none"> Regulatory Compliance Employee Management Health and Safety
Unitholders 	<ul style="list-style-type: none"> To proactively provide up to date disclosures and information to allow unitholders to make informed decisions on their investments 	<ul style="list-style-type: none"> Annual general meeting ("AGM") Annual reports SENTRAL's website Announcements on Bursa Securities Interactions with IR personnel 	<ul style="list-style-type: none"> Profitability and financial health of SENTRAL Timely and transparent disclosure of information and announcements Annual distribution payouts 	<ul style="list-style-type: none"> Sound investment and capital management strategy Robust corporate governance procedures Update on business strategies and direction 	<ul style="list-style-type: none"> Sustainable Business Growth and Financial Performance
Investment Community 	<ul style="list-style-type: none"> To engage existing and potential investors to provide information which allows these investors to make sound investment decisions concerning SENTRAL 	<ul style="list-style-type: none"> One-on-one meetings Investor conferences Annual reports SENTRAL's website 	<ul style="list-style-type: none"> Profitability and financial health of SENTRAL Timely and transparent disclosure of information and announcements Accessibility to management or IR team 	<ul style="list-style-type: none"> Improved responsiveness towards feedback and queries through a dedicated IR personnel 	<ul style="list-style-type: none"> Sustainable Business Growth and Financial Performance

SUSTAINABILITY STATEMENT

(cont'd)




Stakeholder	Engagement Objectives	Engagement Method	Stakeholder's Interests and Concerns	SENTRAL's Response	Relevant Material Matter
Local Community 	<ul style="list-style-type: none"> To give back to the community in which we operate, specifically to improve the welfare of needy children To contribute funds to meet the immediate needs of at least one children's NGO To involve all staff in the fund-raising event 	<ul style="list-style-type: none"> Partnerships and collaborations with local communities through CSR programmes 	<ul style="list-style-type: none"> To provide sustained support after the completion of each CSR project Financial assistance to NGOs 	<ul style="list-style-type: none"> Monetary contribution to the underserved community Adherence to SOPs on safety and hygiene during the MCO period 	<ul style="list-style-type: none"> Community Partnership and Activities
Industry Associations 	<ul style="list-style-type: none"> To be a contributing member to the industry sectors' professional objectives 	<ul style="list-style-type: none"> Consultation and feedback sessions 	<ul style="list-style-type: none"> Fair representation of industry's needs through consultation and lobbying with government authorities like SC and Bursa Securities 	<ul style="list-style-type: none"> Active membership involvement and contribution 	<ul style="list-style-type: none"> Regulatory Compliance
Vendors 	<ul style="list-style-type: none"> To have fair, proper and transparent dealings with vendors 	<ul style="list-style-type: none"> One-on-one meetings 	<ul style="list-style-type: none"> Fair and transparent selection of vendors Timely payment to vendors Potential business opportunities for vendors Competitive rates 	<ul style="list-style-type: none"> Professional approach in reviewing proposals from vendors Communication of ABC Policy Adhere to strict payment cycles and procedures 	<ul style="list-style-type: none"> Quality of Assets and Services Anti-corruption

Table 3: Stakeholder Engagement Table

Legend: Engagement frequency ■ Annually ■ Quarterly ■ As and when required

SUSTAINABILITY STATEMENT

(cont'd)

MATERIALITY ASSESSMENT

[GRI 102-21, 102-29, 102-47, 102-49]

Materiality Assessment

Materiality assessment is key to ensure we focus and manage what matters most to our business and stakeholders. We conduct materiality assessments every three years to keep abreast of our internal and external stakeholders' evolving priorities.

In FY2020, we conducted a materiality assessment workshop to ensure that our material matters remain relevant to the business operating landscape and stakeholders' interests. The assessment takes into consideration external factors such as operating environment, emerging trends, regulatory development, as well as insightful internal and external stakeholder feedback. We have also considered COVID-19's impact which transformed the business landscape, stakeholders' sentiments and expectations. Details of our materiality assessment is described in Figure 5 below.

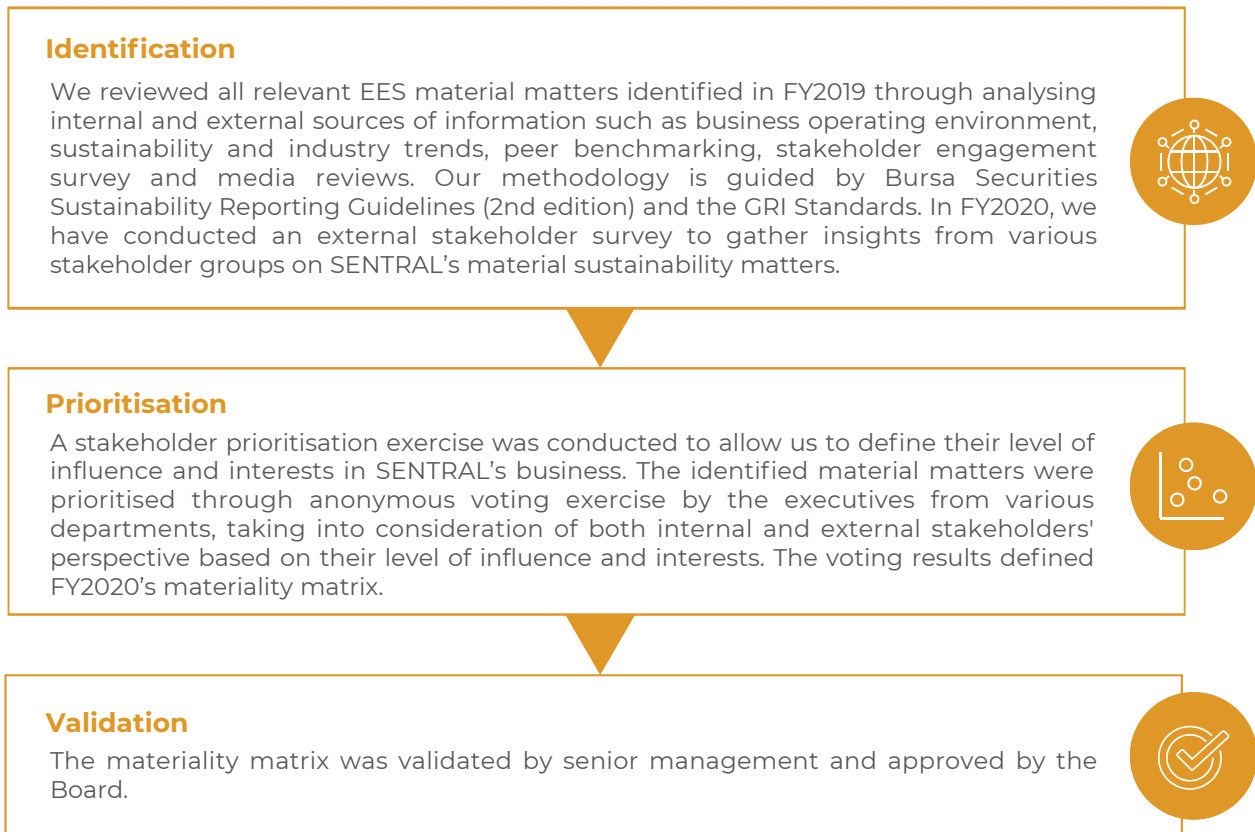


Figure 5: Materiality Assessment Process

SUSTAINABILITY STATEMENT

(cont'd)

Materiality Matrix

In FY2020's materiality matrix, eleven material matters were identified and formed the focus of our FY2020 Sustainability Statement.

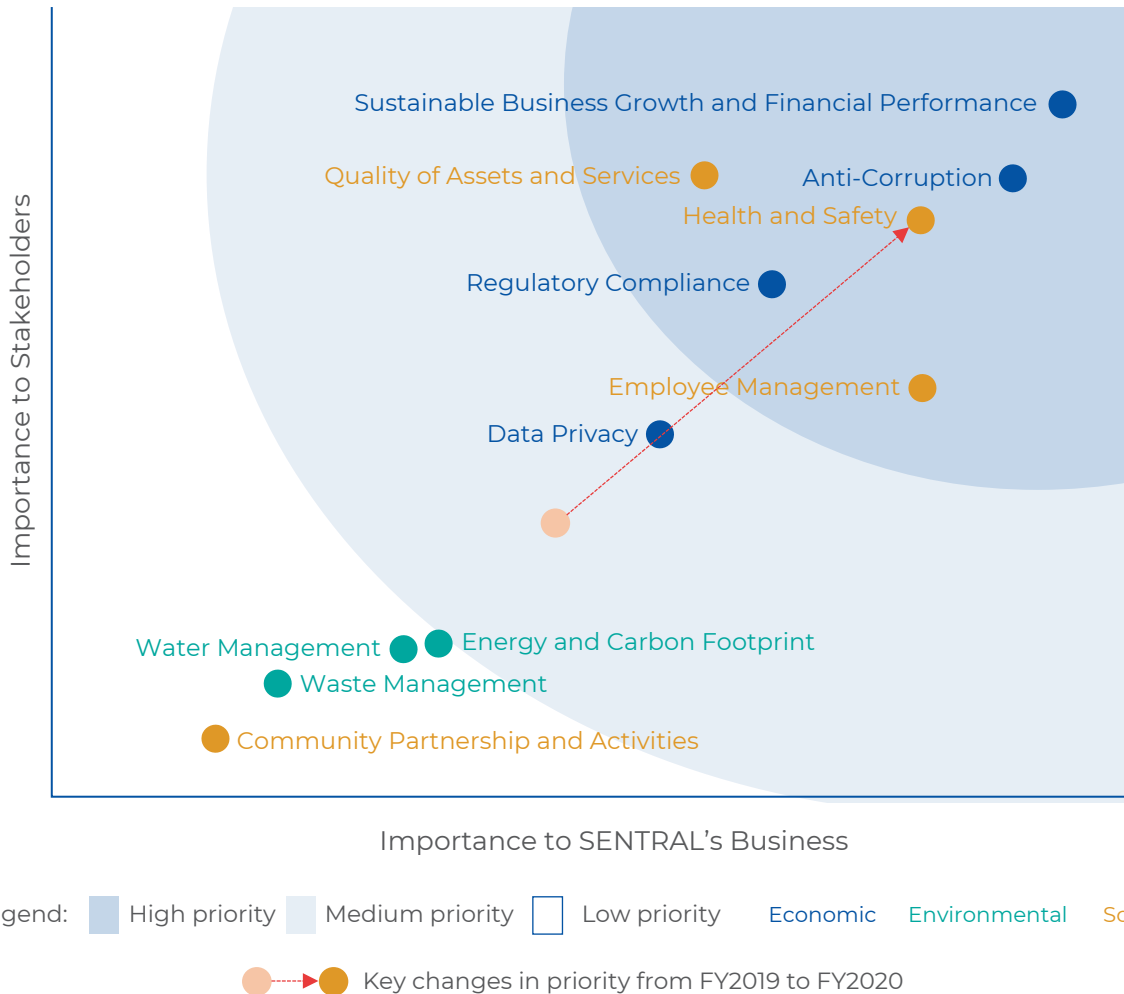


Figure 6: SENTRAL's Materiality Matrix

Changes to F2020 Materiality Matrix

Three new material matters were identified which includes "Data Privacy", "Waste Management" and "Community Partnership and Activities". "Data Privacy" has gained importance among stakeholders as the widespread adoption of technology during the pandemic has greatly increased the exposure to cyberattacks, causing growing concerns over the collection and usage of SENTRAL's and SRM's business and customer's personal data. Particularly with enabling remote working, the widespread disruption in cybersecurity operations had an immediate effect on an organisation's business, causing a shift in strategies, investments and future priorities. "Waste Management" and "Community Partnership and Activities" were identified as part of our commitment to reduce our environmental impact and provide positive contribution back to the community.

Heightened by COVID-19, "Health and Safety" have increased in prominence given the severity of its implications to the health and safety of our tenants, employees, vendors and communities.

SUSTAINABILITY STATEMENT

(cont'd)

We have also refined our definition of the material matter “Employee Management” and “Quality of Assets and Services” to better reflect the management and reporting of these material matters. Details and definition of SENTRAL’s FY2020 material matters are illustrated in Table 4.

	Material Matter	Definition
1	Sustainable Business Growth and Financial Performance	Concerns an organisation’s impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels
2	Anti-Corruption	Corruption is defined as the abuse of entrusted power for private gain. Discusses activities that promote transparency and guard against various forms of corruption (e.g. bribery, extortion, fraud, undue pressure or influence)
3	Health and Safety	Efforts to address and prevent health and safety risks for all employees, tenants and visitors to SENTRAL’s properties
4	Quality of Assets and Services	Attention to quality of SENTRAL’s assets and services through innovative ideas, implementation of technology and management of supply chain which translate to tenant’s satisfaction. Tenants can be assured that the properties are in a comfortable and safe environment throughout the tenancy period
5	Regulatory Compliance	Compliance to building, REITs and other regulatory requirements, such as environment, financial, labor, health and safety, listing rules, authority guidelines, public announcements, etc.
6	Employee Management	Involves all employee management aspects including fostering an engaged and vibrant workforce, retaining and attracting employees by providing remuneration, growth and training opportunities without any discrimination
7	Data Privacy	Protection of all data, information and intellectual property against cyber security breaches including safeguarding the privacy of tenant, organisational and visitor’s information
8	Energy and Carbon Footprint	Efficient use of energy to minimise carbon emissions and provide cost savings to SENTRAL and its tenants. E.g. use of renewables such as solar energy on rooftops
9	Water Management	Consumption and efficiency of water usage for general purposes
10	Waste Management	Management or minimisation of waste generated in SENTRAL’s and tenant’s activities. E.g. providing adequate facilities to tenants for proper storage of waste (e.g. general, hazardous, etc.) for further disposal and encourage reducing, recycling and reuse of waste
11	Community Partnership and Activities	Financial or non-financial contributions to the communities in which SENTRAL operate and select partners with shared business’ values for joint activities

Table 4: SENTRAL’s Materiality Matters and Their Definitions

SUSTAINABILITY STATEMENT

(cont'd)



ECONOMIC

Sustainable Business Growth and Financial Performance

[GRI 103-1, 103-2, 103-3, 201-1]

SENTRAL focuses on delivering value to its stakeholders through property investment and asset enhancements. Guided by our four key strategic initiatives, as illustrated in Figure 7, we aim to provide our unitholders with sustainable distribution of income, derived from pursuing long-term growth from our existing and future portfolios.

SENTRAL's Four Key Strategic Initiatives



Figure 7: SENTRAL's Four Key Strategic Initiatives

Despite the unprecedented impacts of COVID-19, SENTRAL maintained a healthy financial position and recorded improved financial performance for FY2020. SENTRAL registered a realised revenue of RM165.69 million in FY2020, an increase of 2.2% compared to FY2019. The increase was mainly attributed to higher revenue contribution from Menara Shell, Wisma Technip and Tesco Penang, and lower property operating expense and lower borrowing cost due to lower interest rates. The value generated through our operations enabled us to achieve a Distribution Per Unit of 7.08 sen for this financial year. The direct economic value generated and distributed by SENTRAL is presented in Table 5 below.

SUSTAINABILITY STATEMENT

(cont'd)

For more information on our economic performance, refer to our Management Discussion and Analysis section from pages 27 to 37.

In RM	FY2020	FY2019	FY2018
Value Generated			
<i>Revenue, finance income, gain on divestment of investment property</i>	167,980,858	164,687,987	179,041,503
<i>Less: Property operating expenses</i>	(29,456,543)	(30,769,769)	(31,594,183)
<i>Less: Other operating expenses</i>	(919,578)	(922,599)	(948,463)
Total Value Generated	137,604,737	132,955,619	146,498,857
Reconciliation:			
<i>Total realised income net of taxation</i>	80,954,941	72,107,547	84,653,758
<i>Add:</i>			
<i>Finance costs</i>	34,750,696	38,976,163	39,774,798
<i>Manager's fees</i>	12,796,372	12,760,955	13,253,725
<i>Trustee's fees</i>	665,681	676,287	685,921
<i>Quit rent and assessment</i>	8,437,047	8,474,667	8,130,655
Total Value Generated	137,604,737	132,995,619	146,498,857
Payments to the Manager and Trustee			
<i>Manager's fees</i>	12,796,372	12,760,955	13,253,725
<i>Trustees fees</i>	665,681	676,287	685,921
Payments to government			
<i>Quit rent and assessment</i>	8,437,047	8,474,667	8,130,655
Payments to providers of capital			
<i>Income distribution</i>	75,882,237	72,881,244	86,600,067
<i>Finance costs</i>	34,750,696	38,976,163	39,774,798
<i>Economic value retained</i>	5,072,704	(773,697)	(1,946,309)
Total Value Distributed	137,604,737	132,995,619	146,498,857

Table 5: Direct Economic Value Generated and Distributed

Data Privacy

[GRI 103-1, 103-2, 103-3, 418-1]

In light of the COVID-19 pandemic, accelerated digitalisation and shifts to remote working at both scale and pace have significantly added to the spate of cybersecurity issues such as cyber-attacks, data breaches and phishing attacks on end-users.

As the Manager, we are cognisant of our responsibilities and we aim to protect the integrity of our systems and safeguard personal data to maintain our stakeholders' trust and confidence. Our Privacy Policy guides and ensure personal information is handled in a way that is compliant, ethical and adheres to industry best practices.

SUSTAINABILITY STATEMENT

(cont'd)

Appropriate Information Technology ("IT") controls and cybersecurity measures are also in place to drive a responsible business culture and ensure our business, employees' and customers' personal data are safe and secure. These controls and procedures are guided by our Information Security Policy which aims to protect our information assets, minimise impact caused by improper control, guide third parties on information sharing security, familiarise our employees with information security risks and the expected way to address these risks. This Information Security Policy applies to all employees, temporary workers, practical trainees and third parties who engaged to work with or who have access to the information of the Manager and/or SENTRAL.

Our key initiatives for the year are described below.

FY2020 initiatives	
Data Privacy Regulatory Compliance	<ul style="list-style-type: none"> • Our employees are subject to the Personal Data Protection Act 2010 ("PDPA") where they are required to sign a declaration to acknowledge to treat the personal and confidential information of others in a responsible manner at all times • Third parties are required to read, understand and acknowledge a Non-Disclosure Agreement ("NDA") where there is sensitive information required from the other party • A standard personal data clause has been included in all of our tenancy and service agreements
Data Protection Awareness	<ul style="list-style-type: none"> • Regular email reminders and monthly editorial messages are disseminated by our IT helpdesk to alert our employees on spam or phishing emails, potential cyber-attack and updates of passwords for all systems • Conducted online security awareness training for all employees
Data Security Controls	<ul style="list-style-type: none"> • Keep abreast with the Antivirus software • Set up user access rights for system usage and firewall by IT department • Perform cybersecurity and IT risk and control assessments to allow identification and timely response to information security threats
Physical Data Management	<ul style="list-style-type: none"> • All of our physical data are kept in our data warehouse centre • We have implemented the use of Yardi, a cloud-based accounting, finance and leasing system, which facilitates the uploading of soft copies of all documents, tenancies, agreements, acting as another source of backup of our physical data

In FY2020, there were no substantiated complaints concerning cybersecurity breaches and losses of customer data. We will continue to ensure strict compliance and invest in our cyber security capabilities to safeguard the confidentiality, integrity and availability of information within our operations.

SUSTAINABILITY STATEMENT

(cont'd)



ENVIRONMENTAL

Energy and Carbon Footprint

[GRI 103-1, 103-2, 103-3, 302-2, 302-3, 302-4, 305-2, 305-4]

The conversation around climate change continues to intensify as COVID-19 have drastically altered patterns of energy demand around the world and its impact on the global economy is increasingly recognised. In line with Malaysia’s commitment towards achieving a reduction of 45% carbon emission intensity by 2030, SENTRAL is committed to continue our efforts in reducing our environmental footprint through improving energy efficiency and investing in renewable energy.

Our approach in energy management are illustrated in the figure below.

Our approach in energy management			
	Installation or replacement of conventional lighting with energy savings lighting (e.g. LED lighting)		Installation or upgrade to energy efficient air conditioning systems
	Installation or replacement of solar power system		Installation of BAS
	Regular inspection of existing equipment to ensure they remain in good condition		

SENTRAL’s primary source of carbon emissions is from the electricity purchased for our operational activities in all our buildings. The property managers are responsible for driving energy conservations and improvement plans for their respective buildings. Each building’s energy performances are monitored and reported monthly by the property managers to SRM through the Asset Control Group (“ACG”) report.

Since 2019, SENTRAL has implemented various energy reduction initiatives across our buildings to increase energy efficiency and reduce daily operation cost. Our two green buildings (Menara Shell and Platinum Sentral) also contribute to reducing our environmental footprint as they are built with better ventilation and natural lighting, resulting in lower energy consumption and water consumption. In FY2020, our key energy efficient initiatives are highlighted in Table 6 below. Our initiative to replace all lighting fixtures in Menara Shell and Platinum Sentral toilets was delayed due to the government’s MCO.

SUSTAINABILITY STATEMENT

(cont'd)

No.	Building	FY2020 Initiatives
1	Menara Shell	LED lighting replacement <ul style="list-style-type: none"> At common areas including toilets, building corridors and streetlighting
2	Quill Building 1 and 4	Building Automation System installation <ul style="list-style-type: none"> A centralised intelligent system to monitor the real-time energy consumption system and allow energy efficiency management through control of building systems and environmental parameters
3	Quill Building 2	Energy efficient air conditioning system <ul style="list-style-type: none"> Upgraded the BAS to monitor the chiller and air handling unit systems for better efficiency and cooling capacity In addition, operation hours of the air conditioning systems were adjusted to ensure better energy efficiency
4	Quill Building 3	LED lighting replacement <ul style="list-style-type: none"> At landscaping areas and perimeter driveways



Table 6: FY2020 Energy Efficient Initiatives

This year, we achieved our target of 2% energy consumption reduction by achieving a reduction of 14.8% from FY2019. This is also mainly due to government’s MCO that requires working from home arrangement and closure of building operations for a certain period.

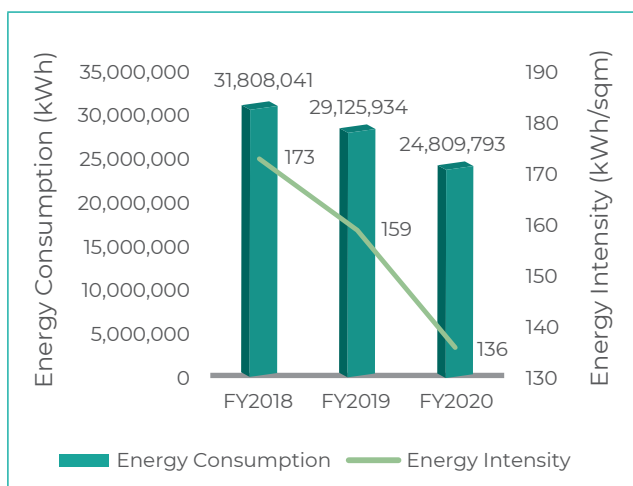


Figure 8: Total Energy Consumption and Intensity

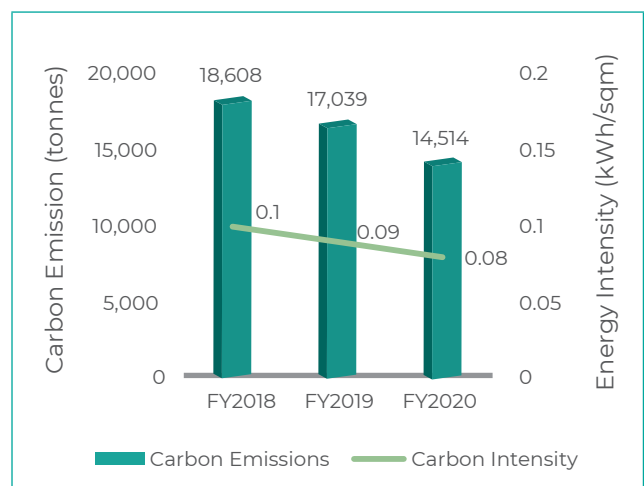


Figure 9: Total Carbon Emissions and Intensity

SUSTAINABILITY STATEMENT

(cont'd)

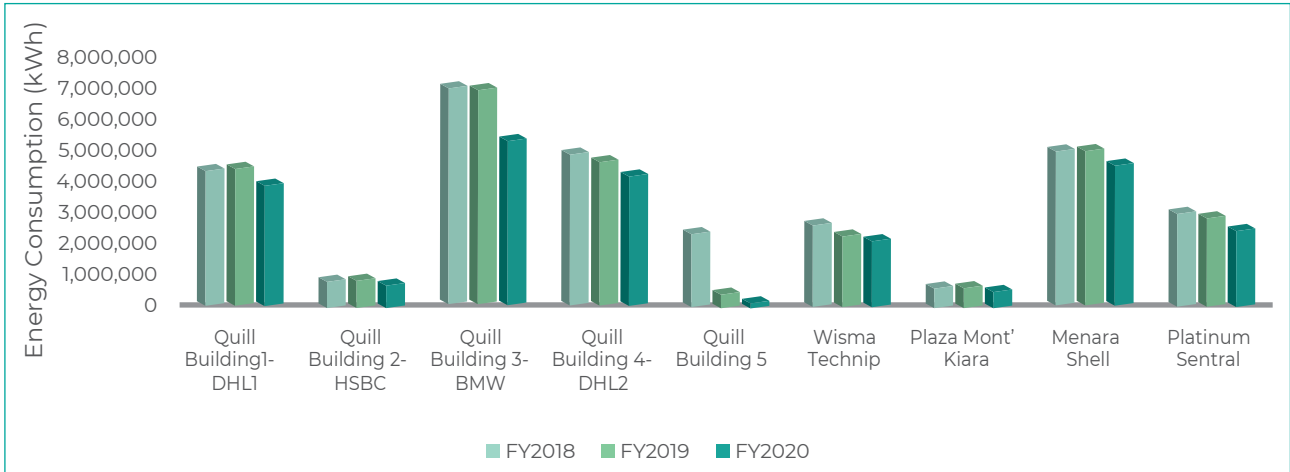


Figure 10: Total Energy Consumption by Property

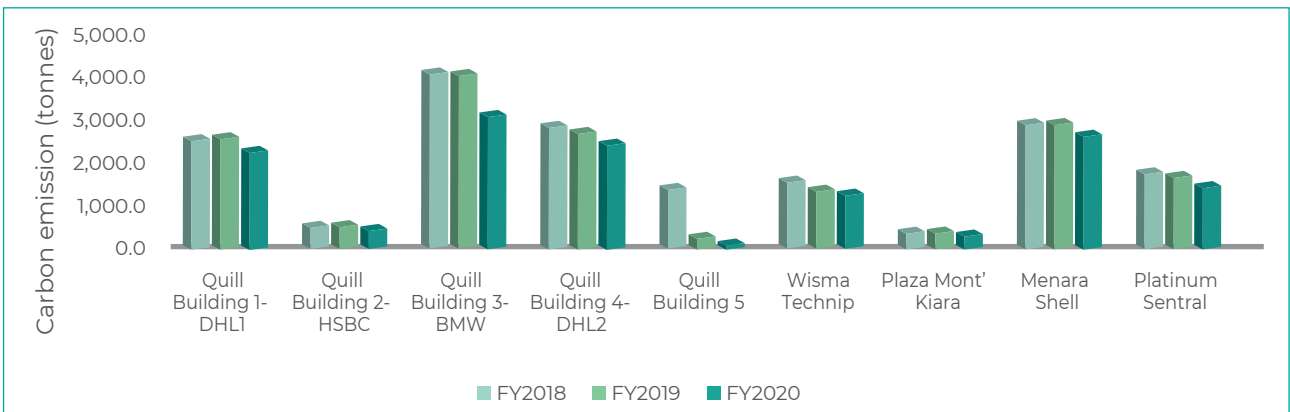


Figure 11: Total Carbon Emissions by Property

* Carbon emission from purchased electricity (Scope 2) is calculated based on the emission factors from the 2017 CDM Electricity Baseline For Malaysia [<https://www.mgtc.gov/wp-content/uploads/2019/12/2017-CDM-Electricity-Baseline-Final-Report-Publication-Version.pdf>] report by Malaysian Green Technology Corporation

We are currently developing our Energy Management Policy, which would act as the formal guideline for the implementation of energy conservation and management initiatives at SENTRAL. We intend to roll out this Policy to all buildings by FY2022.

We intend to continue our efforts in improving energy efficiency across our buildings to achieve our target of 2% reduction year-on-year. Our commitments for FY2021 are illustrated in the table below.

No.	Building	FY2021 Initiatives
1	Menara Shell	<ul style="list-style-type: none"> LED lighting replacement at toilets Upgrade air-conditioning system to optimise cooling system by replacing main heat exchanger motorised valve and Variable Speed Drive ("VSD") Replace valve at Primary Air Handling Unit ("PAHU") as part of maintenance process for efficiency Install new Motorised Fire Damper ("MFD") at the rooftop
2	Platinum Sentral	LED lighting replacement at toilets and main lobby atrium
3	Plaza Mont' Kiara	LED lighting replacement for car parks

Table 7: FY2021 Energy Efficient Initiatives

SUSTAINABILITY STATEMENT

(cont'd)






Water Management

[GRI 103-1, 103-2, 103-3, 303-1, 303-5]

Water disruptions are increasingly becoming an issue as it could cause inconveniences and disruptions to business operations. We proactively employ measures to improve our water resource management and reduce water consumption to ensure sustainable water management. This year, we have developed our Water Management Policy to guide our water use and conservation strategies in line with relevant national and state drinking water standards. This policy serves as a directive to all SENTRAL's buildings and stakeholders, to communicate our value chain's commitment.

Similar to energy management, the building manager monitors and reports monthly to SRM on the building's water performance through the ACG report. In the event that there are unusual fluctuations in the building's water consumption, investigations will be conducted, and appropriate measures will be implemented to remedy the issues.

Our approach in water management are illustrated in the figure below.

Our approach in water management			
	Repair and replace old pipes, fittings and other equipment where necessary		Regular inspection of air-conditioning systems to ensure they are operating at optimum levels (largest source of water consumption)
	Regular inspection of piping system and fittings to ensure they maintain in good condition		Installation or replacement of conventional water fittings with water efficient fittings including sensor taps
	Installation of rainwater harvesting system		

In FY2020, our key initiatives are highlighted in the table below and we have also achieved our target of 2% year-on-year reduction in overall water consumption by achieving 11% of reduction.

No.	Building	FY2020 Initiatives
1	Menara Shell	<ul style="list-style-type: none"> Replaced plumbing system with new polypropylene pipes which are highly resistant to corrosion and chemical leaking. This helps to minimise potential water leakage and hence reduce operational cost
2	Wisma Technip	<ul style="list-style-type: none"> Installation of new water filtration systems
3	Quill Building 2	<ul style="list-style-type: none"> Replaced domestic water tank leaking panel on the building's rooftop storage to prevent roof leakage
4	Platinum Sentral	<ul style="list-style-type: none"> Renovated toilets located on Level 4 and 5 with self-closing taps to conserve water

Table 8: FY2020 Water Management Initiatives

SUSTAINABILITY STATEMENT

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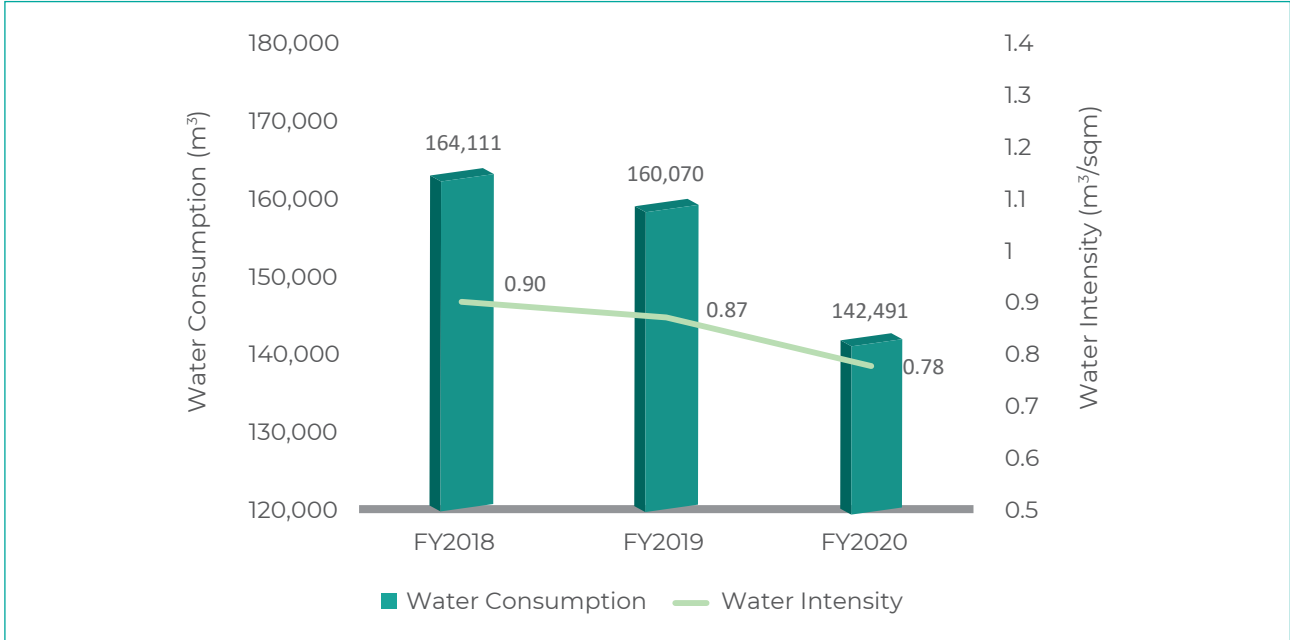


Figure 12: Total Water Consumption and Water Intensity

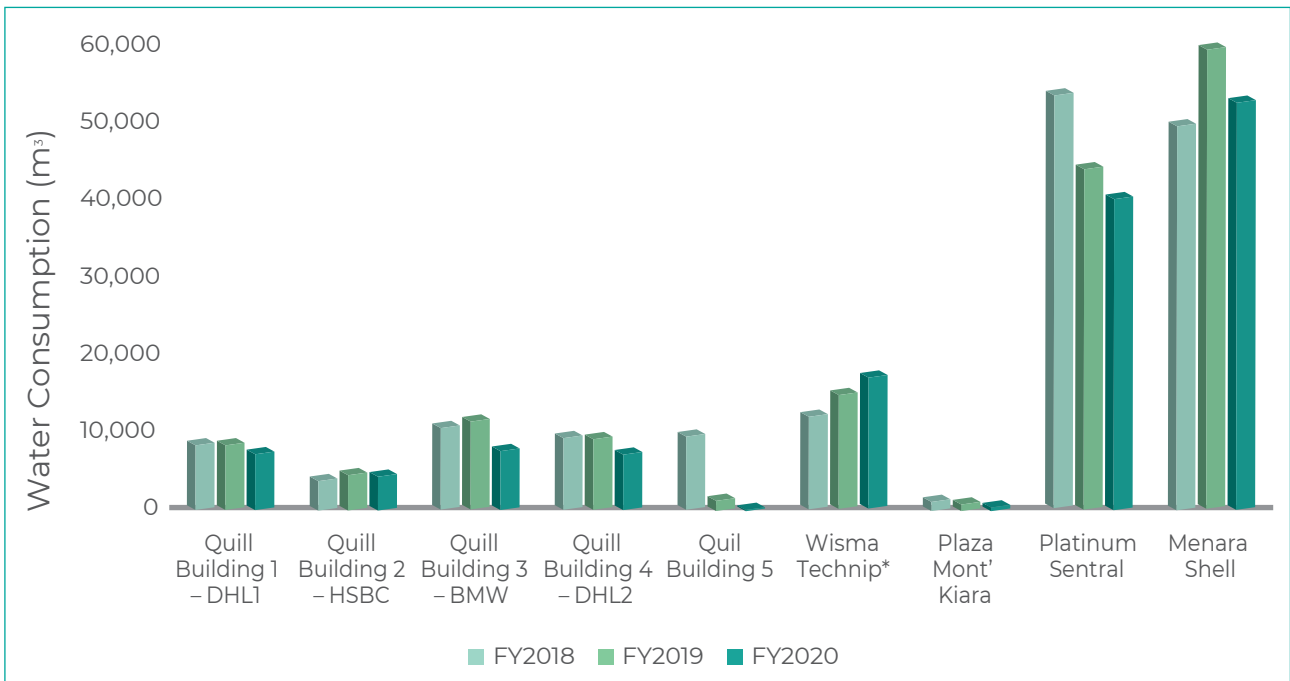


Figure 13: Total Water Consumption by Property

* The increase in water consumption for Wisma Technip is due to faulty meter readings in FY2018 and FY2019 that contributes to lower water consumption reading in FY2018 and FY2019

SUSTAINABILITY STATEMENT

(cont'd)

Moving forward, we intend to continue our efforts in improving water efficiency across our buildings to achieve our target of 2% reduction year-on-year. Our commitments for FY2021 are illustrated in Table 9: FY2021 Water Management Initiatives below.

No.	Building	FY2021 Initiatives
1	Menara Shell	<ul style="list-style-type: none"> Replace toilet water fittings with effective water tap sensor and water flush valve system
2	Quill Building 1 and 4	<ul style="list-style-type: none"> Installation of new water filtration systems to ensure clean water quality for consumption purposes

Waste Management

[GRI 103-1, 103-2, 103-3]

Waste disposal methods and management in Malaysia have drawn public attention and sparked rising concerns as waste is being disposed into non-sanitary landfills and open dumping sites with minimal treatment. Poor waste management, from improperly stored refuse to illegal dumping can cause health hazards, pollution and negative impacts on human health and the environment. We aim to manage and care for our tenants' wellbeing and the community we operate in.

Our approach to water management is illustrated in the figure below.

Our approach in waste management			
	Disposal of waste by licensed waste contractors and based on regulatory requirements		Provision of recycling bins to encourage habits of recycling
	Creating awareness of sustainable waste disposal and management through notice or posters		

The main categories of waste are dry waste and wet waste which are mainly generated by our food and beverages ("F&B") outlets. A centralised refuse chamber is located at every building to act as a collection point for storage and segregation of waste. The property manager is responsible for ensuring that wastes are disposed legally, and recyclable waste are being sent to recycling companies by licensed waste contractors.

We are also cautious in managing our food waste as food waste releases methane gas which is harmful to the environment. Fats, oils and grease could also contaminate local streams if not appropriately managed when washed down the kitchen sinks. Our F&B outlets in Plaza Mont' Kiara, Platinum Sentral and Menara Shell have installed rubbish traps and grease traps to filter greases and food solids before being discharged into the wastewater disposal system. This is also part of the Environmental Quality (Scheduled Wastes) Regulations 2005.

SUSTAINABILITY STATEMENT

(cont'd)



Figure 14: Recycling Bin Placed in Platinum Sentral

To further raise awareness of responsible waste management, recycling bins are located in common areas such as lift lobby and high traffic areas to encourage recycling among our employees, tenants and visitors. Environmental awareness notices and posters are also displayed to encourage tenants and visitors to reduce, reuse and recycle waste. Notices and posters are displayed in building washrooms to encourage lesser usage of paper hand towels. Moving forward, we aim to install automatic jet air hand dryers to replace paper hand towels and reduce the consumption of our natural resources.

We aim to start tracking and monitoring our waste consumption across our operations in FY2022.

SUSTAINABILITY STATEMENT

(cont'd)



SOCIAL

Health and Safety

[GRI103-1, GRI 103-2, GRI 103-3, GRI 403-2, 403-5, 403-6, 403-9, 403-10]

Our stakeholders' safety, health and well-being remain as an absolute priority, especially during this time of uncertainty. This includes our employees, tenants, contractors, visitors and communities.

Our Health and Safety ("H&S") Policy guides the management on all health and safety issues, complying with the relevant laws and regulations such as the Occupational Safety and Health ("OSH") Act 1994 by the Department of Occupational Safety and Health. It is designed based on the health and safety principles illustrated in Figure 15 and details our commitment to continually improve health and safety initiatives and performance to ensure the safety of all our stakeholders during ongoing management of our portfolio including refurbishment. All SRM employees, building management team and contractors are required to follow our H&S policy to ensure measures are in place to prevent health and safety hazards.



Figure 15: SENTRAL's Health and Safety Principles

SUSTAINABILITY STATEMENT

(cont'd)

Managing Risks and Hazards in Our Buildings

We work closely with our building management team, tenants and contractors to ensure safety controls are in place to safeguard the health and safety of our tenants, visitors and communities.

Fire risk assessments are performed regularly to identify and manage potential risks and hazards. We monitor the safety certifications for fire, lift and escalator and ensure that they are renewed in a timely manner. All necessary maintenance and repairs are performed to ensure compliance with safe operating standards implemented by the Fire and Rescue Department of Malaysia ("BOMBA"). All of our tenants have also established an Emergency Response Team trained in first aid and equipped with fire-fighting abilities to respond to health and safety risks. In FY2020, annual fire drill and evacuation exercise were exempted as large crowd gatherings are strictly prohibited due to the COVID-19 pandemic.

Our tenants are also required to conduct a risk assessment prior to any renovation and fit-out of the tenanted spaces. Clear safety signs are placed during refurbishment to provide awareness and regular on-site inspections or spot checks will be conducted by the property manager to ensure the building is well maintained. This is also to ensure compliance with the OSH Act.

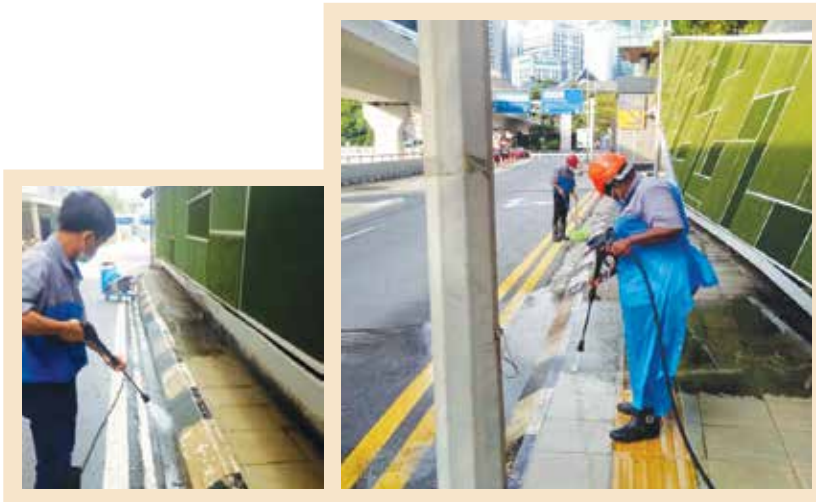


Figure 16: Cleaning of Building Pavements and Walkways to Remove Muck Accumulation That Could Potentially Cause Slipping and Inhibit Water Drainage

Figure 17: Removal of Fallen Trees as it Caused Disturbances and Could Potentially Injure Someone Who is Walking by (e.g. Minor Scratches)



SUSTAINABILITY STATEMENT

(cont'd)

Health and Safety Grievances

We provide various channel for our stakeholders to raise their concerns regarding health, hygiene and safety protection matters. Our grievance mechanisms are illustrated in Table 10 below.

Channel	Description
Telephone	Stakeholders can lodge grievances to the Building Management Office ("BMO") via a telephone hotline or request to speak to a stakeholder contact officer or obtain the contact details of the property manager in charge
Email	Grievances can be submitted in writing to the respective property Manager's email which can be retrieved from the respective BMO
Face-to-face Communication	We have physical point of contacts for stakeholders to escalate grievances directly to the property managers. We also have Auxiliary Police and security guard personnel on-duty for 24 hours at our main lobby counter to protect the property and prevent criminal activities

Table 10: Health and Safety Grievance Mechanisms

We aim to strengthen our relationships with our stakeholders by responding to their concerns effectively. Every case will be acknowledged, investigated, addressed and followed up until the case is closed or until satisfactory resolution is achieved.

Protecting Our People During the COVID-19 Crisis

Since 18 March 2020, the MCO has been implemented throughout Malaysia as a preventive measure by the federal government in response to the COVID-19 pandemic. To ensure the safety of our employees, tenants, visitors and communities, we have adopted various precautionary measures and controls while monitoring the situation closely.

In managing the COVID-19 crisis, an Emergency Response Plan was established and communicated to all employees and tenants to facilitate operations and movement in times of crisis. All our stakeholders are required to follow the Ministry of Health's new COVID-19 SOP guidelines to mitigate any potential risk of exposure to COVID-19. Details of our COVID-19 measures are illustrated in Figure 18.

SUSTAINABILITY STATEMENT

(cont'd)

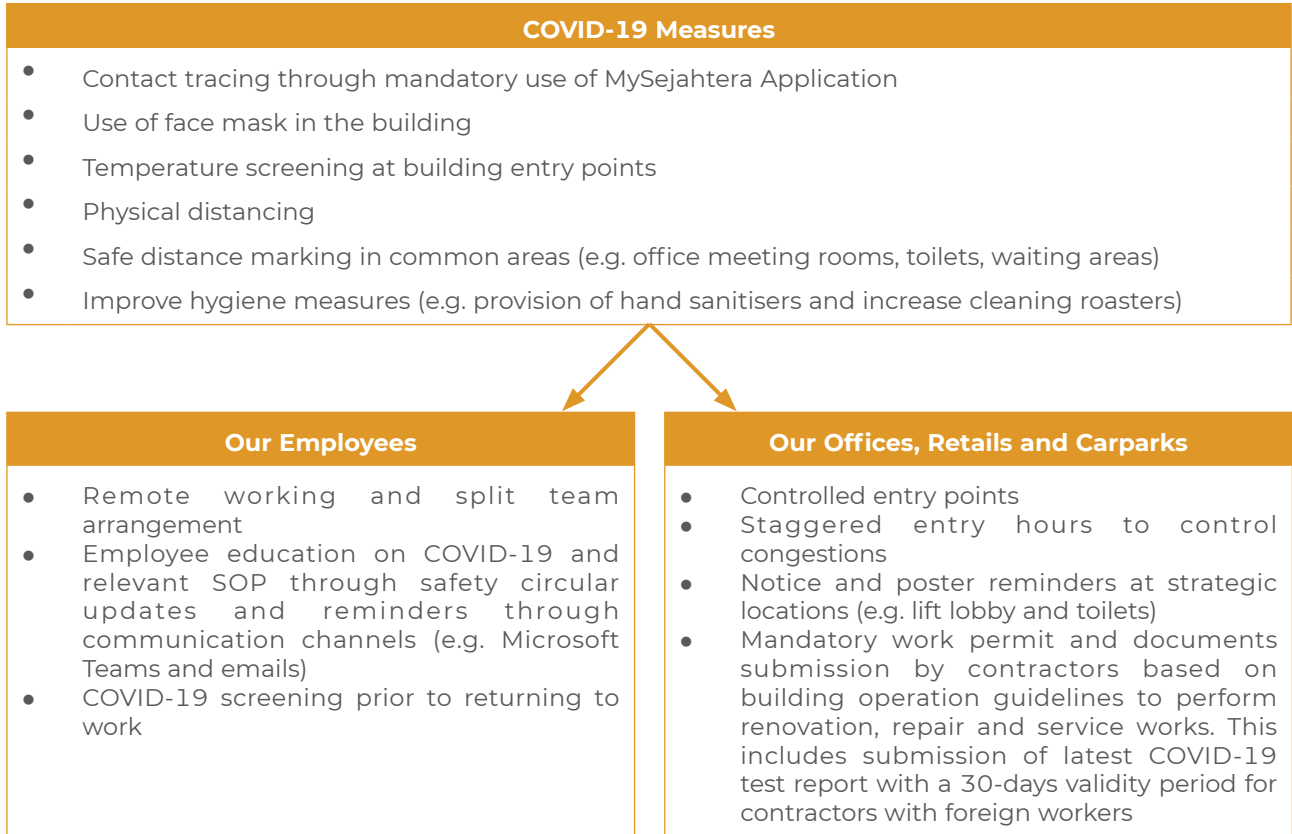


Figure 18: SENTRAL's COVID-19 Measures



Figure 19: Provision of Hand Sanitisers and Contact Tracing Using MySejahtera Application



Figure 20: Physical Distancing Measures in Building Lifts

SUSTAINABILITY STATEMENT

(cont'd)



Figure 21: Temperature Screening at Platinum Sentral Car Park Entrance



Figure 22: Physical Distancing Measures in Building Lobby

Health and Safety Initiatives in FY2020

Platinum Sentral

Coronavirus Awareness

On 3 February 2020, a Coronavirus Awareness sharing session was jointly organised by Platinum Sentral's Tenant - Berkat OSH Clinic and Spaces to raise awareness on COVID-19. Topics included description of Coronavirus, infections symptoms, how it spreads, preventive or mitigation measures. 15 tenants and employees attended this session to obtain relevant knowledge and strengthen preventive strategies.

Briefing for Joint Emergency Evacuation Drill

A briefing on Joint Emergency Evacuation Drill was conducted on the 3 September 2020 to communicate the building's emergency response plan and route with the BMO Emergency Response Team and Tenants' Floor Warden. A total of 20 tenants and Building Management Team members participated in the briefing.



Figure 23: Coronavirus Awareness Sharing Session at Platinum Sentral

Menara Shell

Safety Day – Health, Safety, Security and Environment (“HSSE”) Forum 2020

On 11 June 2020, Shell Malaysia organised a Health and Safety online forum to discuss unsafe working conditions at home and workplace, and steps to avoid and minimise hazards as a result of poor physical environment. The forum included Shell Malaysia employees, business partners and safety partners.

Other key topics included addressing concerns during the onset of COVID-19 and taking sensible and effective measures to ensure workplace safety and improved morale and productivity.

For the financial year, there was no reported case of fatalities, work-related injuries and any incidence of non-compliance with regulations concerning health and safety. We will remain focused on complying with the COVID-19 SOP and OSHA Act to safeguard our stakeholders' health and safety.

SUSTAINABILITY STATEMENT

(cont'd)

Employee Management

[GRI 102-8, 102-41, 103-1, 103-2, 103-3, 401-1, 401-2, 401-3, 404-1, 404-2, 404-3, 405-1, 406-1]

Our employees are integral to the success of SENTRAL. Cultivating leadership and quality talent are critical enablers for SENTRAL’s success in delivering our strategic priorities.

Diversity and Equal Employment

We believe fostering workforce diversity and inclusive culture is key towards creating a positive work environment where our employees are respected, valued and supported. We strive to be an employer of choice by promoting diversity, equality, personal development, mutual trust, and teamwork at the workplace. This is reflected in our General Policies, Code of Conduct of the employees’ handbooks and Sexual Harassment Policy.

Our recruitment practices are fair, and we do not tolerate any harassment and discriminate against any attributes and characteristics of the individual. We value diversity and inclusion and the benefits they bring to our business in achieving our objectives. We seek to attract the right skills and talents to meet the business needs of SENTRAL.

Indicators	FY2020	FY2019	FY2018
Total number of employees	17	18	18
Total number of workers	36	37	36
Number of new hires	0	1	1
Employee turnover	1	1	2

Table 11: SENTRAL’s FY2020 Employee Data

Due to the nature of our business, our employees are not covered by the collective bargaining agreement. The graphs below illustrate SRM’s employee distribution by gender, age group and category.

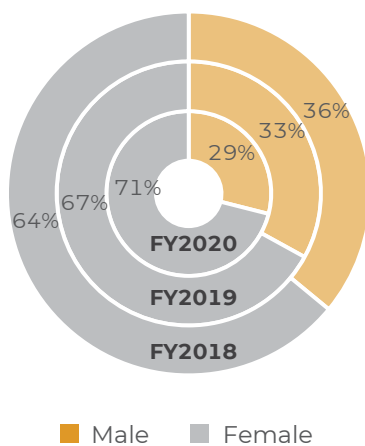


Figure 24: Employee Gender Diversity

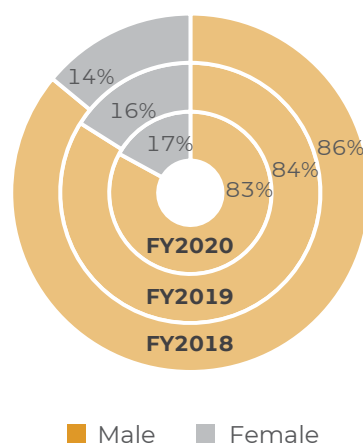


Figure 25: Worker Gender Diversity

SUSTAINABILITY STATEMENT

(cont'd)

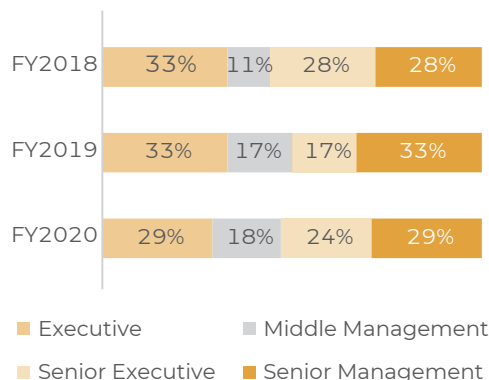


Figure 26: Employee Gender Diversity Per Category

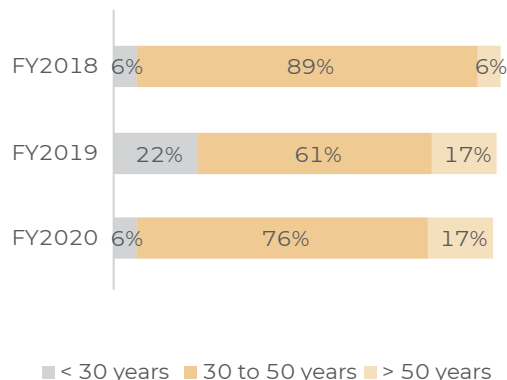


Figure 27: Employee Age Diversity

As of 31 December 2020, no incident on discrimination or harassment was reported.

Employees' Benefits and Remuneration

We recognise that providing attractive compensation and benefits programmes are essential to promote a positive work environment and retain our talents. Key benefits offered are listed in the table below, but not limited to:

Types of benefits	Detail of benefits
Insurance	<ul style="list-style-type: none"> Group term life insurance (including dependent) Disability and invalidity insurance Surgical and hospitalisation insurance
Leaves	<ul style="list-style-type: none"> Annual leave Parental leave Maternity leave Compassionate leave Prolonged illness leave Family care leave Examination leave
Wellness	<ul style="list-style-type: none"> Outpatient and health screening
Flexible work arrangement	<ul style="list-style-type: none"> Staggered working hours Work from home ("WFH") arrangements on a weekly rotational basis
Subsidy and reimbursement	<ul style="list-style-type: none"> Professional membership subsidy Petrol subsidy (applicable to selected level / grade of employees only) Parking subsidy Mobile phone bill reimbursement

Table 12: SENTRAL's Employee Benefit Schemes

As a family-friendly employer, we understand the importance of providing a working environment that is considerate to parenting responsibilities for both male and female employees. We provide the flexibility of shorter working hours for pregnant employees with 90 days paid maternity leave and five days paid paternity leave to promote work-life balance of dual-earner families.

SUSTAINABILITY STATEMENT

(cont'd)

In FY2020, none of our employees took the aforementioned leaves.

Types of Family Leave	FY2020	FY2019	FY2018
Maternity Leave	0	0	2
Paternity Leave	0	0	0

Table 13: Number of Employees Who Took Family Leaves

We also provide a fair, performance-based work culture that is diverse, inclusive and collaborative. Our compensation packages encompass bonuses and equity-based reward plans (only applicable to selected grade / level of employees only) beyond basic salaries. Performance reviews are conducted annually to assess our employees' performance and achievements against set key performance indicators and optimise our employees' potential if necessary. In FY2020, 100% of our permanent employees receive their performance appraisal.

Employee Engagement

We support open, two-way communications to foster an engaged and motivated workforce that enhances productivity and higher retention rates. Pursuant to this, we have in place a Grievance Policy and Procedure to provide an avenue for employees to escalate their concerns. Further investigations will be initiated and more importantly, issues will be handled promptly and resolved to the fullest extent possible to maintain a harmonious employer-employee relationship.

In view of COVID-19 and the requirements to comply with SOPs as well as physical distancing measures, employee social activities were not organised for FY2020. In an effort to reinvigorate the spirit of patriotism in our employees, a virtual Hari Kemerdekaan via Microsoft Teams was held with a welcoming speech by our top management and the playing of our national anthem. We aim to continue our efforts in our employee participation in our CSR programmes in FY2021 or when permissible under local regulations. This includes our English Programme for the children of Rumah Ozanam Klang St. Bernadette's Home and Rumah SVP Klang Home and food aid distribution to the B40 community.

A [statement \[https://www.who.int/news/item/14-05-2020-substantial-investment-needed-to-avert-mental-health-crisis\]](https://www.who.int/news/item/14-05-2020-substantial-investment-needed-to-avert-mental-health-crisis) was released by the World Health Organisation ("WHO") in May 2020 stating that symptoms of depression and anxiety have increased during the COVID-19 pandemic and substantial investment is needed to avert mental health crisis. During the MCO period where WFH arrangements were implemented, we conducted regular engagements through various methods to allow our employees to express their issues and concerns, enabling the management to provide an appropriate response in addressing their needs. This includes individual or group counselling services provided by MRCB Group, email communications and WhatsApp Chat Groups.

As a token of appreciation for our employee's dedication during the unprecedented outbreak, each employee was gifted two pots of indoor plants. These plants symbolise care and aim to express our care and support to them during this challenging time. We have also held two yoga sessions via Zoom to reinforce the importance of being physically active to restore mental focus and clarity.

Training and Education

We continuously invest in our talent by enhancing their competencies, building motivation and self-confidence to ensure we have the best people to meet our business needs. Our training and development plans are guided by MRCB Group's training and development policies. Our employees are provided access to MRCB Group's diverse training platforms and programme including e-Learning, which presents a great opportunity for our employees to attain valuable skill sets.

SUSTAINABILITY STATEMENT

(cont'd)

Digitalisation is now both an imperative and an opportunity in the wake of COVID-19. We are committed to ensure our employees are equipped to embrace the new digital age, which aligns with our aspiration to nurture a workforce of the future. In FY2020, all our trainings were conducted online and focused on providing the know-how to employees on the available technology, applications and software rolled out by the Group to facilitate remote working arrangements due to the imposition of the MCO.

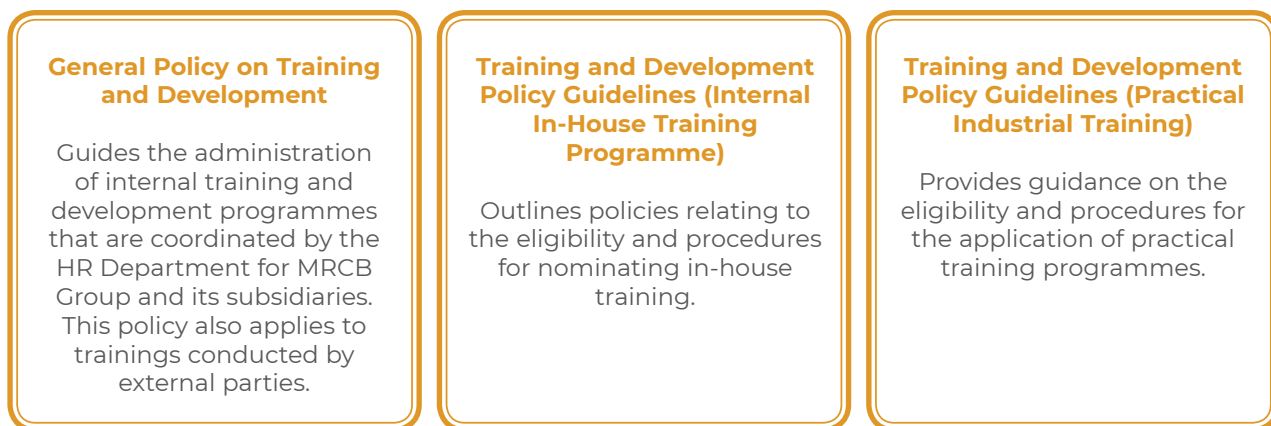


Figure 28: MRCB Group Training and Development Policies

Our training programmes conducted in FY2020 are illustrated below:



Figure 29: Trainings Conducted in FY2020

Furthermore, employees are also encouraged to enroll into online training course developed by various reputable training or consultancy organisation including CKM Advisory Sdn Bhd, Securities Industry Development Corporation (“SIDC”), Malaysian Institute of Accountants (“MIA”) Online Training Course, Certified Public Accountant (“CPA”) Training Course and others. This is to empower our employees to extend their learning of technical and functional skills to obtain and/or maintain professional qualifications and relevant competencies.

In FY2020, we have invested a total of approximately RM11,600 for training programmes and all employees underwent a total of 372 training hours which works out to an average of 21.9 training hours per employee. 88% of the employees have achieved the company-wide target of 20 hours of training and all Capital Markets and Services Representative License Holders have achieved the 20 Continuing Professional Education (“CPE”) points requirement. The decrease in training hours is mainly due to the impact of COVID-19 where physical trainings were put on hold.

SUSTAINABILITY STATEMENT

(cont'd)

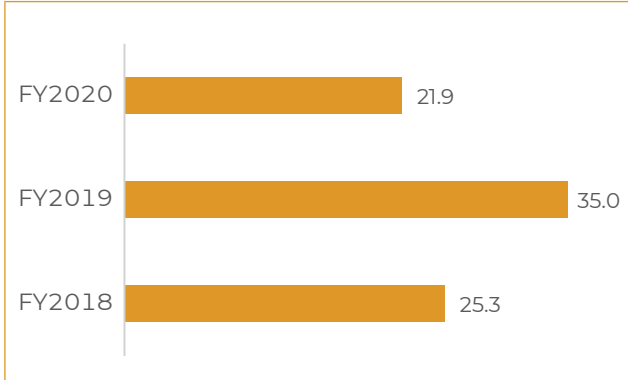


Figure 30: Average Hours of Training Per Employee

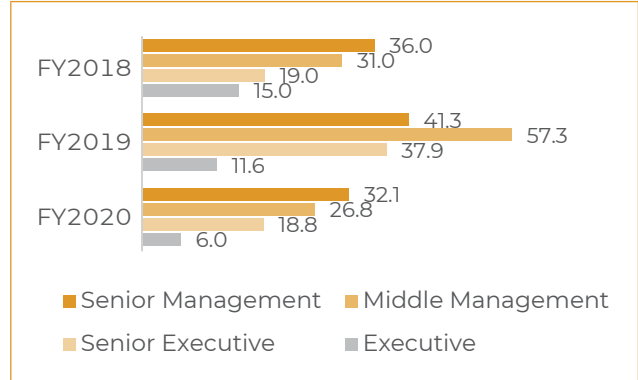


Figure 31: Average Hours of Training Per Employee Category

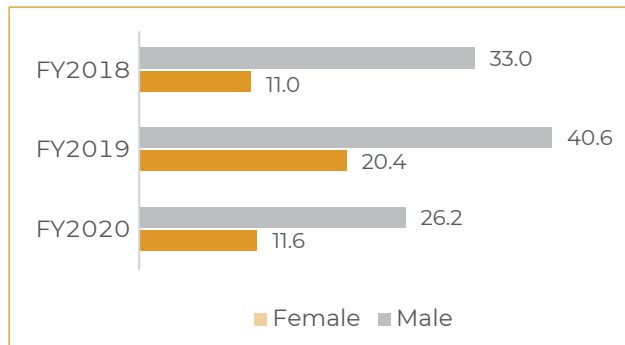


Figure 32: Average Hours of Training by Gender

Quality of Assets and Services

[GRI 103-1, 103-2, 103-3, 204-1]

The quality of assets and the accompanying services are core to our business success as it directly impacts our tenants' satisfaction and is a key factor in attracting new tenants. As the Manager, we provide value-adding services that meet the specifications of our tenants through periodic AElS, which facilitates our delivery of quality spaces, good services as well as building facilities that can be enjoyed by our tenants during their occupancy.





Asset Enhancement

Guided by our asset enhancement policy, we aim to continuously enhance our buildings' functional and aesthetical characteristics, space planning and design with an awareness of environmental friendliness to ensure that our tenants are in a safe, secure, clean and comfortable environment. Our asset enhancement plan is presented yearly to the Board for approval.

SUSTAINABILITY STATEMENT

(cont'd)

We work closely with our property managers, suppliers and contractors in maintaining the quality of our buildings. Maintenance work is carried out as recommended by each building's Operations and Maintenance ("O&M") Manual. Our FY2020 initiatives include:

Key Initiatives in FY2020			
	Conduct internal audit on preventive maintenance check		Perform monthly and yearly inspections on mechanical, electrical and plumbing ("MEP")
	Appointment of qualified service contractors to undertake routine service and maintenance work		Regular engagements with tenants on the functionality of facilities and systems

Our AEIs for FY2020 are illustrated below with a total of RM1,483,076 invested, reflecting a 41.2% increase from FY2019.

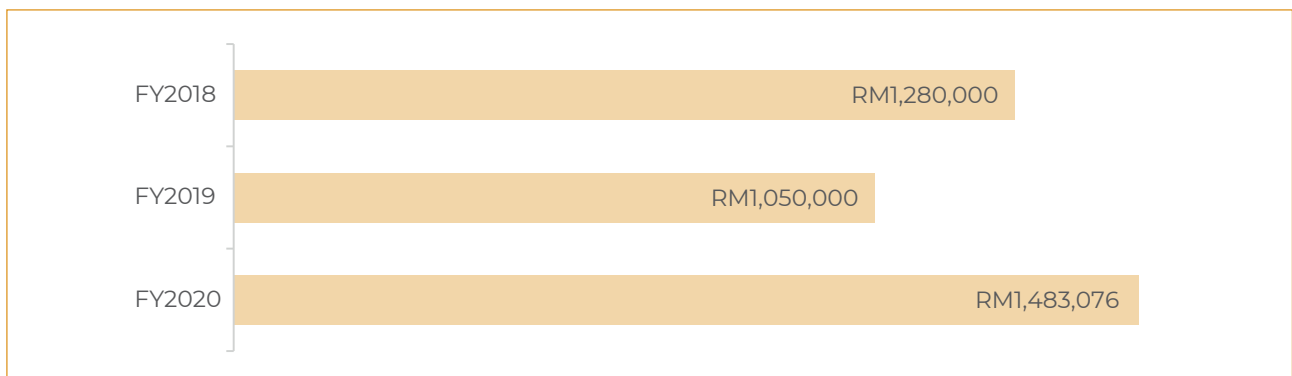


Figure 33: SENTRAL's Asset Enhancement Investments

SUSTAINABILITY STATEMENT

(cont'd)

Menara Shell

In line with the SOP implemented by the government, we have installed a Facial Recognition Reader with temperature scanning at the building entrance to screen staff and visitors prior to entering the building.

To further enhance existing security monitoring and control, we have upgraded and replaced the Building Card Access Management System to a C-cure 9000 Access Control System this year.



Platinum Sentral

To improve the safety of our tenants, we have upgraded our terrace with new composite flooring at Block D.

Enhancement works were also carried out in the building's washrooms to enhance accessibility and experience of our tenants.



Quill Building 1

To enhance the aesthetic of our building entrance, we have painted our guard house with a new coat of paint and included a canopy. We have also revamped our buildings' lobby to improve the overall vibrancy of the area.

A new BAS was installed to monitor real-time electrical energy consumption, allowing efficient and remote tracking of energy usage.

The Fire Alarm Protection System was also upgraded to an addressable integrate with the BAS system, allowing advance monitoring of the system.

The building's washrooms have also been upgraded from manual opening doors to automatic sliding doors to ease access and as part of a COVID-19 preventive measure.

Plaza Mont' Kiara

In order to improve the safety of the building and its occupants, a new wet chemical fire suppression system was installed at all F&B outlets.

In the event of a fire, the incident can be addressed and diffused quickly and effectively. This system protect cooking areas, particularly where expensive kitchen equipment could be vulnerable to accidental fires.

SUSTAINABILITY STATEMENT

(cont'd)


Quill Building 2	Quill Building 3	Quill Building 4
<p>BAS system was upgraded to enable separate control of the building's air conditioning system for different areas within the building, essentially allowing tenants to select the required temperature within one area without affecting the temperature in another area of the building.</p>	<p>Energy efficient light replacements at our landscape and the driveway areas to reduce building energy consumption.</p> 	<p>We have upgraded our washrooms with automatic sliding doors to improve accessibility and as part of a COVID-19 preventive measure.</p> <p>A new BAS was installed to monitor real-time electrical energy consumption, allowing efficient tracking of energy usage.</p>

Figure 34: Asset Enhancement Initiatives in FY2020

AEIs are continuously undertaken to deliver high quality solutions to enhance our buildings' atmosphere and improve the overall experience of our tenants and customers. Our AEI commitments for FY2021 are as follows:

No.	Building	FY2021 Initiatives
1	Quill Building 1 and Quill Building 4	<ul style="list-style-type: none"> Installation of new perimeter fencing to upgrade building's security features
2	Platinum Sentral	<ul style="list-style-type: none"> Revamp outdoor courtyard wood deck areas to avoid potential safety hazards Replace lighting systems on Level 2 and 3 to improve visibility
3	Menara Shell	<ul style="list-style-type: none"> Upgrade building's washrooms Refurbishment of buildings' lobby and driveway to enhance traffic flow and spatial layout

Table 14: Asset Enhancement Initiatives for FY2021

Supply Chain Management

We maintain a strong relationship with our suppliers and contractors, also known as our Property Business Associates, to ensure compliance with local regulations and adhere to high quality, environmental, health and safety standards. Our property managers are responsible for selecting, appointing, and managing our suppliers, contractors and service providers.

Our suppliers and contractors are only appointed upon meeting a set of criteria guided by our Service Provider Pre-Qualification Policy and Services Contractor Evaluation Policy, indicated in Figure 35. The assessment criteria include financial capacity, technical experience, timely delivery etc. This year, we updated our Service Provider Pre-Qualification Policy and Services Contractor Evaluation Policy to include assessing the level of bribery risks that a potential partner may pose on SRM or SENTRAL in relation to the MACC Act 2009. All suppliers must conduct their businesses in accordance with the highest standards of ethical behavior.

An online training session was provided to all property managers, emphasising the Pre-Qualification and Due Diligence Assessment on our Property Business Associates. These policies apply to all our properties except for Tesco Penang as it is fully managed by the tenant.

SUSTAINABILITY STATEMENT

(cont'd)

Service Provider Pre-Qualification Policy

Pre-qualification and due diligence assessments are mandatory for all service providers to ensure the appointed service providers conduct their business in accordance with applicable laws and regulations and possess the competencies to carry out the appointed task. The assessment criteria include:

- Relevant experience or track record in the intended work or project
- Financial stability and professional reputation
- Compliance with laws relevant to ethical behaviors (e.g. bribery and fraud)
- Knowledge and skills of personnel appointed to the project
- Experience and knowledge of the relevant authorities' regulations, policies and procedures
- Relevant licensing and registration with government, regulators and local authorities

Service Contractor Evaluation Policy

For existing and newly appointed suppliers and contractors, on-going evaluation and monitoring process is conducted to ensure the service quality meets our requirements and to identify opportunities for improvement such as delivery, quality, pricing etc. A standard performance appraisal is conducted annually to re-evaluate the performance of service contractors against a defined set of criteria. Details of our standard performance appraisal are illustrated in Figure 36.

Figure 35: Service Provider Pre Qualification Policy and Services Contractor Evaluation Policy

	FY2020	FY2019	FY2018
Percentage of service providers underwent performance appraisal (%)	100%	100%	100%
Percentage of service providers achieved higher than the minimum score rating of 60% (%)	100%	99.9%	100%

Table 15: Percentage of Services Providers Underwent Performance Appraisal and Achieved Higher than Minimum 60% Score

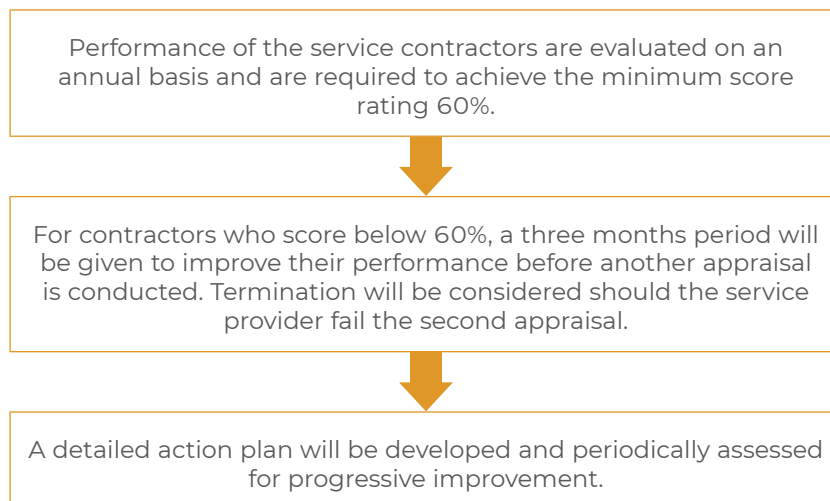


Figure 36: Standard Performance Appraisal

SUSTAINABILITY STATEMENT

(cont'd)

In line with the government's aim of supporting local businesses, we prioritise sourcing from local suppliers and contractors where feasible. This allows us to contribute to our local economy and minimise our environmental footprint. Local suppliers and contractors refer to companies registered in Malaysia. In FY2020, we spent a total of RM8,539,554 on local suppliers and contractors, which is a total of 76% of our procurement budget.

	FY2020	FY2019
Local suppliers and contractors (%)	76%	80%
Procurement expenditure (RM)	8,539,554	8,629,868

Table 16: Percentage of Local Hiring and Procurement Budget

As we progress into FY2021, we strive to maintain a minimum of 75% of locally sourced products and services for our buildings. We are committed to continue exploring ways to strengthen our supplier and service provider relationships through meaningful engagements.

Tenant Engagement and Satisfaction

Tenant satisfaction is key to sustaining our business performance and we are committed to build strong tenant relationship through regular and meaningful engagements. Tenants' feedbacks are collected through regular briefings, sharing sessions, informal communications and via our Tenant Feedback/Complaint forms ("Form").

Our Tenant Complaints Policy outlines our approach in managing tenant's feedback and complaints and we always aim to resolve feedbacks and complaints at the first point of contact. All complaints will also be brought up to the ACG during our monthly meetings on operational matters to improve tenant satisfaction. Our complaints management process is illustrated below:

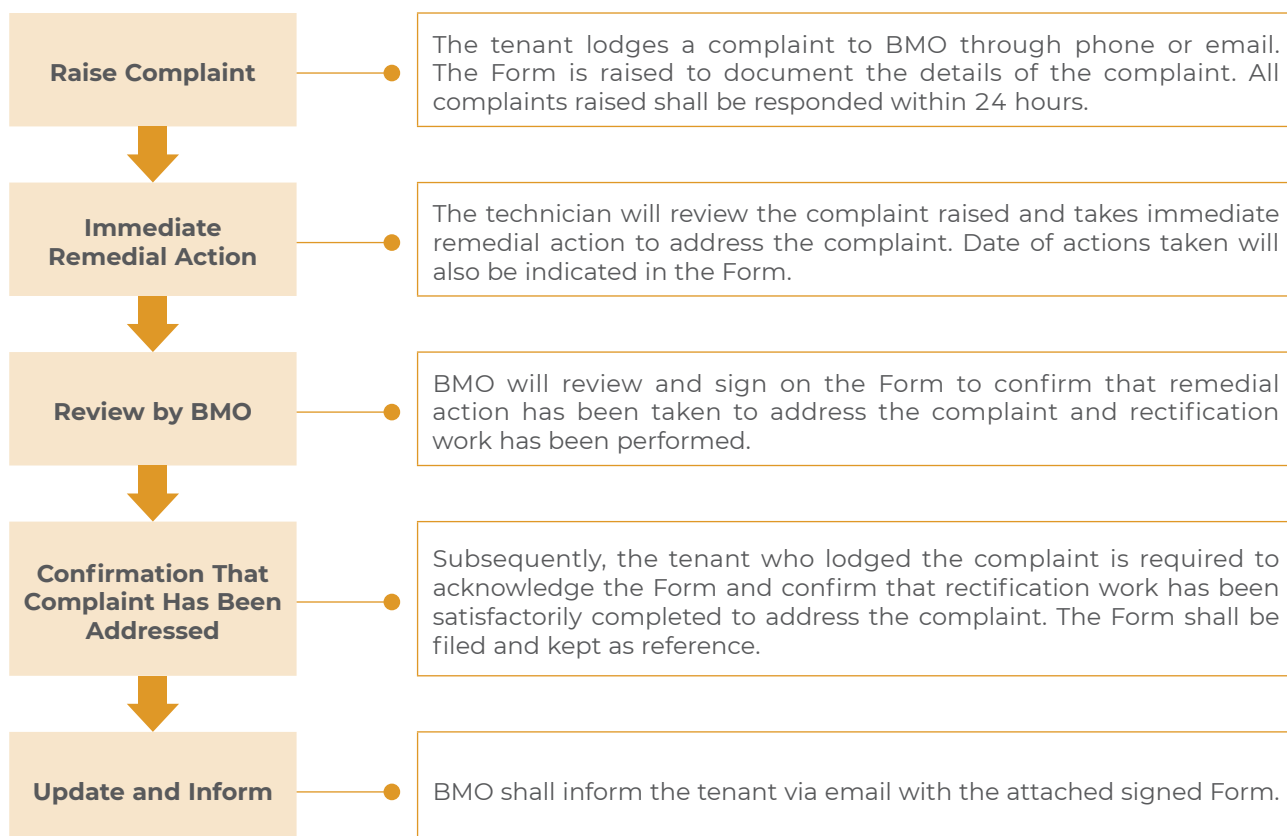


Figure 37: CENTRAL's Complaint Management Process

SUSTAINABILITY STATEMENT

(cont'd)

To track complaints raised more efficiently, we have implemented the Computerised Maintenance Monitor System (“CMMS”) in Menara Shell since 2019. Benefits of the CMMS system are illustrated in Figure 38.

Benefits of CMMS system:

- Reduce downtime and repair costs
- Prevent duplication of rectification works through data that was previously inputted
- Track maintenance records of work orders
- Analyse data and detect recurring problems
- Manage work orders efficiently
- Eliminate paperwork
- User friendly and enhance productivity

Figure 38: Benefits of CMMS system

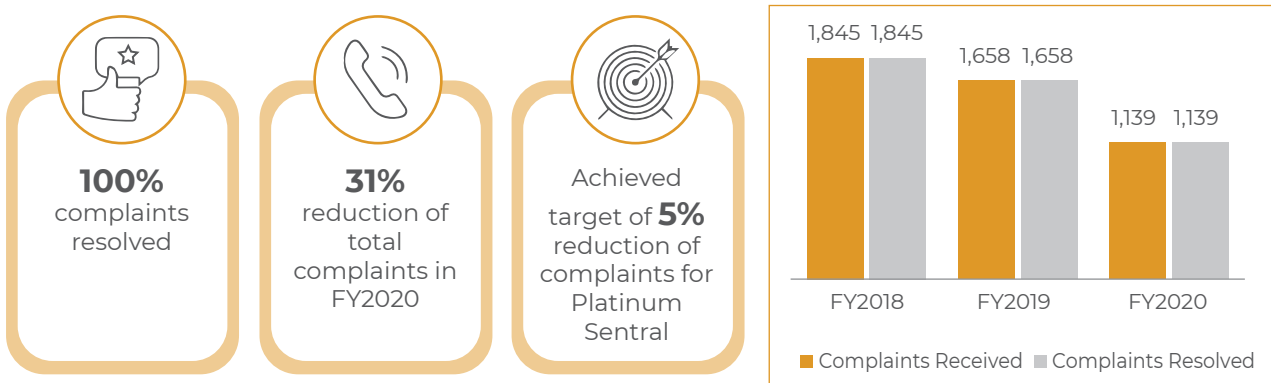


Figure 39: Number of Complaints Received and Resolved

In FY2020, we received a 31% reduction of complaints received, 1,139 as compared to 1,658 in FY2019. We have successfully resolved all complaints received during the financial year. We are proud to achieve our target to reduce 5% of complaints for Platinum Sentral by achieving a 53% reduction.

Menara Shell still contributes to majority of the complaints received: 41%. We will continue to achieve our 5% reduction target for Menara Shell through more proactive engagement, daily and weekly operational or maintenance work.

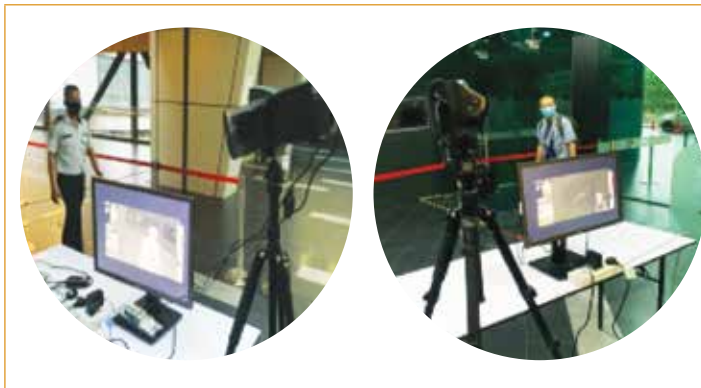
Embracing Innovation and Technology

With our competitive environment increasingly influenced by technological change and the challenges caused by COVID-19, we are investing in technology to embrace innovation, increase operational efficiency, improve tenant experience and safety measures.

In FY2020, we have embarked on several initiatives to improve existing processes and service levels through technology adoption.

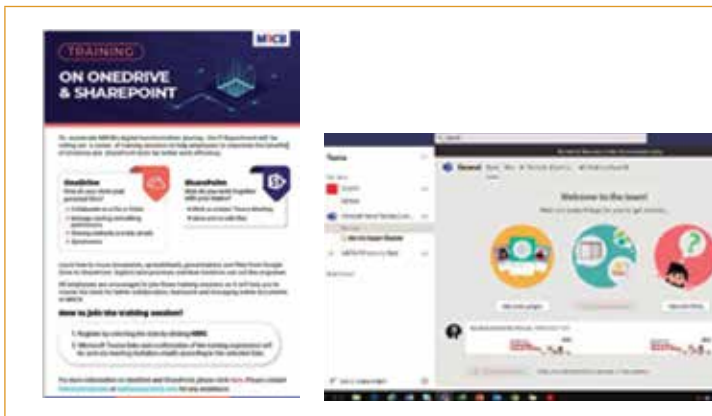
SUSTAINABILITY STATEMENT

(cont'd)



Temperature screening technology

Installation of Facial Recognition Reader with temperature screening and infrared temperature screening in Menara Shell's and Platinum Sentral's key entrances to ensure any personnel with a fever (37.4°C or more) are restricted from entry into the buildings. This provides assurance to our tenants and visitors that strict operating procedures are in place to safeguard building occupants' safety.



Workplace technology

During the COVID-19 lockdown, we have undergone trainings to utilise cloud technology, communication and video conferencing tools such as Microsoft Teams and ShareDrive to support the transition towards remote work environments. These platforms enable continuous communication and engagement among employees to conduct daily business operations.

In anticipating future challenges, we aim to explore options to support digitalisation and automation of processes and functions within our buildings, where suitable. We aim to keep abreast with the latest technologies to serve our stakeholders' ever-changing needs better and remain resilient in the industry.

Community Partnership and Activities

[GRI 103-1, 103-2, 103-3, 413-1]

In the spirit of giving back to the community, our CSR programme focuses on supporting the welfare of needy children and women empowerment programme through charitable giving, employee volunteerism and partnerships.

Due to the COVID-19 crisis, our CSR initiatives for FY2020 focused on channeling financial donations to support the needs of vulnerable groups particularly the lower income groups such as the B40. SRM has partnered with two community centres to provide essential food items to alleviate the financially burdened communities, contributing approximately RM186,512 through the Food Aid Programmes listed below.

SUSTAINABILITY STATEMENT

(cont'd)

Food Aid Programme

Grace Community Service

Monetary donation was made to provide monthly food aid from October 2020 to April 2021 to lower income group B40 with large family dependents between three to six members. Under the monthly food aid, each family shall receive food pack consisting of rice, cooking oil, flour, noodles, milk, sugar, and other non-food supplies.

Impact created in FY2020:

- RM177,800 donated
- 230 B40 families supported



Pit Stop Community Café

Monetary donation was made to provide food on a weekly basis to the street community for six months. The cafe operates a soup kitchen and prepares and packs meals for distributions to the various community centers in Kuala Lumpur City centre including Anjung Singgah (a homeless transit center), Pertubuhan Kesihatan dan Kebajikan Umum Malaysia ("PKKUM") (an outreach center) and Rumah Kanak Kanak Trinity.

Impact created in FY2020:

- RM8,712 donated
- 3,960 buns distributed



Due to the unprecedented events brought about by COVID-19, our employee volunteer programmes have been delayed. In FY2021, we have allocated RM200,000 for CSR programmes and aim to continue with our volunteering programme whenever the COVID-19 situation permits. We remain committed in supporting children in need and those who have been impacted by COVID-19.

SUSTAINABILITY STATEMENT

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	102-4	Location of operations	4, 13-26, 95
	102-5	Ownership and legal form	95
	102-6	Markets served	95
	102-7	Scale of the organisation	95
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	102-10	Significant changes to the organisation and its supply chain	There is no significant change to SENTRAL's operations, 159
	102-11	Precautionary Principle or approach	-
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GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	99-100
	103-2	The management approach and its components	99-100
	103-3	Evaluation of the management approach	99-100
GRI 205: Anti-Corruption	205-2	Communication and training about anti-corruption policies and procedures	100
	205-3	Confirmed incidents of corruption and actions taken	100
Topic-specific Standard: Environmental			
GRI 302: Energy			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	111-113
	103-2	The management approach and its components	111-113
	103-3	Evaluation of the management approach	111-113
GRI 302: Energy	302-2	Energy consumption outside of the organisation	112-113
	302-3	Energy intensity	112
	302-4	Reduction of energy consumption	112-113
GRI 303: Water and Effluent			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	114-116
	103-2	The management approach and its components	114-116
	103-3	Evaluation of the management approach	114-116
GRI 303: Water and Effluent	303-1	Interactions with water as a shared resource	114-116
	303-5	Water consumption	115
GRI 305: Emissions			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	111-113
	103-2	The management approach and its components	111-113
	103-3	Evaluation of the management approach	111-113
GRI 305: Emissions	305-2	Energy indirect (Scope 2) GHG emissions	112-113
	305-4	GHG emission intensity	112

SUSTAINABILITY STATEMENT

(cont'd)

GRI Standards	Disclosure	Page(s) and/or URL(s) reference and reason for omission if applicable	
Topic-specific Standard: Environmental (cont'd)			
GRI 306: Waste			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	116-117
	103-2	The management approach and its components	Information unavailable. Steps are being taken to obtain the information to be included in report by FY2022.
	103-3	Evaluation of the management approach	
GRI 306: Waste	306-3	Waste generated	
	306-4	Waste diverted from disposal	
	306-5	Waste directed to disposal	
GRI 307: Environmental Compliance			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	100-101
	103-2	The management approach and its components	100-101
	103-3	Evaluation of the management approach	100-101
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	101
Topic-specific Standard: Social			
GRI 401: Employment			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	123-125
	103-2	The management approach and its components	123-125
	103-3	Evaluation of the management approach	123-125
GRI 401: Employment	401-1	New employee hires and employee turnover	123
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	124
	401-3	Parental leave	125
GRI 403: Occupational Health and Safety			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	118-122
	103-2	The management approach and its components	118-122
	103-3	The management approach and its components	118-122

SUSTAINABILITY STATEMENT

(cont'd)

GRI Standards	Disclosure	Page(s) and/or URL(s) reference and reason for omission if applicable	
Topic-specific Standard: Social (cont'd)			
GRI 403: Occupational Health and Safety (cont'd)			
GRI 403: Occupational Health and Safety	403-2	Hazard identification, risk assessment, and incident investigation	118-122
	403-5	Worker training on occupational health and safety	122
	403-6	Promotion of worker health	124
	403-9	Work-related injuries	122
	403-10	Work-related ill health	122
GRI 404: Training and Education			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	125-126
	103-2	The management approach and its components	125-126
	103-3	Evaluation of the management approach	125-126
GRI 404: Training and Education	404-1	Average hours of training per year per employee	126-127
	404-2	Programs for upgrading employee skills and transition assistance programs	126
	404-3	Percentage of employees receiving regular performance and career development reviews	125
GRI 405: Diversity and Equal Opportunity			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	123
	103-2	The management approach and its components	123
	103-3	Evaluation of the management approach	123
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	123-124
GRI 406: Non-Discrimination			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	123
	103-2	The management approach and its components	123
	103-3	Evaluation of the management approach	123
GRI 406: Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	124

SUSTAINABILITY STATEMENT

(cont'd)

GRI Standards	Disclosure		Page(s) and/or URL(s) reference and reason for omission if applicable
Topic-specific Standard: Social (cont'd)			
GRI 413: Local Communities			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	134-135
	103-2	The management approach and its components	134-135
	103-3	Evaluation of the management approach	134-135
GRI 413: Local Communities	413-1	Operations with local community engagement, impacts assessments, and development programs	135
GRI 418: Customer Privacy			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	109-110
	103-2	The management approach and its components	109-110
	103-3	Evaluation of the management approach	109-110
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	110
GRI 419: Socioeconomic Compliance			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	100-101
	103-2	The management approach and its components	100-101
	103-3	Evaluation of the management approach	100-101
GRI 419: Customer Privacy	419-1	Non-compliance with laws and regulations in the social and economic area	101

THE MANAGER'S REPORT

Sentral REIT Management Sdn Bhd (formerly known as MRCB Quill Management Sdn Bhd) ("SRM"), being the manager (the "Manager") of Sentral REIT ("SENTRAL"), is pleased to present the Manager's Report on SENTRAL together with the audited financial statements of SENTRAL for the financial year ended 31 December 2020.

SENTRAL, the Manager and their principal activities

SENTRAL was constituted under Restated Trust Deed dated 2 December 2019 (the "Trust Deed") and the Supplemental Deed dated 24 December 2020 by SRM as the Manager and Maybank Trustees Berhad as the trustee (the "Trustee") and is categorised as a real estate investment trust. SENTRAL commenced its operations in 2006 and was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 8 January 2007.

The principal activity of SENTRAL involves acquisition of and investment in commercial properties, primarily in Malaysia. The principal activity of each of the special purpose entities of SENTRAL is to facilitate financing for SENTRAL as disclosed in Note 26 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Manager is a company incorporated in Malaysia. The principal activity of the Manager is to manage SENTRAL. There has been no significant change in the nature of this activity during the financial year.

Investment objective 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 and to achieve long-term growth in the net asset value per unit of SENTRAL.

The Manager plans to achieve the key investment objectives while seeking additional income growth and enhancement of SENTRAL's property portfolio over time through the strategies as mentioned below:

- (a) Acquisition growth and portfolio management strategy
- (b) Active asset management strategy
- (c) Capital management strategy

There were no changes in the strategies adopted during the financial year, which are in line with those as stated in the prospectus dated 11 December 2006.

As these strategies still remain relevant for SENTRAL under the current market conditions, the Manager will continue to adopt them in the coming year.

Change of name

MQREIT has changed its name to Sentral REIT ("SENTRAL") with effect from 11 January 2021.

Reserves and provisions

There were no material transfers to and from reserves or provisions during the financial year other than as disclosed in the statement of changes in net asset value ("NAV").

THE MANAGER'S REPORT

(cont'd)

Directors

The names of the directors of the Manager in office since the date of last report and at the date of this report are:

Tan Sri Saw Choo Boon
 Dato' Dr. Low Moi Ing, J.P.
 Dato' Michael Ong Leng Chun
 Kwan Joon Hoe
 Ann Wan Tee
 Datuk Dr. Roslan Bin A. Ghaffar
 Datuk Kamalul Arifin Bin Othman
 Po Yih Ming *(appointed on 17 July 2020)*
 Foong Soo Hah *(resigned on 24 June 2020)*

Directors' benefit

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Manager was a party, whereby the directors of the Manager might acquire benefits by means of the acquisition of units in or debentures of SENTRAL or any other body corporate.

Since the end of the previous financial year, no director of the Manager has received or become entitled to receive a benefit by reason of a contract made by SENTRAL or a related corporation with any director of the Manager or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for units held in SENTRAL as disclosed in Note 30 to the financial statements and the related party transactions as disclosed in Note 33 to the financial statements.

Directors' interests

		Units as at 1 January 2020	Number of units acquired/ (disposed)	Units as at 31 December 2020
Direct interest:				
Dato' Dr. Low Moi Ing, J.P.		50,000	-	50,000
Dato' Michael Ong Leng Chun		55,000	-	55,000
Kwan Joon Hoe		80,000	70,000	150,000
Indirect interest:				
Dato' Dr. Low Moi Ing, J.P.	(a)	59,401,000	-	59,401,000
Dato' Michael Ong Leng Chun	(b)	59,401,000	-	59,401,000
Tan Sri Saw Choo Boon	(c)	185,000	-	185,000

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

(b) Deemed interest by virtue of his direct shareholding in QLSB and QRSB.

(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.

Except for the direct and indirect directors' interests disclosed above, none of the other directors of the Manager in office at the end of the financial year had any interest in SENTRAL.

THE MANAGER'S REPORT

(cont'd)

Soft commission

During the financial year, the Manager did not receive any soft commission (such as goods or services) from its broker, by virtue of transactions conducted by SENTRAL.

Utilisation of proceeds raised from issuance of new units

There were no proceeds raised as there was no issuance of new units during the financial year ended 31 December 2020.

Particulars of all sanctions and/or penalties imposed on SENTRAL, directors of the management company or the management company by the relevant regulatory bodies

During the financial year ended 31 December 2020, there were no sanctions and/or penalties imposed on SENTRAL, its Manager and/or directors of its Manager by any of the relevant regulatory bodies.

Amount of non-audit fees incurred for services rendered to SENTRAL by its auditors, or a firm of company affiliated to the auditors' firm

During the financial year ended 31 December 2020, there were non-audit fees of RM5,600 for the review of Statement of Risk Management and Internal Control services; tax agent fees of RM37,400 for the services rendered by Ernst & Young Tax Consultants Sdn. Bhd.; and professional fees of RM150,000 on the advisory services for sustainability reporting for FY 2020 by Ernst & Young Advisory Services Sdn. Bhd..

Manager's responsibility for the annual audited accounts

The Manager is responsible for the preparation of the annual audited financial statements of SENTRAL.

Other statutory information

- (a) Before the statement of comprehensive income and statement of financial position of SENTRAL were made out, the directors of the Manager took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts of receivables and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors of the Manager are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of SENTRAL inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of SENTRAL misleading.
- (c) At the date of this report, the directors of the Manager are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of SENTRAL misleading or inappropriate.

THE MANAGER'S REPORT

(cont'd)

Other statutory information (cont'd)

- (d) At the date of this report, the directors of the Manager are not aware of any circumstances not otherwise dealt with in this report or financial statements of SENTRAL which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of SENTRAL which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of SENTRAL which has arisen since the end of the financial year.
- (f) In the opinion of the directors of the Manager:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of SENTRAL to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of SENTRAL for the financial year in which this report is made.

Significant events during the financial year

Significant events during the financial year are disclosed in Note 35 to the financial statements.

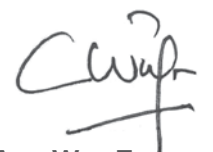
Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Signed on behalf of the Manager, Sentral REIT Management Sdn. Bhd.



Tan Sri Saw Choo Boon
Director



Ann Wan Tee
Director

Kuala Lumpur, Malaysia
22 February 2021

STATEMENT BY MANAGER

We, Tan Sri Saw Choo Boon and Ann Wan Tee, being two of the directors of the Manager, Sentral REIT Management Sdn. Bhd. (formerly known as MRCB Quill Management Sdn. Bhd.), do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 152 to 213 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable provisions of the Trust Deed and Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission so as to give a true and fair view of the financial position of SENTRAL as at 31 December 2020 and its financial performance and cash flows for the year then ended.

Signed on behalf of the Manager, Sentral REIT Management Sdn. Bhd.



Tan Sri Saw Choo Boon
Director



Ann Wan Tee
Director

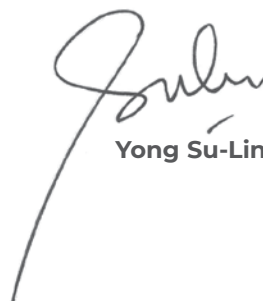
Kuala Lumpur, Malaysia
22 February 2021

STATUTORY DECLARATION

I, Yong Su-Lin, being the officer primarily responsible for the financial management of SENTRAL, do solemnly and sincerely declare that the accompanying financial statements set out on pages 152 to 213 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Yong Su-Lin
at Kuala Lumpur in the Federal Territory
on 22 February 2021.

Before me,
Commissioner of Oath

Yong Su-Lin

TRUSTEE'S REPORT

to the Unitholders of SENTRAL REIT

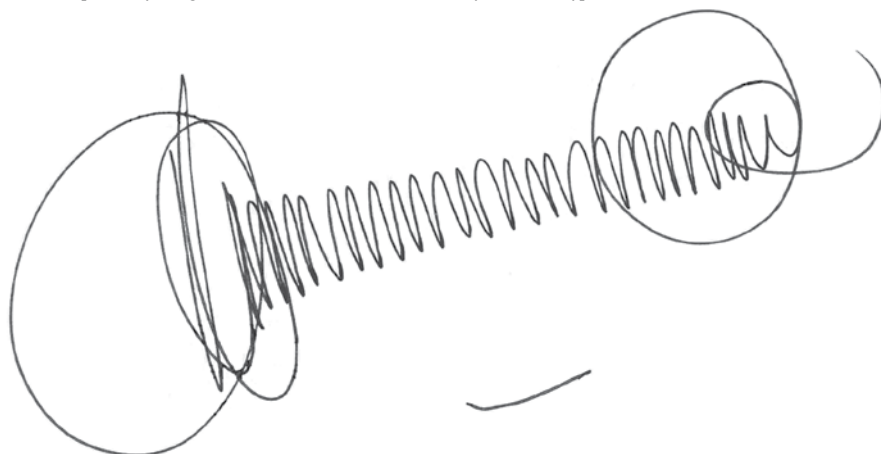
We have acted as Trustee of Sentral REIT ("SENTRAL") (formerly known as MRCB-Quill REIT ("MQREIT")) for the financial year ended 31 December 2020. To the best of our knowledge, Sentral REIT Management Sdn. Bhd. (formerly known as MRCB Quill Management Sdn. Bhd.) ("the Manager") has managed SENTRAL in the financial year under review in accordance to the following:

- (a) the limitation imposed on the investment powers of the Manager and the Trustee under the Trust Deed, other applicable provisions of the Trust Deed, the Guidelines on Listed Real Estate Investment Trusts issued by Securities Commission Malaysia, the Capital Markets & Services Act 2007 and other applicable laws; and
- (b) the valuation of SENTRAL is carried out in accordance with the Trust Deed and other regulatory requirements.

An interim distribution of 3.43 sen per unit has been distributed to the unitholders of SENTRAL on 30 September 2020 for the financial period from 1 January 2020 to 30 June 2020. The proposed final gross income distribution of 3.65 sen per unit for the financial period from 1 July 2020 to 31 December 2020 will be payable on 26 February 2021 to all unitholders as at the book closure date of 5 February 2021.

We are of the view that the distributions are consistent with the objectives of SENTRAL.

For and on behalf of **MAYBANK TRUSTEES BERHAD**
[Company No.: 196301000109 (5004-P)]

A large, stylized handwritten signature in black ink, consisting of a large circular loop on the left, followed by a series of smaller, repetitive loops and a final flourish on the right.

BERNICE K M LAU
Head, Operations
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the unitholders of SENTRAL REIT (formerly known as MRCB-Quill REIT)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sentral REIT ("SENTRAL")(formerly known as MRCB-Quill REIT ("MQREIT")), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in net asset value and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 152 to 213.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SENTRAL as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the applicable provisions of the Deed and Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of SENTRAL in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of SENTRAL for the current year. These matters were addressed in the context of our audit of the financial statements of SENTRAL as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Valuation of Investment Properties

SENTRAL adopts the fair value model for its investment properties. The policy of SENTRAL is that property valuations are performed by external experts at least once a year. The carrying value of the investment properties as at 31 December 2020 of RM2,080,850,585 represents 93% of total assets of SENTRAL and therefore the valuation exercise was significant to our audit. The areas that involved significant audit effort and judgement were the assessment of the basis and assumptions used by the external experts to derive the fair value of the investment properties. The basis and assumptions include amongst others, estimated rental revenues, yield rates and discount rates which are based on current and future market or economic conditions.

INDEPENDENT AUDITORS' REPORT

to the unitholders of SENTRAL REIT (formerly known as MRCB-Quill REIT)
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Valuation of Investment Properties (cont'd)

Our audit procedures included, amongst others, considering the objectivity, independence and expertise of the external appraisers. We furthermore assessed the appropriateness of the valuation methodology adopted, reviewed and assessed inputs related to the property for the valuations and considered the underlying assumptions against the market estimates. Further, we had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate. We then tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. For discount rate, we assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile.

We also focused on the adequacy of SENTRAL's disclosures on those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the fair value of the investment properties. SENTRAL's disclosures on the investment properties, which also explains the effects on the valuation following any changes in key parameters used in determining the fair value are included in Note 4.2(a) and Note 15 to the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Manager of SENTRAL are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of SENTRAL and our auditors' report thereon.

Our opinion on the financial statements of SENTRAL does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of SENTRAL, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of SENTRAL or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report on this regard.

Responsibilities of Manager, Trustee and Those Charged with Governance for the Financial Statements

The directors of the Manager of SENTRAL is responsible for the preparation of financial statements of SENTRAL that give a true and fair view in accordance with MFRS, IFRS and the requirements of the applicable provisions of the Deed and Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of SENTRAL that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of SENTRAL, the Manager is responsible for assessing SENTRAL's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate SENTRAL or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing SENTRAL's financial reporting process.

INDEPENDENT AUDITORS' REPORT

to the unitholders of SENTRAL REIT (formerly known as MRCB-Quill REIT)
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of SENTRAL, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of SENTRAL, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SENTRAL's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SENTRAL's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of SENTRAL or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause SENTRAL to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of SENTRAL, including the disclosures, and whether the financial statements of SENTRAL represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within SENTRAL to express an opinion on the financial statements of SENTRAL. We are responsible for the direction, supervision and performance of SENTRAL's audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT

to the unitholders of SENTRAL REIT (formerly known as MRCB-Quill REIT)
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of SENTRAL of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the unitholders of SENTRAL, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants



Ng Wai San
No. 03514/08/2022J
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Total income			
Revenue			
- Realised		165,692,080	162,066,468
- Unrealised (in relation to unbilled lease income receivable)		(1,678,282)	(1,074,265)
	5	164,013,798	160,992,203
Property operating expenses	6	(37,893,590)	(39,244,436)
Net property income		126,120,208	121,747,767
Finance income	7	2,912,894	3,222,627
Change in fair value of investment properties			
- As per valuation		(7,176,172)	(36,730,682)
- Unbilled lease income receivable		1,678,282	1,074,265
		123,535,212	89,313,977
Total expenditure			
Manager's fees	8	(12,796,372)	(12,760,955)
Trustee's fee	9	(665,681)	(676,287)
Finance costs	10	(35,370,825)	(39,594,458)
Valuation fees		(324,020)	(328,623)
Auditors' remuneration		(157,198)	(147,170)
Tax agent's fee		(35,052)	(32,012)
Administrative expenses		(403,308)	(414,794)
		(49,752,456)	(53,954,299)
Income before taxation		73,782,756	35,359,678
Income tax expense	11	(1,213,414)	(6,237,773)
Income net of taxation		72,569,342	29,121,905
Other comprehensive income			
(Loss)/gain on remeasurement of financial derivatives		(1,865)	103,784
Remeasurement of matured derivatives		326,103	-
Other comprehensive income for the year, net of tax		324,238	103,784
Total comprehensive income for the financial year		72,893,580	29,225,689
Net income for the year is made up as follows:			
- Realised		80,954,941	72,107,547
- Unrealised		(8,385,599)	(42,985,642)
		72,569,342	29,121,905

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020
(cont'd)

	Note	2020 RM	2019 RM
Total realised income net of taxation		80,954,941	72,107,547
Distribution adjustments	A	-	900,000
Total distributable income		80,954,941	73,007,547
Earnings per unit	12		
After manager's fees (sen)		6.77	2.72
Before manager's fees (sen)		7.96	3.91
Earnings per unit (realised)	12		
After manager's fees (sen)		7.55	6.73
Before manager's fees (sen)		8.75	7.92
Income distribution			
Interim distribution of 3.43 sen paid on 23 September 2019 (RM) ^{1*}		-	36,762,157
Final distribution of 3.37 sen payable on 28 February 2020 (RM) ^{2*}		-	36,119,087
Interim distribution of 3.43 sen paid on 30 September 2020 (RM) ^{3*}		36,762,157	-
Final distribution of 3.65 sen payable on 26 February 2021 (RM) ^{4*}		39,120,080	-
	13	75,882,237	72,881,244
Interim distribution per unit			
Gross (sen) ⁵		3.43	3.43
Final distribution per unit			
Gross (sen) ⁵		3.65	3.37
Total distribution per unit			
Gross (sen) ⁵		7.08	6.80

1 Based on 1,071,783,000 units entitled to distribution, for the financial period from 1 January 2019 to 30 June 2019;

2 Based on 1,071,783,000 units entitled to distribution, for the financial period from 1 July 2019 to 31 December 2019;

3 Based on 1,071,783,000 units entitled to distribution, for the financial period from 1 January 2020 to 30 June 2020;

4 Based on 1,071,783,000 units entitled to distribution, for the financial period from 1 July 2020 to 31 December 2020;

5 Income distributed to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to withholding tax.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

(cont'd)

* Final income distribution for the financial year 2020 was declared on 19 January 2021 and will be payable on 26 February 2021. The declared final income distribution will be recognised in the immediate subsequent financial year.

Note A:

	2020	2019
	RM	RM
Distribution adjustment comprise:		
Amount previously not distributed	-	900,000

In accordance with the Trust Deed, the distributable income shall be the net income, adjusted by certain distribution adjustments as deemed necessary by the Manager in the interest of the REIT and the unitholders.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 RM	2019 RM
Assets			
Non-current assets			
Plant and equipment	14	268,636	363,265
Investment properties	15	2,080,850,585	2,125,182,320
Accrued rental income	18	16,149,415	17,817,680
Lease receivables	17	332,703	773,211
		2,097,601,339	2,144,136,476
Current assets			
Trade and other receivables	18	4,659,879	5,755,440
Lease receivables	17	440,508	553,552
Deposits, cash and bank balances	19	84,960,762	63,258,890
		90,061,149	69,567,882
Non-current asset held for sale	20	40,000,000	-
		130,061,149	69,567,882
Total assets		2,227,662,488	2,213,704,358
Liabilities			
Non-current liabilities			
Borrowings	22	627,139,697	503,018,839
Security deposits	24	13,576,426	19,106,575
Other payables	21	1,585,426	1,602,022
Deferred tax liabilities	23	13,583,375	12,369,961
		655,884,924	536,097,397
Current liabilities			
Trade and other payables	21	19,102,327	15,703,152
Derivative liabilities	16	-	324,238
Borrowings	22	217,836,968	332,697,543
Security deposits	24	11,336,515	5,392,610
		248,275,810	354,117,543
Total liabilities		904,160,734	890,214,940
Net asset value ("NAV")		1,323,501,754	1,323,489,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(cont'd)

	Note	2020 RM	2019 RM
Unitholders' funds			
Unitholders' funds attributable to unitholders of SENTRAL			
Unitholders' capital	25	1,235,876,768	1,235,876,768
Undistributed and non-distributable income		87,624,986	87,612,650
Total unitholders' funds		1,323,501,754	1,323,489,418
Net asset value ("NAV")			
	28		
Before income distribution ¹		1,323,501,754	1,323,489,418
After income distribution ²		1,284,381,674	1,287,370,331
NAV per unit			
	28		
Before income distribution ¹		1.2349	1.2348
After income distribution ²		1.1984	1.2011
Number of units in circulation			
As at 31 December (units)	25	1,071,783,000	1,071,783,000

1 Before the proposed final income distribution of 3.65 sen per unit and 3.37 sen per unit for the financial year 2020 and 2019 respectively.

2 After the proposed final income distribution of 3.65 sen per unit and 3.37 sen per unit for the financial year 2020 and 2019 respectively.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

For the financial year ended 31 December 2020

	Unitholders' capital	← Distributable →		Non- distributable Cash flow hedge reserve	Total undistributed and non- distributable income	Unitholders' funds
		Undistributed income realised	Undistributed income unrealised			
	RM	RM	RM	RM	RM	RM
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 year	-	80,954,941	(8,385,599)	324,238	72,893,580	72,893,580
	1,235,876,768	129,960,186	30,546,044	-	160,506,230	1,396,382,998
Transactions with unitholders						
Distribution to unitholders	-	(72,881,244)	-	-	(72,881,244)	(72,881,244)
At 31 December 2020	1,235,876,768	57,078,942	30,546,044	-	87,624,986	1,323,501,754
At 1 January 2019	1,235,876,768	54,923,500	81,917,285	(428,022)	136,412,763	1,372,289,531
Total comprehensive income for the financial year	-	72,107,547	(42,985,642)	103,784	29,225,689	29,225,689
	1,235,876,768	127,031,047	38,931,643	(324,238)	165,638,452	1,401,515,220
Transactions with unitholders						
Distribution to unitholders	-	(78,025,802)	-	-	(78,025,802)	(78,025,802)
At 31 December 2019	1,235,876,768	49,005,245	38,931,643	(324,238)	87,612,650	1,323,489,418

* The cash flow hedge reserve comprise the effective portion of the gain or loss on interest rate swap arrangements as disclosed in Note 34.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Cash flows from operating activities			
Income before taxation		73,782,756	35,359,678
Adjustments for:			
Finance costs	10	35,370,825	39,594,458
Depreciation of plant and equipment	14	214,269	156,668
Fair value adjustments	15	5,497,890	35,656,417
Unbilled lease income	5	1,678,282	1,074,265
Allowance for impairment of trade receivables	18	778,425	1,646,311
Reversal for impairment of trade receivables	18	(741,289)	(2,508,646)
Finance income	7	(2,912,894)	(3,222,627)
Operating cash flows before changes in working capital		113,668,264	107,756,524
Changes in working capital:			
Increase in trade and other receivables		1,541,812	2,401,671
Increase in trade and other payables		3,154,642	692,586
Net cash flows generated from operating activities		118,364,718	110,850,781
Cash flows from investing activities			
Additions to investment properties	15	(1,166,155)	(2,130,682)
Additions to plant and equipment	14	(119,640)	(174,808)
Changes in deposits in financial institution		(19,745,120)	23,278,401
Interest received		2,164,685	2,717,909
Net cash flows (used in)/generated from investing activities		(18,866,230)	23,690,820
Cash flows from financing activities			
Distribution to unitholders		(72,881,244)	(78,025,802)
Proceeds from borrowings	22	341,000,000	35,000,000
Repayment of borrowings	22	(335,000,000)	(54,000,000)
Finance costs paid	22	(30,040,152)	(36,754,111)
Transaction costs paid	22	(620,340)	-
Net cash flows used in financing activities		(97,541,736)	(133,779,913)
Net increase in cash and cash equivalents		1,956,752	761,688
Cash and cash equivalents at 1 January		12,898,291	12,136,603
Cash and cash equivalents at 31 December	19	14,855,043	12,898,291

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1. SENTRAL, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

SENTRAL was constituted under Restated Trust Deed dated 2 December 2019 (the "Trust Deed") and the Supplemental Deed dated 24 December 2020 by SRM as the Manager and Maybank Trustees Berhad as the trustee (the "Trustee") and is categorised as a real estate investment trust. SENTRAL commenced its operations in 2006 and was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 8 January 2007.

The principal activity of SENTRAL involves acquisition of and investment in commercial properties, primarily in Malaysia. The principal activity of each of the special purpose entities of SENTRAL is to facilitate financing for SENTRAL as disclosed in Note 26 to the financial statements. There has been no significant changes in the nature of these activities during the financial year.

The Manager is a company incorporated in Malaysia. The principal activity of the Manager is to manage SENTRAL. There have been no significant change in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Manager in accordance with a resolution of its directors on 22 February 2021.

2. TERM OF SENTRAL

SENTRAL will continue its operations until such time as determined by the Trustee and the Manager as provided under Clause 26 of the Trust Deed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements of SENTRAL have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and applicable provisions of the Trust Deed and SC REIT Guidelines.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM").

3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Changes in accounting policies (cont'd)

On 1 January 2020, SENTRAL adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2020:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Business Combination	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 16: COVID-19 Related Rent Concessions	1 June 2020

The adoption of the above standards, amendments and interpretations did not have any material effect on the financial performance or position of SENTRAL.

3.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of SENTRAL's financial statements are disclosed below. SENTRAL intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform - Phase 2	1 January 2021
Annual improvements to MFRS Standards 2018 - 2020:	
- Amendments to MFRS 1: Adoption of Malaysian Financial Reporting Standards	1 January 2022
- Amendments to MFRS 9: Financial Instruments	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors of the Manager expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of SENTRAL and its special purpose entities ("SPEs") as at the reporting date. The financial statements of the SPEs used in the preparation of the consolidated financial statements are prepared for the same reporting date as SENTRAL. Consistent accounting policies are applied to like transactions and events in similar circumstances. The SPEs are established for the specific purpose of raising financing on behalf of SENTRAL for the acquisition of real estate and are single-purpose entities.

SENTRAL controls the SPEs if and only if SENTRAL has all the following:

- (i) Power over the SPEs (such as existing rights that give it the current ability to direct the relevant activities of the SPEs);
- (ii) Exposure, or rights, to variable returns from its investment with the SPEs; and
- (iii) The ability to use its power over the SPEs to affect its returns.

SPEs controlled by SENTRAL were established under terms that impose strict limitations on the decision-making powers of the SPEs management resulting in SENTRAL receiving all of the benefits related to the SPEs operations and net assets.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

3.5 Plant and equipment

All items of plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to SENTRAL and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, SENTRAL recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Plant and machinery	20%
Office equipment	20% - 50%
Furniture and fittings	33%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- (i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- (ii) When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.7 Investment properties

Investment properties consist of investment in real estate assets primarily in commercial properties. These properties are held either to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by discounting cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rent for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Valuations are performed by accredited independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. In determining the carrying amount of an investment property, under the fair value model, the accrued rental and/or advance rental arising from recognising rental income from operating lease on straight line basis over the lease term are deducted against fair value of investment property.

Gains or losses arising from changes in the fair values of investment properties are recognised in the profit or loss in the year in which they arise including the corresponding tax effect. A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when SENTRAL holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in MFRS 15.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to an investment property, the property is accounted for in accordance with the accounting policy stated under plant and equipment as set out in Note 3.5 up to the date of change in use.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Impairment of non-financial assets

SENTRAL assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, SENTRAL makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

3.9 Financial assets

Financial assets with the exception of trade receivables without significant financing component are measured initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Trade receivable without a significant financing component is initially measured at the transaction price. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and SENTRAL's business model for managing them. SENTRAL's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets are not reclassified subsequent to their initial recognition unless SENTRAL changes their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Financial assets (cont'd)

(i) Financial assets at amortised cost

Financial assets are measured at amortised cost if they meet both of the following conditions and are not designated as at FVTPL:

- The financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are subsequently measured at amortised cost using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Financial assets at FVOCI

Debt instruments

Debt instruments are measured at FVOCI if they meet both of the following conditions and are not designated as at FVTPL:

- The financial assets are held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, debt instruments at FVOCI are measured at fair value.

Interest income, foreign exchange gains and losses and impairment losses or reversals are recognised in profit or loss. Other net fair value changes are recognised in other comprehensive income. Fair value changes accumulated in other comprehensive income are recycled to profit or loss when the asset is derecognised.

Equity instruments

Upon initial recognition of equity investments that are not held for trading, SENTRAL may irrevocably elect to classify equity investments that are not held for trading as equity instruments designated at FVOCI and to present subsequent changes in the fair value in other comprehensive income. This election is made on an investment-by-investment basis. Subsequent to initial recognition, equity instruments at FVOCI are measured at fair value.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment in which case, such gains are recorded in other comprehensive income. Other net gains and losses are recognised in other comprehensive income and are never recycled to profit or loss when the asset is derecognised. Equity investments designated at FVOCI are not subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Financial assets (cont'd)

(iii) Financial assets at FVTPL

Financial assets are classified and measured at FVTPL if they are not classified and measured at amortised cost or FVOCI or are designated as such upon initial recognition. This includes all derivative financial assets. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value.

Dividend income, interest income and any gains or losses arising from changes in fair value are recognised in profit or loss, except for changes in fair value on derivatives that qualify for hedge accounting.

(iv) Financial assets: derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- SENTRAL retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- SENTRAL has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that SENTRAL commit to purchase or sell the asset.

3.10 Derivative financial instruments and hedge accounting

SENTRAL uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Derivative financial instruments and hedge accounting (cont'd)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- Cash flow hedges, when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, SENTRAL formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how SENTRAL will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instruments.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that SENTRAL actually hedges and the quantity of the hedging instrument that SENTRAL actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

SENTRAL uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

SENTRAL designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Derivative financial instruments and hedge accounting (cont'd)

Cash flow hedges (cont'd)

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

3.11 Impairment of financial assets

SENTRAL recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost and debt investments measured at FVOCI.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that SENTRAL expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit losses). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit losses).

For trade receivables and contract assets, SENTRAL applies a simplified approach in calculating ECL. Therefore, SENTRAL does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. SENTRAL have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, SENTRAL applies the low credit risk simplification. At every reporting date, SENTRAL evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

SENTRAL considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, SENTRAL may also consider a financial asset to be in default when internal or external information indicates that SENTRAL are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by SENTRAL. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits, and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.13 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by SENTRAL that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

SENTRAL's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables, loans and borrowings are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that SENTRAL incurred in connection with the borrowing of funds.

3.16 Revenue and other income

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to SENTRAL and they can be reliably measured regardless of when the payment is being made. Revenue and other income are measured at the fair value of consideration received or receivable.

The specific recognition criteria described below must also be met before revenue is recognised.

(i) Rental income

Rental income is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(ii) Utilities recovery and others

Utilities recovery and others (such as license and service charges) are recognised on an accrual basis taking into account contractually defined terms.

(iii) Car park operations

Revenue from car park operations is recognised as and when the services are rendered.

(iv) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

3.17 Leases - as lessor

Leases in which SENTRAL does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Income taxes

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Income taxes (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.19 Current versus non-current classification

SENTRAL presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- (i) Expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) Held primarily for the purpose of trading;
- (iii) Expected to be realised within twelve months after the reporting period; or
- (iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (i) It is expected to be settled in normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3.20 Provisions

Provisions are recognised when SENTRAL has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When SENTRAL expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Provisions (cont'd)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by SENTRAL.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

SENTRAL uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, SENTRAL determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purposes of fair value disclosures, SENTRAL has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.22 Unitholders' capital and units issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of SENTRAL after deducting all of its liabilities. Units are equity instruments.

Units are recorded at the proceeds received, net of directly attributable incremental transaction costs. Units are classified as equity. Dividends on units are recognised in equity in the period in which they are declared.

3.23 Non-current asset classified as asset held for sale

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of SENTRAL's financial statements requires the management to make judgements, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 Critical judgements made in applying accounting policies

In the process of applying SENTRAL's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – as lessor

SENTRAL has entered into commercial property leases on its investment property portfolio. SENTRAL has determined, based on an evaluation of the terms and conditions of the arrangements such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Fair valuation of investment properties

SENTRAL carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. SENTRAL had engaged independent professional valuers to determine the fair value and there are no material events that affect the valuation between the valuation date and financial year end.

The determined fair value of the investment properties by the independent professional valuers is most sensitive to the estimated yield rate and the discount rate. The range of the term yield rate and the discount rate used in the valuation is disclosed in Note 15.

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated term yield rate and discount rate and its corresponding sensitivity result in a higher or lower fair value measurement:

	Fair value Increase/(decrease)	
	2020 RM	2019 RM
Yield rate		
- 0.25%	53,271,384	51,421,978
+ 0.25%	(46,059,435)	(54,092,158)
Discount rate		
- 0.25%	13,519,266	11,422,118
+ 0.25%	(12,676,556)	(13,756,757)

The other key assumptions used to determine the fair value of the investment properties, are further explained in Note 15.

(b) Impairment of loans and receivables

SENTRAL assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, SENTRAL considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of SENTRAL's loans and receivables at the reporting date is disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

5. REVENUE

	2020	2019
	RM	RM
Rental income and service charges		
- Realised	149,684,015	145,216,841
- Unrealised		
(in relation to unbilled lease income receivable)	(1,678,282)	(1,074,265)
Car park income	11,811,518	12,956,711
Utilities recovery	4,124,421	3,814,434
Others	72,126	78,482
	164,013,798	160,992,203

The realised revenue comprises rental and service charges, car park income from properties and utilities costs recoverable from tenants. The unrealised revenue refers to the unbilled lease income receivable pursuant to requirements of MFRS 16 *Leases*, recognised on straight-line basis.

6. PROPERTY OPERATING EXPENSES

	2020	2019
	RM	RM
Quit rent and assessment	8,437,047	8,474,667
Depreciation	214,269	156,668
Insurance	756,658	735,979
Property management fee	3,036,964	3,091,102
Service contracts and maintenance	11,653,804	11,690,081
Utilities	13,794,848	15,095,939
	37,893,590	39,244,436

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

7. FINANCE INCOME

	2020	2019
	RM	RM
Realised:		
Interest income on fixed deposit	2,002,059	2,383,800
Interest on deposit paid to authorities	40,944	40,436
Interest income on lease receivable	201,257	175,788
Late payment interest charged to tenants	44,518	21,495
	2,288,778	2,621,519
Unrealised:		
Amortisation of deferred lease income (Note 21 (c))	624,116	601,108
	2,912,894	3,222,627

8. MANAGER'S FEES

	2020	2019
	RM	RM
Base fee	8,893,754	8,997,649
Performance fee	3,902,618	3,763,306
	12,796,372	12,760,955

The Manager is entitled under the Trust Deed to a base fee of 0.4% per annum of the gross asset value, payable monthly in arrears and a performance fee of 3% per annum on the net investment income, payable semi-annually in arrears.

The Manager is also entitled under the Trust Deed to an acquisition fee of 1% of the acquisition value of any asset, being authorised investments, acquired by SENTRAL and divestment fee of 0.5% of the disposal value of any asset divested by SENTRAL.

There are no other fees earned by the Manager during the financial year other than as disclosed in this note.

The Manager's remuneration is accrued and paid in accordance with the Trust Deed.

During the financial year, the Manager did not receive any soft commission (such as goods or services) from its broker, by virtue of transactions conducted by SENTRAL.

9. TRUSTEE'S FEE

Trustee's fee accrued to the Trustee for the financial year ended 31 December 2020 amounted to RM665,681 (2019: RM676,287).

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

10. FINANCE COSTS

	2020	2019
	RM	RM
Realised:		
Accretion of interest expense	709,890	1,050,003
Amortisation of transaction costs incurred to obtain Commercial Papers ("CPs")/Medium Term Notes ("MTNs")	350,727	477,095
Amortisation of transaction costs incurred to obtain Term Loan	81,113	200,730
Annual CPs/MTNs Programme expense	451,348	437,280
Loss on interest rate swap arrangements	321,538	748,675
Interest expense on CPs	9,885,221	18,814,091
Interest expense on MTNs	16,191,019	6,580,000
Interest expense on Term Loan	6,759,840	10,668,289
	34,750,696	38,976,163
Unrealised:		
Unwinding of discount on security deposits (Note 24)	620,129	618,295
	35,370,825	39,594,458

11. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	2020	2019
	RM	RM
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 23)	1,213,414	6,237,773

Pursuant to Section 61A of the Income Tax Act 1967, the income of a REIT would be exempted from income tax provided that the REIT distributes 90% or more of its total income for the year. If the REIT is not able to meet the 90% distribution criteria, the entire taxable income of the REIT would be subject to income tax.

As SENTRAL has paid and declared income distribution of more than 90% of its total income to unitholders, the total income of SENTRAL for the year of assessment 2020 shall be exempted from tax.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

11. INCOME TAX EXPENSE (cont'd)

A reconciliation of income tax expense applicable to income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of SENTRAL for the financial years ended 31 December 2020 and 2019 is as follows:

	2020	2019
	RM	RM
Income before taxation	73,782,756	35,359,678
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	17,707,861	8,486,323
Income not subject to taxation	(19,291,426)	(17,082,112)
Unrealised income not subject to tax	(149,788)	(144,275)
Exempt income not subject to tax	(480,494)	(572,112)
Expenses not deductible for tax purposes	2,213,847	9,312,176
Deferred tax on Real Property Gains Tax ("RPGT") on fair value gain of investment property	1,213,414	6,237,773
Income tax expense for the year	1,213,414	6,237,773

12. EARNINGS PER UNIT ("EPU")

- (a) EPU after manager's fees is based on net income for the year of RM72,569,342 (2019: RM29,121,905) divided by the units in circulation during the year of 1,071,783,000 (2019: 1,071,783,000).
- (b) EPU before manager's fees is based on net income for the year of RM85,365,714 (2019: RM41,882,860) after adding back manager's fees of RM12,796,372 (2019: RM12,760,955) divided by the units in circulation during the year of 1,071,783,000 (2019: 1,071,783,000).
- (c) EPU after manager's fees (realised) is based on realised net income for the year of RM80,954,941 (2019: RM72,107,547) divided by the units in circulation during the year of 1,071,783,000 (2019: 1,071,783,000).
- (d) EPU before manager's fees (realised) is based on realised net income for the year of RM93,751,313 (2019: RM84,868,502) after adding back manager's fees of RM12,796,372 (2019: RM12,760,955) divided by the units in circulation during the year of 1,071,783,000 (2019: 1,071,783,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

13. DISTRIBUTION TO UNITHOLDERS

Distribution to the unitholders is from the following sources:

	2020	2019
	RM	RM
Realised:		
Revenue	165,692,080	162,066,468
Finance income (Note 7)	2,288,778	2,621,519
	167,980,858	164,687,987
Less: Total expenses	(87,025,917)	(92,580,440)
Total realised income	80,954,941	72,107,547
Add: Distribution adjustment		
Amount previously not distributed	-	900,000
Distributable income	80,954,941	73,007,547
Distribution to unitholders	75,882,237	72,881,244
Distribution per unit (sen) of which:		
- taxable distribution of income (sen)	6.90	6.58
- tax exempt distribution of income (sen)	0.18	0.22
Gross distribution per unit (sen) *	7.08	6.80

* 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:

	Withholding tax rate	
	2020	2019
Resident and non-resident individuals	10%	10%
Resident and non-resident institutional investors	10%	10%
Resident companies (flow through)	0%	0%
Non-resident companies	24%	24%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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14 PLANT AND EQUIPMENT

	Plant and machinery RM	Office equipment RM	Furniture and fittings RM	Total RM
At 31 December 2020				
Cost				
At 1 January 2020	6,000	736,575	40,008	782,583
Additions	-	119,640	-	119,640
At 31 December 2020	6,000	856,215	40,008	902,223
Accumulated depreciation				
At 1 January 2020	5,998	392,204	21,116	419,318
Depreciation charge for the financial year	-	207,400	6,869	214,269
At 31 December 2020	5,998	599,604	27,985	633,587
Net carrying amount	2	256,611	12,023	268,636
At 31 December 2019				
Cost				
At 1 January 2019	6,000	582,375	19,400	607,775
Additions	-	154,200	20,608	174,808
At 31 December 2019	6,000	736,575	40,008	782,583
Accumulated depreciation				
At 1 January 2019	5,998	237,253	19,399	262,650
Depreciation charge for the financial year	-	154,951	1,717	156,668
At 31 December 2019	5,998	392,204	21,116	419,318
Net carrying amount	2	344,371	18,892	363,265

15. INVESTMENT PROPERTIES

	2020 RM	2019 RM
At 1 January	2,125,182,320	2,158,708,055
Additions from assets enhancement	1,166,155	2,130,682
Fair value adjustments	(5,497,890)	(35,656,417)
Transfer to non-current asset held for sale (Note 20)	(40,000,000)	-
At 31 December	2,080,850,585	2,125,182,320

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

15. INVESTMENT PROPERTIES (cont'd)

The breakdown of investment properties is as follows:

Description of properties	Date of acquisition	Tenure of Land	Cost of investment RM'000	Carrying value as at 31 December 2020 RM'000	Fair value as at 31 December 2020 RM'000	Fair value as % of NAV	Carrying value as at 31 December 2019 RM'000	Fair value as at 31 December 2019 RM'000
<u>Commercial buildings</u>								
Quill Building 1	20-Nov-06	Freehold	133,300	135,000	135,000	10.20	133,139	133,300
- DHL 1	20-Nov-06							
Quill Building 4								
- DHL 2	20-Nov-06							
Quill Building 2	20-Nov-06	Freehold	123,000	122,932	123,000	9.29	122,988	123,000
- HSBC								
Quill Building 3	20-Nov-06	Freehold	78,000	79,341	78,000	5.89	79,210	78,000
- BMW								
Wisma Technip	3-Sep-07	Freehold	173,200	172,896	173,000	13.07	171,694	173,200
Part of Plaza Mont' Kiara	3-Sep-07	Freehold	118,500	115,980	116,000	8.76	118,546	118,500
Quill Building 5	14-Mar-08	Freehold	40,000	40,000	40,000	3.02	40,000	40,000
- IBM								
Tesco Building, Penang	7-Nov-08	Freehold	140,000	129,708	140,000	10.58	129,837	140,000
Platinum Sentral	30-Mar-15	Freehold	686,000	668,802	675,000	51.00	679,426	686,000
Menara Shell	22-Dec-16	Freehold	651,000	656,192	657,000	49.64	650,342	651,000
			2,143,000	2,120,851	2,137,000		2,125,182	2,143,000
Reclassification to held for sale (Note 20)								
Quill Building 5	14-Mar-08	Freehold	(40,000)	(40,000)	(40,000)	(3.02)	-	-
- IBM								
			2,103,000	2,080,851	2,097,000		2,125,182	2,143,000

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15. INVESTMENT PROPERTIES (cont'd)

The carrying value of the investment properties for the financial years ended 31 December 2020 and 2019 is based on the market value determined based on valuations, adjusted with accrued rental income as required by MFRS 140, as follows:

	2020	2019
	RM	RM
Investment properties - fair value	2,097,000,000	2,143,000,000
Investment properties - accrued rental income (Note 18)	(16,149,415)	(17,817,680)
Investment properties	2,080,850,585	2,125,182,320

On 14 August 2008, the respective pieces of land on which QB1 and QB4 are situated have been amalgamated pursuant to the conditions imposed by the Securities Commission during the initial public offering of SENTRAL. As such, the valuations for QB1 and QB4 have since been carried out based on the amalgamated properties.

Investment properties are stated at fair value, which are determined based on valuations performed by 4 external valuers, namely Nawawi Tie Leung Property Consultants Sdn. Bhd., C H Williams Talhar & Wong Sdn. Bhd.; Knight Frank Malaysia Sdn. Bhd. and IVPS Property Consultant Sdn. Bhd.; independent firms of professional valuers, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment method of valuation.

Investment properties with fair value totalling RM2,019,000,000 (2019: RM2,065,000,000) are pledged as securities for borrowings as disclosed in Note 22.

The investment properties are carried at Level 3 of the fair value measurement hierarchy as defined in Note 3.21. There have been no transfers between Level 1, Level 2 and Level 3 during the financial years ended 31 December 2020 and 31 December 2019.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models:

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2020	2019	
Investment method (refer below)	Office:			The estimated fair value would increase/(decrease) if: - expected market rental growth were higher/(lower) - expected market rental growth were higher/(lower) - expected inflation rate were lower/(higher) - expected inflation rate were lower/(higher) - void rate were lower/(higher) - term yield rate were lower/(higher) - reversionary yield were lower/(higher) - discount rate is lower/(higher)
	Market rental rate (RM/psf/month)			
	- Term	4.6 - 9.6	4.4 - 8.5	
	- Reversion	4.0 - 8.2	4.4 - 8.5	
	Outgoings (RM/psf/month)			
	- Term	0.6 - 1.9	0.5 - 1.8	
	- Reversion	0.8 - 2.0	0.8 - 1.8	
	Void rate (%)	5.0 - 10.0	5.0 - 10.0	
	Term yield (%)	5.5 - 7.0	5.5 - 6.6	
	Reversionary yield (%)	5.8 - 6.8	6.0 - 6.8	
Discount rate (%)	5.8 - 6.5	6.5 - 6.8		

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15. INVESTMENT PROPERTIES (cont'd)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models: (cont'd)

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2020	2019	
Investment method (refer below)	Retail:			The estimated fair value would increase/(decrease) if: - expected market rental growth were higher/(lower) - expected market rental growth were higher/(lower) - expected inflation rate were lower/(higher) - expected inflation rate were lower/(higher) - void rate were lower/(higher) - term yield rate were lower/(higher) - reversionary yield were lower/(higher) - discount rate is lower/(higher)
	Market rental rate (RM/psf/month)			
	- Term	1.5 - 18.0	1.5 - 17.7	
	- Reversion	1.5 - 18.0	1.5 - 17.7	
	Outgoings (RM/psf/month)			
	- Term	0.2 - 1.3	0.3 - 1.9	
	- Reversion	0.4 - 1.7	0.4 - 2.0	
	Void rate (%)	5.0 - 10.0	5.0 - 10.0	
	Term yield (%)	6.0 - 6.5	5.5 - 6.5	
Reversionary yield (%)	6.3 - 6.8	6.0 - 6.8		
Discount rate (%)	6.3 - 6.8	6.8		

Investment method entails the capitalisation of the net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

16. DERIVATIVE LIABILITIES

	Contract/ notional amount	Fair value of derivatives liabilities	
		2020	2019
	RM	RM	RM
Current			
Interest rate swap (Note 34 (i))	139.5 million	-	162,129
Interest rate swap (Note 34 (ii))	139.5 million	-	162,109
		-	324,238

SENTRAL entered into interest rate swap transactions to manage the risks associated with interest rate movement as disclosed in Note 34. Derivative liabilities as at 31 December 2020 is nil as the interest rate swap arrangements have matured in March 2020.

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17. LEASE RECEIVABLES

	2020	2019
	RM	RM
Non-current		
Lease receivables	332,703	773,211
Current		
Lease receivables	440,508	553,552

In financial year 2016 and 2015, SENTRAL entered into a finance lease arrangement with a tenant (QB3) to part finance RM2.6 million and RM1.5 million of fit-out costs upon the renewal of tenancy agreement for another 10 years and 7 years respectively. The amount will be recovered through the top up rentals cumulatively amounting to RM3.5 million (at the approximate internal rate of return of 10.4% per annum) and RM1.9 million (at the approximate internal rate of return of 10.7% per annum) respectively.

18. TRADE AND OTHER RECEIVABLES

	Note	2020	2019
		RM	RM
Non-current			
Accrued rental income (Note 15)		16,149,415	17,817,680
Current			
Trade receivables			
Trade receivables		210,613	1,275,693
Less: Allowance for impairment		(37,136)	-
Trade receivables, net	(a)	173,477	1,275,693
Other receivables			
Deposits		2,926,399	2,907,817
Prepayments		937,342	739,847
Sundry receivables	(b)	622,661	832,083
		4,486,402	4,479,747
		4,659,879	5,755,440
Total trade and other receivables		4,659,879	5,755,440
Less: Prepayments		(937,342)	(739,847)
Add: Deposits, cash and bank balances (Note 19)		84,960,762	63,258,890
Total loans and receivables		88,683,299	68,274,483

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables

Trade receivables are non interest-bearing and are generally on 7 to 30 days term (2019: 7 to 30 days term). They are recognised at the original invoice amounts which represent their fair values on initial recognition.

Concentration of credit risk relating to trade receivables arises mainly due to single tenancy of the majority of SENTRAL's properties. However, the risk is mitigated by the tenants which are engaged in diversified businesses and are of good quality and strong credit standing.

Ageing analysis of trade receivables

The ageing analysis of SENTRAL's trade receivables is as follows:

	2020 RM	2019 RM
Neither past due nor impaired	173,477	1,170,608
1 - 30 days past due not impaired	-	-
31 - 60 days past due not impaired	-	34,237
61 - 90 days past due not impaired	-	12,248
More than 90 days past due not impaired	-	58,600
	-	105,085
	173,477	1,275,693
Impaired	37,136	-
	210,613	1,275,693

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with SENTRAL.

Receivables that are past due but not impaired

SENTRAL has trade receivables of nil balances (2019: RM105,085) that are past due at the reporting date but not impaired.

Trade receivables from tenants are secured by security deposits.

Receivables that are impaired

SENTRAL's trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	2020 RM	2019 RM
Trade receivables - nominal amounts (after offsetting security deposits)	37,136	-
Less: Allowance for impairment	(37,136)	-
	-	-

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18. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables (cont'd)

Receivables that are impaired (cont'd)

The movement of allowance accounts is as follows:

	2020	2019
	RM	RM
At 1 January	-	862,335
Charge for the financial year	778,425	1,646,311
Reversal for the financial year	(741,289)	(2,508,646)
At 31 December	37,136	-

The Manager assesses at each reporting date whether there is any objective evidence that the trade receivable is impaired. The Manager makes an allowance for impairment after considering factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

(b) Sundry receivables

SENTRAL has no significant concentration of credit risk that may arise from exposures to a single debtor or group of debtors relating to sundry receivables.

19. DEPOSITS, CASH AND BANK BALANCES

	2020	2019
	RM	RM
Deposits with licensed financial institutions	81,338,555	59,363,150
Cash on hand and at banks	3,622,207	3,895,740
Total deposits, cash and bank balances	84,960,762	63,258,890
Less:		
Deposits with licensed financial institution with maturity of more than 3 months	(66,450,205)	(45,500,529)
Debt service reserves accounts pledged	(3,655,514)	(4,860,070)
Cash and cash equivalents	14,855,043	12,898,291

Included in deposits with licensed financial institutions is an amount of RM3,655,514 (2019: RM4,860,070) maintained in the debt service reserves accounts which are assigned for the borrowings as disclosed in Note 22.

Included in cash on hand and at banks is an amount of RM3,058,103 (2019: RM2,823,760) maintained in the revenue and operations accounts which are assigned for the borrowings as disclosed in Note 22.

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19. DEPOSITS, CASH AND BANK BALANCES (cont'd)

The weighted average effective interest rate of deposits at the reporting date is as follows:

	2020	2019
	%	%
Deposits with licensed financial institutions (per annum)	2.11	3.45

Deposits with licensed financial institutions have an average maturity ranging from 60 to 368 days (2019: 61 to 367 days).

20. NON-CURRENT ASSET HELD FOR SALE

	2020
	RM
Investment properties	
At 1 January	-
Transfer from investment properties (Note 15)	40,000,000
At 31 December	40,000,000

On 12 November 2020, SENTRAL entered into a sale and purchase agreement with Deriv Services Sdn Bhd for the proposed disposal of Quill Building 5 ("QB5"), for a cash consideration of RM45.0 million. The proposed disposal is expected to be completed in the second quarter of financial year 2021.

21. TRADE AND OTHER PAYABLES

	Note	2020	2019
		RM	RM
Non-current			
Other payables			
Deferred lease income	(c)	1,585,426	1,602,022
Current			
Trade payables			
Trade payables	(a)	453,910	215,867
Trade accruals		4,081,752	3,684,471
		4,535,662	3,900,338

NOTES TO THE FINANCIAL STATEMENTS

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21. TRADE AND OTHER PAYABLES (cont'd)

	Note	2020 RM	2019 RM
Other payables			
Amount due to the Manager	(b)	4,197,452	3,377,910
Other payables	(a)	4,149,429	890,738
Accruals		5,541,384	6,520,359
Deferred lease income	(c)	678,400	1,013,807
		14,566,665	11,802,814
		19,102,327	15,703,152
Total trade and other payables		20,687,753	17,305,174
Add: Borrowings (Note 22)		844,976,665	835,716,382
Add: Security deposits (Note 24)		24,912,941	24,499,185
Total financial liabilities carried at amortised cost		890,577,359	877,520,741

(a) Trade and other payables

Trade and other payables are normally settled between 30 to 90 days (2019: 30 to 90 days).

(b) Amount due to the Manager

Amount due to the Manager is unsecured, non-interest bearing and repayable on demand.

(c) Deferred lease income

Deferred lease income relates to the difference between the fair value of non-current security deposits recognised on initial recognition and the nominal amount received, which is amortised on a straight-line basis over the lease terms ranging from 1 to 9 years (2019: 1 to 9 years).

The movement of deferred lease income (current and non-current) is as follows:

	2020 RM	2019 RM
At 1 January	2,615,829	2,670,030
Additions during the financial year	272,113	546,907
Recognised in profit or loss (Note 7)	(624,116)	(601,108)
At 31 December	2,263,826	2,615,829
Representing:		
Current	678,400	1,013,807
Non-current	1,585,426	1,602,022
	2,263,826	2,615,829

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

22. BORROWINGS

	Note	2020 RM	2019 RM
Non-current			
Secured:			
Fixed Rate Term Loan Facility of up to RM150 million	(a)	116,910,103	116,876,410
Senior CPs/MTNs Programme of up to RM290 million	(b)	-	-
Fixed Rate Subordinated Term Loan Facility of up to RM250 million	(b)	-	-
CPs/MTNs Programme of up to RM3 billion	(c)	169,746,622	386,142,429
CPs/MTNs Programme of up to RM450 million	(d)	340,482,972	-
		627,139,697	503,018,839
Current			
Secured:			
Senior CPs/MTNs Programme of up to RM290 million	(b)	-	241,720,974
Fixed Rate Subordinated Term Loan Facility of up to RM250 million	(b)	-	90,976,569
CPs/MTNs Programme of up to RM3 billion	(c)	217,836,968	-
		217,836,968	332,697,543
Total		844,976,665	835,716,382

The maturities of SENTRAL's borrowings as at 31 December 2020 are as follows:

	2020 RM	2019 RM
Less than 1 year	217,836,968	332,697,543
More than 1 year and less than 5 years	627,139,697	503,018,839
	844,976,665	835,716,382

Other information on financial risks of borrowings are disclosed in Note 38(a) and Note 38(c).

NOTES TO THE FINANCIAL STATEMENTS

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22. BORROWINGS (cont'd)

(a) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan")

The RM150 million 5-year Term Loan Facilities are analysed as follows:

	2020 RM	2019 RM
Term loan drawdown	117,000,000	117,000,000
Transaction costs carried forward	(123,590)	(157,274)
	116,876,410	116,842,726
Amortisation of transaction costs during the year	33,693	33,684
	116,910,103	116,876,410

On 18 July 2013, SENTRAL through its SPE, Trusmadi Capital Sdn. Bhd. ("Trusmadi"), established a RM150 million Fixed Rate Term Loan Facility agreement for 5 years ("RM150 million Term Loan").

On 13 September 2013, Tranche 1 of the Facility of RM117 million at the 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 on 13 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 an 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.

The RM150 million Term Loan is secured, inter-alia by the following:

- (i) Third party first legal charge over Wisma Technip ("WT"), QB8 and QB5, respectively disclosed as investment properties in Note 15 (collectively, the "Charged Properties");
- (ii) Third party legal assignment of the SPA for the acquisitions of part of Plaza Mon't Kiara ("PMK"), respectively disclosed as investment properties in Note 15 (the "Assigned Property");
- (iii) First party debenture over all present and future assets of Trusmadi;
- (iv) An undertaking from the Manager:
 - (a) to deposit all income/insurance proceeds generated from the Charged and Assigned Property (collectively, the "Secured Properties") into revenue accounts; and
 - (b) that it shall not declare any dividends/distributions to unitholders if:
 - an event of default has occurred under the Transaction Documents, is continuing and has not been waived; or
 - the financial covenants are not met prior and after such distribution;

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22. BORROWINGS (cont'd)

(a) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan") (cont'd)

The RM150 million Term Loan is secured, inter-alia by the following: (cont'd)

- (v) First legal charge or third party assignment by the Trustee for the revenue accounts, operations accounts and a first party assignment by Trusmadi for the debt service reserves account;
- (vi) Third party legal assignment of all the proceeds under the tenancy/lease agreements of the Secured Properties;
- (vii) Third party assignment over all rights, title, interest and benefits under all the insurance policies in relation to the Secured Properties;
- (viii) First legal assignment over the REIT Trustee Financing Agreement entered into between Trusmadi and the Trustee; and
- (ix) Third party first legal charge over the entire shares of Trusmadi.

(b) Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan")

	2020	2019
	RM	RM
Senior CP/MTN Programme		
Face value of CP issued/rollover	244,000,000	279,000,000
Discount	(2,256,164)	(2,256,164)
Cash proceeds	241,743,836	276,743,836
Accretion of interest expense	2,256,164	25,068
	244,000,000	276,768,904
Transaction costs carried forward	(47,930)	(332,863)
Amortisation of transaction costs during the year	47,930	284,933
Full redemption on 30 March 2020/Partial redemption on 29 March 2019	(244,000,000)	(35,000,000)
	-	241,720,974

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22. BORROWINGS (cont'd)

(b) Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan") (cont'd)

	2020	2019
	RM	RM
Fixed Rate Subordinated Term Loan		
Term Loan drawdown	91,000,000	110,000,000
Transaction costs carried forward	(23,431)	(166,409)
	90,976,569	109,833,591
Amortisation of transaction costs during the year	23,431	142,978
Full redemption on 30 March 2020/Partial redemption on 29 March 2019	(91,000,000)	(19,000,000)
	-	90,976,569
Total	-	332,697,543

On 13 March 2015, SENTRAL through its SPE, Murud Capital Sdn. Bhd. ("Murud") established a RM290 million Senior CP/MTN Programme for 5 years.

On 30 March 2015, RM279 million nominal values of Senior CP were issued at an interest rate of 4.13% per annum. On 30 September 2015, a Fixed Rate Subordinated Term Loan of RM110 million was established at the interest rate of 4.9% per annum.

On 29 March 2019, RM35 million nominal value of Senior CPs had been early redeemed and refinanced by a RM35 million nominal value of CPs issued by Kinabalu Capital Sdn Bhd ("Kinabalu"), at the interest rate of 4.29% p.a.. On the same day, RM19 million Fixed Rate Subordinated Term Loan had been early repaid via the proceeds from disposal of QB8 and internal funds.

On 30 March 2020, the RM244 million outstanding CPs and RM91 million MTNs were redeemed using the proceeds from the new issuance of RM341 million MTNs under the RM450 million CPs/ MTNs programme (as disclosed under Note 22(d)). As such, there was no outstanding balance under the RM290 million Senior CP/ MTN Programme and RM250 million Fixed Rate Subordinated Term Loan Programme as at 31 December 2020.

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

The programmes are secured, inter-alia by the following:

- (i) A third party first ranking legal charge over Platinum Sentral, disclosed as investment properties in Note 15 ("Property");
- (ii) A first party first ranking debenture over all present and future assets of Murud;

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22. BORROWINGS (cont'd)

(b) Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan") (cont'd)

The programmes are secured, inter-alia by the following: (cont'd)

- (iii) An irrevocable and unconditional undertaking from the Manager:
 - (a) to deposit all rental, deposits, other income, insurance claim proceeds in relation to the Property and any proceeds generated from the Property into the revenue account; and
 - (b) that it shall not declare any dividends/distributions to unitholders if:
 - an event of default has occurred under the Transaction Documents, is continuing and has not been waived or remedied, or following such declaration of dividends or distributions, an event of default would occur; or
 - the financial covenants are not met prior to and/or after such distribution;
- (iv) Third party legal assignment of the SPA entered into between MRCB Sentral Properties Sdn. Bhd. ("Vendor") and the REIT Trustee on behalf of SENTRAL in respect of the Property ("SPA");
- (v) Assignment and charge over the Designated Accounts as follows:
 - (a) third party assignment and charge over the revenue account and operations account by the Trustee; and
 - (b) first party assignment and charge of the debt service reserves account by Murud;
- (vi) Third party legal assignment of all the proceeds under the tenancy/lease agreements of the Property and any part thereof;
- (vii) Third party legal assignment over all rights, title, interest and benefits under all the insurance policies in relation to the Property;
- (viii) An irrevocable Power of Attorney to be granted by the Trustee in favour of the Security Trustee to manage and dispose of the Property upon declaration of a trigger event;
- (ix) Legal assignment over the REIT Trustee Financing Agreement entered into between Murud and the Trustee;
- (x) Third party first ranking legal charge over 100% of the shares of Murud; and
- (xi) Any other securities deemed appropriate and mutually agreed between Murud and the Lead Arranger prior to execution of all the Transaction Documents.

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22. BORROWINGS (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")

	2020	2019
	RM	RM
(i) Issue 1	217,836,968	216,564,099
(ii) Issue 2	169,746,622	169,578,330
	387,583,590	386,142,429

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

	2020	2019
	RM	RM
Face value of CP/MTN issued	164,000,000	164,000,000
Discount	(1,917,133)	(2,951,093)
Cash proceeds	162,082,867	161,048,907
Accretion of interest expense	147,471	194,577
	162,230,338	161,243,484
Transaction costs carried forward	(179,614)	(273,248)
Amortisation of transaction costs during the year	93,687	93,634
	162,144,411	161,063,870

	2020	2019
	RM	RM
(i) (b) RM21 million in nominal value of CP ("Issue 1") issued on 6 March 2017		
Face value of CP issued	21,000,000	21,000,000
Discount	(284,294)	(434,556)
Cash proceeds	20,715,706	20,565,444
Accretion of interest expense	186,912	279,357
	20,902,618	20,844,801
Transaction costs carried forward	(15,572)	(22,755)
Amortisation of transaction costs during the year	7,185	7,183
	20,894,231	20,829,229

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22. BORROWINGS (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)

	2020	2019
	RM	RM
(i) (c) RM35 million in nominal value of CP ("Issue 1") issued on 29 March 2019		
Face value of CPs/MTN issued	35,000,000	35,000,000
Discount	(219,205)	(343,805)
Cash proceeds	34,780,795	34,656,195
Accretion of interest expense	19,485	18,890
	34,800,280	34,675,085
Transaction costs carried forward	(4,085)	(5,683)
Amortisation of transaction costs during the year	2,131	1,598
	34,798,326	34,671,000

On 30 November 2016, SENTRAL through its SPE, Kinabalu Capital Sdn. Bhd. ("Kinabalu") established a RM3.0 billion nominal value 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 MTN under the MTN Programme.

On 22 December 2016, RM144 million in 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 CPs were issued at the interest rate of 4.14% per annum. The proceeds raised from this issuance were utilised to partially redeem 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 raised from this issuance were utilised to partially redeem the Senior CPs under the RM279 million CP/MTN Programme issued by Murud.

The CP/MTN outstanding as at 31 December 2020 are subject to interest at the following interest rates per annum as at the reporting date:

	2020	2019
	%	%
RM144 million nominal value CP	2.67	4.11
RM20 million nominal value MTN	4.30	4.30
RM21 million nominal value CP	2.73	4.15
RM35 million nominal value CP	2.54	3.94

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

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(cont'd)

22. BORROWINGS (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)

The Issue 1 is secured, inter-alia by the following:

- (i) A third party first ranking legal charge over Menara Shell, disclosed as investment properties in Note 15 (the "Secured Property - Issue 1");
- (ii) An undertaking from the Manager:
 - (a) to deposit all rental cash flows, deposits, other income, and insurance claim proceeds in relation to the Secured Property - Issue 1 and any proceeds generated from the Secured Property - Issue 1 into the relevant revenue account; and
 - (b) that it shall not make or permit to make any withdrawal from the revenue account; operation account; debt service reserve account ("DSRA") (collectively, the "Designated Accounts - Issue 1") for the declaration of any dividends or distributions to unitholders, if:
 - an event of default and/or trigger event under Issue 1 has occurred and is continuing or will occur as a result of such payment or distribution; or
 - the financial covenants under Issue 1 are not met prior to and/or after such distribution;
- (iii) First ranking legal charge and assignment over all rights, titles, interests and benefits in and under the Designated Accounts - Issue 1 (i.e. third party legal assignment and charge by the Trustee over the Revenue Account and Operations Account; and a first party legal assignment by Kinabalu over the DSRA);
- (iv) Third party legal assignment over all the Trustee's rights, titles, interests and benefits in and under the proceeds deriving from the tenancy/lease agreements in relation to the Secured Property - Issue 1, including the rights to sue and to recover such proceeds from the tenants or lessees;
- (v) Third party legal assignment over all the Trustee's rights, titles, interests and benefits in and under the insurance policies in relation to the Secured Property - Issue 1;
- (vi) An irrevocable Power of Attorney granted by the Trustee in favour of the Security Trustee to dispose the Secured Property - Issue 1 upon declaration of a trigger event under Issue 1;
- (vii) First party assignment over all rights, titles, interests and benefits in and under the REIT Trustee Financing Agreement entered into between Kinabalu; the Trustee and the Security Trustee for the provision of the inter-company loan from Kinabalu to the Trustee from the proceeds raised from the Issue 1.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

22. BORROWINGS (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)

	2020	2019
	RM	RM
RM40 million in nominal value of CP and RM130 million in nominal value of MTN ("Issue 2") issued on 6 March 2017		
Face value of CPs/MTN issued	170,000,000	170,000,000
Discount	(541,512)	(827,726)
Cash proceeds	169,458,488	169,172,274
Accretion of interest expense	356,022	532,110
	169,814,510	169,704,384
Transaction costs carried forward	(126,054)	(184,202)
Amortisation of transaction costs during the year	58,166	58,148
	169,746,622	169,578,330

On 6 March 2017, RM40 million in nominal value of CPs and RM130 million nominal value of MTNs from the CP and 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 CPs/MTN outstanding as at 31 December 2020 are subject to interest at the following interest rates per annum as at the reporting date:

	2020	2019
	%	%
RM40 million nominal value CPs	2.73	4.15
RM130 million nominal value MTN	4.40	4.40

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

The Issue 2 is secured, inter-alia by the following:

- (i) A third party first legal charge by Trustee over QB1, QB4, QB2 and Tesco, disclosed as investment properties in Note 15 (collectively, the "Secured Properties - Issue 2");
- (ii) An undertaking from the Manager:
 - (a) to deposit all rental cash flows, deposits, other income, and insurance claim proceeds in relation to the Secured Properties - Issue 2 and any proceeds generated from Secured Properties - Issue 2 into the relevant revenue accounts; and

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

22. BORROWINGS (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)

The Issue 2 is secured, inter-alia by the following: (cont'd)

- (ii) An undertaking from the Manager: (cont'd)
 - (b) that it shall not make or permit to make any withdrawal from the revenue accounts; operations accounts; debt service reserve account (“DSRA”) (collectively, the “Designated Accounts - Issue 2”) for the declaration of any dividends or distributions to unitholders, if:
 - an event of default and/or trigger event under Issue 2 has occurred and is continuing or will occur as a result of such payment or distribution; or
 - the financial covenants under Issue 2 are not met prior to and/or after such distribution;
- (iii) First ranking legal charge and assignment over all rights, titles, interests and benefits in and under the Designated Accounts - Issue 2 (i.e. third party legal assignment and charge by the Trustee over the Revenue Account and Operations Account; and a first party legal assignment by the Kinabalu over the DSRA);
- (iv) Third party legal assignment over all the Trustee's rights, titles, interests and benefits in and under the proceeds deriving from the tenancy/lease agreements in relation to the Secured Properties - Issue 2, including the rights to sue and to recover such proceeds from the tenants or lessees;
- (v) Third party legal assignment over all the Trustee's rights, titles, interests and benefits in and under the insurance policies in relation to the Secured Properties - Issue 2;
- (vi) An irrevocable Power of Attorney granted by the Trustee in favour of the Security Trustee to dispose the Secured Properties - Issue 2 upon declaration of a trigger event under Issue 2;
- (vii) First party assignment over all rights, titles, interests and benefits in and under the REIT Trustee Financing Agreement entered into between Kinabalu; the Trustee and the Security Trustee for the provision of the inter-company loan from Kinabalu to the Trustee from the proceeds raised from the Issue 2.

(d) 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”):

	2020	2019
	RM	RM
RM341 million in nominal value of MTN		
Face value of MTNs issued	341,000,000	-
Transaction costs on CP/MTN issued	(620,340)	-
Amortisation of transaction costs during the period	103,312	-
	340,482,972	-

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(cont'd)

22. BORROWINGS (cont'd)

(d) 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"): (cont'd)

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. Balance as at 31 December 2020 includes fixed rate MTN amounting to RM125,808,957.

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

The RM450 million programme is secured, inter-alia by the following:

- (i) A third party first ranking legal charge over Platinum Sentral, disclosed as investment properties in Note 15 ("Secured Property");
- (ii) A first party first ranking debenture over all present and future assets of Murud;
- (iii) An irrevocable and unconditional undertaking from the Manager:
 - (a) to deposit all rental income, deposits, other income, insurance claim proceeds in relation to the Secured Property and any proceeds generated from the Secured Property into the Revenue Account; and
 - (b) that it shall not declare any dividends/distributions to unitholders if:
 - an event of default has occurred under the Transaction Documents, is continuing and has not been waived or remedied, or following such declaration of dividends or distributions, an event of default would occur; or
 - the financial covenants are not met prior to and/or after such distribution;
- (iv) Assignment and charge over the Designated Accounts as follows:
 - (a) third party assignment and charge over the Revenue Account and Operations Account by the Trustee; and
 - (b) first party assignment and charge of the debt service reserves account by Murud;
- (v) Third party legal assignment of all the proceeds under the tenancy/lease agreements of the Secured Property and any part thereof;
- (vi) Third party legal assignment over all rights, title, interest and benefits under all the insurance policies in relation to the Secured Property;
- (vii) An irrevocable Power of Attorney to be granted by the Trustee in favour of the Security Trustee to manage and dispose of the Secured Property upon declaration of a trigger event;
- (viii) First party legal assignment over the REIT Trustee Financing Agreement entered into between Murud and the Trustee;
- (ix) Third party first ranking legal charge over 100% of the shares of Murud; and
- (x) Any other securities deemed appropriate and mutually agreed between Murud and the Lead Arranger prior to execution of all the Transaction Documents.

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(cont'd)

22. BORROWINGS (cont'd)

Reconciliation of movement of liabilities to cash flows arising from financing activities

	Fixed Rate Term Loan Facility of up to RM150 million	Senior CPs/MTNs Programme of up to RM290 million	Fixed Rate Subordinated Term Loan Facility of up to RM250 million	CPs/MTNs Programme of up to RM450 million	CPs/MTNs Programme of up to RM3 billion	Total
	RM	RM	RM	RM	RM	RM
Balance at 1 January 2020	116,876,410	241,720,974	90,976,569	-	386,142,429	835,716,382
Changes from financing cash flows						
Proceeds from borrowings	-	-	-	341,000,000	-	341,000,000
Repayment of borrowings	-	(244,000,000)	(91,000,000)	-	-	(335,000,000)
Finance costs paid	(5,572,726)	(23,431)	(1,168,950)	(9,592,992)	(13,682,053)	(30,040,152)
Transaction costs paid	-	-	-	(620,340)	-	(620,340)
Total changes from financing cash flows	111,303,684	(2,302,457)	(1,192,381)	330,786,668	372,460,376	811,055,890
Other changes liability-related						
Interest expense on CPs/MTNs/ Term Loan	5,572,726	2,231,096	1,187,114	9,592,992	14,962,043	33,545,971
Amortisation of transaction costs incurred to obtain CPs/ MTNs/Term Loan	33,693	71,361	5,267	103,312	161,171	374,804
Total other changes liability-related	5,606,419	2,302,457	1,192,381	9,696,304	15,123,214	33,920,775
Balance at 31 December 2020	116,910,103	-	-	340,482,972	387,583,590	844,976,665

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

22. BORROWINGS (cont'd)

Reconciliation of movement of liabilities to cash flows arising from financing activities (cont'd)

	Fixed Rate Term Loan Facility of up to RM150 million	Senior CPs/MTNs Programme of up to RM290 million	Fixed Rate Subordinated Term Loan Facility of up to RM250 million	CPs/MTNs Programme of up to RM450 million	CPs/MTNs Programme of up to RM3 billion	Total
	RM	RM	RM	RM	RM	RM
Balance at 1 January 2019	116,842,726	275,947,231	109,833,591	-	351,080,804	853,704,352
Changes from financing cash flows						
Proceeds from borrowings	-	-	-	-	35,000,000	35,000,000
Repayment of borrowings	-	(35,000,000)	(19,000,000)	-	-	(54,000,000)
Finance costs paid	(5,557,500)	(9,637,520)	(4,999,411)	-	(16,559,680)	(36,754,111)
Total changes from financing cash flows	111,285,226	231,309,711	85,834,180	-	369,521,124	797,950,241
Other changes liability-related						
Interest expense on CPs/MTNs/ Term Loan	5,557,500	9,983,352	5,110,789	-	16,460,743	37,112,384
Amortisation of transaction costs incurred to obtain CPs/ MTNs/Term Loan	33,684	427,911	31,600	-	160,562	653,757
Total other changes liability-related	5,591,184	10,411,263	5,142,389	-	16,621,305	37,766,141
Balance at 31 December 2019	116,876,410	241,720,974	90,976,569	-	386,142,429	835,716,382

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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23. DEFERRED TAX LIABILITIES

	2020	2019
	RM	RM
At beginning of financial year	12,369,961	6,132,188
Recognised in profit or loss (Note 11)	1,213,414	6,237,773
At end of financial year	13,583,375	12,369,961

The deferred tax liabilities relates to the provision of deferred tax liabilities on RPQT on the fair value gain of investment properties.

24. SECURITY DEPOSITS

	2020	2019
	RM	RM
At 1 January	24,499,185	21,210,995
Additions during the financial year	417,743	3,271,003
Recognised in profit or loss:		
Deferred lease income (Note 21(c))	(624,116)	(601,108)
Unwinding of discount on security deposits (Note 10)	620,129	618,295
At 31 December	24,912,941	24,499,185
Representing:		
Non-current	13,576,426	19,106,575
Current	11,336,515	5,392,610
	24,912,941	24,499,185

25. UNITHOLDERS' CAPITAL

	2020	2019
No. of units		
Issued and fully paid:		
At beginning of the year/end of the year	1,071,783,000	1,071,783,000
	RM	RM
Amount		
Issued and fully paid:		
At beginning of the year/end of the year	1,235,876,768	1,235,876,768

NOTES TO THE FINANCIAL STATEMENTS

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26. INVESTMENTS IN SPES

Details of SPES are as follows:

Name of SPES	Country of incorporation	Principal activity	Proportion of ownership interest	
			2020	2019
			%	%
Murud Capital Sdn. Bhd.	Malaysia	Facilitating financing for SENTRAL	100	100
Trusmadi Capital Sdn. Bhd.	Malaysia	Facilitating financing for SENTRAL	100	100
Samwise Capital Sdn. Bhd.	Malaysia	Facilitating financing for SENTRAL	100	100
Kinabalu Capital Sdn. Bhd.	Malaysia	Facilitating financing for SENTRAL	100	100

All the above subsidiaries are audited by Ernst & Young PLT, Malaysia.

27. COMMITMENTS

(a) Capital commitments

Capital expenditure as at reporting date is as follows:

	2020	2019
	RM	RM
Capital expenditure approved and contracted for investment properties	6,841,210	593,502

(b) Non-cancellable operating lease commitments

	2020	2019
	RM	RM
As lessor		
Future minimum rental receivable:		
Not later than 1 year	148,570,554	152,522,509
Later than 1 year but not later than 5 years	427,540,510	422,040,665
Later than 5 years	126,469,857	182,215,758
	702,580,921	756,778,932

SENTRAL has entered into leases on its investment properties. The non-cancellable leases have remaining lease terms of between one to twelve years (2019: between one to thirteen years).

NOTES TO THE FINANCIAL STATEMENTS

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28. NET ASSET VALUE PER UNIT

The calculation of net asset value per unit is based on 1,071,783,000 units (2019: 1,071,783,000 units) in circulation as at 31 December 2020.

29. TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the financial year.

30. UNITHOLDINGS BY THE MANAGER

As at 31 December 2020, the Manager held 2,857,000 units (2019: 2,857,000 units) in SENTRAL.

31. UNITHOLDERS RELATED TO THE MANAGER

	← SENTRAL →				
	No. of units 2020	No. of units 2019	Percentage of total units 2020 %	Percentage of total units 2019 %	Market value 2020 RM
Malaysian Resources Corporation Berhad ("MRCB")	298,297,000	298,297,000	27.83	27.83	261,009,875
HLIB Nominee (Tempatan) Sdn. Bhd. for: Quill Land Sdn. Bhd. ("QLSB")	59,040,000	59,040,000	5.51	5.51	51,660,000
Sentral REIT Management Sdn. Bhd. (formerly known as MRCB Quill Management Sdn. Bhd.)	2,857,000	2,857,000	0.27	0.27	2,499,875
Quill Resources Holding Sdn. Bhd. ("QRSB")	361,000	361,000	0.03	0.03	315,875
Global Jejaka Sdn. Bhd.	185,000	185,000	0.02	0.02	161,875
	360,740,000	360,740,000	33.66	33.66	315,647,500

The Manager's directors' direct unitholding in SENTRAL:

Dato' Dr. Low Moi Ing, J.P.	50,000	50,000	0.00	0.00	43,750
Dato' Michael Ong Leng Chun	55,000	55,000	0.01	0.01	48,125
Kwan Joon Hoe	150,000	80,000	0.01	0.01	131,250

The Manager's directors' indirect unitholding in SENTRAL:

Dato' Dr. Low Moi Ing, J.P. (a)	59,401,000	59,401,000	5.54	5.54	51,975,875
Dato' Michael Ong Leng Chun (b)	59,401,000	59,401,000	5.54	5.54	51,975,875
Tan Sri Saw Choo Boon (c)	185,000	185,000	0.02	0.02	161,875

(a) Deemed interest by virtue of her direct shareholding in QLSB and QRSB.

(b) Deemed interest by virtue of his direct shareholding in QLSB and QRSB.

(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..

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31 December 2020

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32. MANAGEMENT EXPENSE RATIO

	2020	2019
	%	%
Management expense ratio ("MER")	1.09	1.06

MER is calculated based on the total fees including Manager's fees, Trustee's fees, auditor's fees, tax agent's fees, valuation fees and administration expenses charged to SENTRAL divided by the average net asset value during the financial year calculated on a monthly basis.

Since the basis of calculating MER can vary among real estate investment trusts, comparison of SENTRAL's MER with other REITs which use a different basis of calculation may not be an accurate comparison.

33. RELATED PARTIES TRANSACTIONS

The following table provides the total amount of transactions that have been entered into with related parties for the financial year.

	2020	2019
	RM	RM
(i) Car park income from Semasa Parking Sdn. Bhd.		
- Platinum Sentral	1,813,499	1,822,318
- Menara Shell	2,306,790	2,329,439
(ii) Auxiliary police services with Semasa Sentral Sdn. Bhd.		
- Platinum Sentral	(418,997)	(418,997)
- Menara Shell	(499,883)	(658,082)
(iii) Supply of chilled water services with Semasa District Cooling Sdn. Bhd.	(2,471,316)	(2,681,580)
(iv) Lease of land at Platinum Sentral with Malaysian Resources Sentral Sdn. Bhd.	67,078	67,078
(v) Reimbursement of insurance to Kuala Lumpur Sentral Sdn. Bhd.	(12,514)	(16,890)
(vi) Reimbursements to 348 Sentral Sdn. Bhd.	(2,761,502)	(2,724,918)
(vii) Reimbursement to Joint Management Body for Lot 348	(186,449)	(184,257)

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

33. RELATED PARTIES TRANSACTIONS (cont'd)

Details of material contracts with related parties other than as disclosed in Note 8 are as follows:

- (i) SENTRAL renewed the car park operation agreement for Platinum Sentral with Semasa Parking Sdn. Bhd. ("SPSB") for a period of 3 years commencing from 1 January 2019 to 31 December 2021, at a monthly minimum guaranteed rental of RM150,000 with a profit sharing basis in the proportion of 70% (SENTRAL): 30% (SPSB) ratio. The total amount received for the financial year ended 31 December 2020 amounted to RM1,813,499.

On 20 December 2019, SENTRAL appointed SPSB as the car park operator for Menara Shell for a period of 3 years commencing from 22 December 2019 to 21 December 2022, at a monthly fee of RM180,000 per month. The total amount received for the financial year ended 31 December 2020 amounted to RM2,306,790.

SPSB was incorporated in Malaysia on 6 August 1997 and its principal activity is operation and management of car parks and parking areas.

SPSB is a wholly-owned subsidiary of MRCB, which in turn is a major unitholder of SENTRAL and also a major shareholder of SRM.

- (ii) As announced on 29 August 2019, SENTRAL appointed Semasa Sentral Sdn. Bhd. ("SSSB") to provide auxiliary police services at Menara Shell and Platinum Sentral for a period of two (2) years commencing from 1 September 2019 to 31 August 2021 at the monthly rate of RM41,722 and RM34,916 (including service tax) respectively.

Auxiliary police services with SSSB for deployment of auxiliary police personnel from January 2020 up to December 2020, at Platinum Sentral and Menara Shell amounted to RM418,997 and RM499,883 respectively.

SSSB was incorporated in Malaysia on 4 May 1982 and its principal activity is maintaining, operating and management of the Kuala Lumpur Sentral Station.

The entire issued share capital of SSSB is held by MRCB, which in turn is a major unitholder of SENTRAL and also a major shareholder of SRM.

- (iii) Supply of chilled water by Semasa District Cooling Sdn. Bhd. ("SDCSB") for installation, maintenance and meter reading for Platinum Sentral. The year to date charges for the financial year ended 31 December 2020 amounted to RM2,471,316.

SDCSB is a wholly-owned subsidiary of MRCB, which in turn is a major unitholder of SENTRAL and also a major shareholder of SRM.

- (iv) Lease agreement with Malaysian Resources Sentral Sdn. Bhd. ("MRSSB") on lease of 2 pieces of land located on Platinum Sentral, measuring total NLA of 156,959 sq. ft., for a rental amounted to RM67,078.

MRSSB is a wholly-owned subsidiary of MRCB, which in turn is a major unitholder of SENTRAL and also a major shareholder of SRM.

- (v) Reimbursement of insurance to Kuala Lumpur Sentral Sdn. Bhd. ("KLSSB") for Platinum Sentral Lot E deck from 1 April 2020 to 31 March 2021 amounted to RM12,514.

KLSSB is a subsidiary of MRCB, which in turn is a major unitholder of SENTRAL and also a major shareholder of SRM.

- (vi) Reimbursement of chilled water to 348 Sentral Sdn. Bhd. ("348 Sentral") for Menara Shell amounted to RM2,761,502.

348 Sentral is a subsidiary of MRCB, which in turn is a major unitholder of SENTRAL and also a major shareholder of SRM.

NOTES TO THE FINANCIAL STATEMENTS

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33. RELATED PARTIES TRANSACTIONS (cont'd)

Details of material contracts with related parties other than as disclosed in Note 8 are as follows: (cont'd)

- (vii) Maintenance and sinking fund charged by Joint Management Body for Lot 348 ("JMB Lot 348") for Menara Shell for the period from 1 January 2020 to 31 December 2020 amounted to RM23,065 and reimbursement of quit rent and insurance amounted to RM163,384 respectively.

JMB Lot 348 is established on 1 August 2017 under Section 17(2) of the Strata Management Act 2013. The committee of JMB Lot 348 consists of three (3) members of whom, 2 members are from SRM and 1 member from 348 Sentral.

34. INTEREST RATE SWAP ("IRS") ARRANGEMENTS

As part of the active interest rate management strategy of SENTRAL, the following IRS arrangements have been entered into:

- (i) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 7") was entered into in relation to the RM279 million CPs (Note 22(c)) with HSBC. Pursuant to IRS No. 7, SENTRAL will pay a fixed rate of 3.82% per annum to HSBC whilst HSBC will pay a floating rate to SENTRAL. IRS No. 7 commenced on 21 April 2015 and has matured on 30 March 2020.
- (ii) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 8") was entered into in relation to the RM279 million CPs (Note 22(c)) with CIMB. Pursuant to IRS No. 8, SENTRAL will pay a fixed rate of 3.82% per annum to CIMB whilst CIMB will pay a floating rate to SENTRAL. IRS No. 8 commenced on 21 April 2015 and has matured on 30 March 2020.

The differences between the floating rate and the fixed rate of the respective IRS arrangements are settled between SENTRAL and the banks (HSBC and CIMB) on a quarterly basis. These are charged or credited to profit or loss accordingly.

The risk associated with the IRS arrangements above would be credit risk, which is the counterparty risk of the financial institutions with whom the IRS were contracted. However, the Manager has taken precaution to mitigate this risk by entering into the IRS contracts with reputable licensed financial institutions.

The fair values of the IRS arrangements are the estimated amount that would be received or paid to terminate the IRS arrangements as at the reporting date, taking into account interest rate market conditions. The fair values are obtained based on quotes provided by the financial institutions.

SENTRAL was eligible to apply hedge accounting for its IRS arrangements with effect from 1 October 2010, upon satisfying the requirements of the standard. The portion of the changes in fair values of the IRS arrangements that was determined to be an effective hedge was recognised in other comprehensive income, while the ineffective portion was recognised in profit or loss. Prior to adoption of hedge accounting, the fair value changes of the IRS arrangements were recognised in profit or loss.

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35. SIGNIFICANT EVENTS

(a) Proposed change of name of "MRCB-Quill REIT" to "Sentral REIT"

On 11 November 2020, MRCB Quill Management Sdn Bhd ("MQM"), the manager of MRCB-Quill REIT, announced on the proposed change of name of "MRCB-Quill REIT" to "Sentral REIT".

The proposed change of name does not require the approval of the unitholders but is subject to the registration and lodgement of the supplemental trust deed with the Securities Commission of Malaysia.

As announced on 29 December 2020, the Supplemental Trust Deed entered between the Manager and the Trustee to effect the Proposed Change of Name and to amend Clause 23.1.1 of the Trust Deed dated 2 December 2019 ("Supplemental Trust Deed") has been executed on 24 December 2020 and stamped on 28 December 2020.

On 14 January 2021, the Board of MQM, announced that the Supplemental Trust Deed dated 24 December 2020 has been registered by and lodged with the Securities Commission of Malaysia on 11 January 2021 and 14 January 2021 respectively. The Supplemental Trust Deed takes effect from 11 January 2021 and the name of MQREIT has been changed from "MRCB-Quill REIT" to "Sentral REIT".

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

As announced on 12 November 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").

The Proposed Disposal is expected to be completed by the second quarter of 2021.

36. SIGNIFICANT SUBSEQUENT EVENT

As announced on 18 February 2021, MRCB Quill Management Sdn Bhd, the management company of Sentral REIT, wishes to announce that it has changed its name to "Sentral REIT Management Sdn Bhd" with effect from 18 February 2021.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

Financial instruments that are not carried at fair value and where carrying amounts are reasonable approximations of fair value.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	Note
Trade and other receivables	18
Lease receivables	17
Deposits, cash and bank balances	19
Borrowings	22
Trade and other payables (including security deposits)	21

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37. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(a) Determination of fair value (cont'd)

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are repriced to market interest rates on or near the reporting date.

The fair values of long term borrowings and security deposits are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(b) Fair value measurement

SENTRAL uses the hierarchy as disclosed in Note 3.21 in determining and disclosing the fair value of financial instruments.

Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as at 31 December 2020 and 31 December 2019 are as follows:

	Total	Level 3
	RM	RM
As at 31 December 2020		
Assets measured at fair value		
Investment properties	2,097,000,000	2,097,000,000
As at 31 December 2019		
Assets measured at fair value		
Investment properties	2,143,000,000	2,143,000,000

Level 3 fair value

Level 3 fair value of investment properties has been derived using the investment method as described in Note 15.

There were no material transfers between Level 1, Level 2 and Level 3 during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value measurement (cont'd)

Level 3 fair value (cont'd)

Set out below is a comparison, by class, of the carrying amounts and fair value of SENTRAL's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Note	Carrying amount RM	Fair value RM
Financial liabilities			
As at 31 December 2020			
Fixed Rate Term Loan Facility of up to RM150 million	22(a)	116,910,103	117,000,000
As at 31 December 2019			
Fixed Rate Term Loan Facility of up to RM150 million	22(a)	116,876,410	117,000,000
Fixed Rate Subordinated Term Loan Facility of up to RM250 million	22(b)	90,976,569	91,000,000

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

SENTRAL is exposed to financial risks arising from its operations and use of financial instruments, including interest rate risk, credit risk, liquidity risk and market risk.

SENTRAL has a system of controls in place to create an acceptable balance between the costs of risks occurring and the costs of managing the risks. The Manager continuously monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies are reviewed regularly to reflect changes in market conditions and SENTRAL's activities.

The Audit Committee oversees how management monitors the compliance with stated risk management policies and procedures, assisted by the internal auditor. The internal auditor undertakes regular review of risk management controls and procedures, the results of which are reported to the Audit Committee.

The following section provides details of SENTRAL's exposures to the above mentioned risks and the objectives and policies for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Interest rate risk

SENTRAL's exposure to changes in interest rates relates primarily to borrowings as disclosed in Note 22. Interest rate is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. IRS arrangements have been entered into to partially manage the exposure to interest rate risk. Details of the IRS arrangements are as disclosed in Note 34.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points ("bps") lower/higher, with all other variables remain constant, SENTRAL's income net of taxation as a result of lower/higher interest income on short term deposits and interest expense on floating rate loans and borrowings would have the following effects:

	Income, net of taxation	
	2020	2019
	RM	RM
Interest rate		
- 25 bps	709,957	343,210
+ 25 bps	(709,957)	(343,210)

(b) Credit risk

Credit risk is defined as the risk of potential financial loss resulting from failure of a customer or counterparty to settle its financial and contractual obligations to SENTRAL as and when they fall due.

SENTRAL's exposure to credit risk arises primarily from trade receivables. The risk is controlled by credit verification procedures before lease agreements are entered into with tenants to ensure creditworthy and good standing tenants are selected. SENTRAL has a stringent collection policy in place and the exposure to credit risk is mitigated by diligent on-going monitoring of outstanding receivables and collection of security deposits from tenants.

For other financial assets, SENTRAL minimises the credit risk by dealing with high credit rating counterparties and/or reputable and licensed financial institutions.

As at 31 December 2020, SENTRAL's maximum exposure to credit risk is represented by the carrying amount of its financial assets as follows:

	Note	2020	2019
		RM	RM
Trade and other receivables *	18	3,722,537	5,015,593
Deposits, cash and bank balances	19	84,960,762	63,258,890
Lease receivables	17	773,211	1,326,763

* trade and other receivables exclude prepayments.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that SENTRAL will encounter difficulty in meeting financial obligations due to shortage of funds, which may potentially arise from mismatches of maturities of financial assets and liabilities. As the timing of funding arrangements can be critical, SENTRAL may be exposed to the risk of its real estate properties being foreclosed in the interim.

To mitigate liquidity risk, the Manager maintains adequate level of cash and cash equivalents and arranges for refinancing of SENTRAL's borrowings on a timely basis to fund SENTRAL's operations and meet its financial obligations. In addition, the Manager also monitors and observes the SC REIT Guidelines concerning the limits to total borrowings and ensures compliance with stated financial covenants per terms of its borrowings.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of SENTRAL's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 31 December 2020				
Trade and other payables *	18,423,927	-	-	18,423,927
Borrowings	250,161,171	676,893,944	-	927,055,115
Security deposits	11,336,515	10,751,373	5,276,937	27,364,825
Total undiscounted financial liabilities	279,921,613	687,645,317	5,276,937	972,843,867
As at 31 December 2019				
Trade and other payables *	14,689,345	-	-	14,689,345
Borrowings	360,766,330	539,690,067	-	900,456,397
Security deposits	5,392,610	15,253,941	6,652,534	27,299,085
Total undiscounted financial liabilities	380,848,285	554,944,008	6,652,534	942,444,827

* trade and other payables excludes deferred lease income

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate and unit fund prices which will affect SENTRAL's financial results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

(cont'd)

39. CAPITAL MANAGEMENT

The Manager aims to optimise SENTRAL's capital structure and cost of capital within the borrowing limits set out in the SC REIT Guidelines and uses a combination of debt and equity to fund future acquisitions and improvement works. The strategies involve:

- (i) Adopting and maintaining an optimal gearing level; and
- (ii) Adopting an active interest rate management strategy to manage the risk associated with changes in interest rates,

While maintaining flexibility in SENTRAL's capital structure to meet future investment and/or capital expenditure requirements.

Pursuant to Clause 8.32 of the SC REIT Guidelines, the total borrowings of a real estate investment trust (including borrowings through issuance of debt securities), should not exceed 50% of its total asset value at the time the borrowings are incurred.

The Manager employs a combination of appropriate and flexible debt and financing policies to manage both current and future funding requirements of SENTRAL. The Manager, on an on-going basis, manages the capital structure of SENTRAL and makes adjustments to it when necessary, in the light of changes in economic conditions.

	Note	2020 RM	2019 RM
Total borrowings	22	844,976,665	835,716,382
Total assets		2,227,662,488	2,213,704,358
Gearing ratio (%)		37.93	37.75

40. SEGMENTAL REPORTING

No segmental reporting is prepared as SENTRAL's activities are predominantly in one industry segment and its properties are situated in Malaysia.

ANALYSIS OF UNITHOLDINGS

as at 5 February 2021

Total number of units issued : 1,071,783,000
 Voting rights : One vote per unit
 Number of unit holders : 8,093

DISTRIBUTION OF UNITHOLDINGS AS AT 5 FEBRUARY 2021

Unit Class	No. of Unitholders	% of Unitholders	No. of Unitholdings	% of Unitholdings
Less than 100	133	1.64	1,504	-
100 - 1,000	1,395	17.24	929,794	0.09
1,001 - 10,000	3,943	48.72	21,010,589	1.96
10,001 - 100,000	2,219	27.42	74,656,013	6.97
100,001 to less than 5% of issued units	399	4.93	372,051,400	34.71
5% and above of issued units	4	0.05	603,133,700	56.27
TOTAL	8,093	100.00	1,071,783,000	100.00

THIRTY LARGEST UNITHOLDERS AS AT 5 FEBRUARY 2021

(as per Record of Depositors)

NO.	NAME	HOLDINGS	%
1	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>RHB ISLAMIC BANK BERHAD PLEDGED SECURITIES ACCOUNT FOR MALAYSIAN RESOURCES CORPORATION BERHAD</i>	297,917,000	27.80
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD</i>	129,136,700	12.05
3	HSBC NOMINEES (ASING) SDN BHD <i>HSBC-FS FOR CAPITACOMMERCIAL TRUST</i>	117,040,000	10.92
4	HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR QUILL LAND SDN. BHD.</i>	59,040,000	5.51
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	44,577,100	4.16
6	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM BUMIPUTERA</i>	35,000,000	3.27
7	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM MALAYSIA</i>	22,919,300	2.14
8	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM MALAYSIA 2 - WAWASAN</i>	20,000,000	1.87
9	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM BUMIPUTERA 2</i>	20,000,000	1.87

ANALYSIS OF UNITHOLDINGS

as at 5 February 2021
(cont'd)

THIRTY LARGEST UNITHOLDERS AS AT 5 FEBRUARY 2021 (cont'd) (as per Record of Depositors)

NO.	NAME	HOLDINGS	%
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)</i>	15,178,300	1.42
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)</i>	13,669,200	1.28
12	AMANAHRAYA TRUSTEES BERHAD <i>AMANAH SAHAM BUMIPUTERA 3</i>	11,000,000	1.03
13	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (LIFE PAR)</i>	10,621,900	0.99
14	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)</i>	9,752,000	0.91
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 4)</i>	9,304,900	0.87
16	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ZURICH GENERAL INSURANCE MALAYSIA BERHAD (GI-REITS)</i>	7,304,900	0.68
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN)(AHAM EQUITY FUND)</i>	5,157,400	0.48
18	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (NP-OTHER-REITS)</i>	5,052,300	0.47
19	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND</i>	4,648,800	0.43
20	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (AP-REITS)</i>	4,326,900	0.40
21	AMANAHRAYA TRUSTEES BERHAD <i>ASN EQUITY 2</i>	3,900,000	0.36
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)</i>	3,281,600	0.31
23	AMANAHRAYA TRUSTEES BERHAD <i>ASN UMBRELLA FOR ASN IMBANG (MIXED ASSET BALANCED) 2</i>	3,269,500	0.31
24	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO OF DFA INVESTMENT DIMENSIONS GROUP INC</i>	2,886,200	0.27

ANALYSIS OF UNITHOLDINGS

as at 5 February 2021
(cont'd)

THIRTY LARGEST UNITHOLDERS AS AT 5 FEBRUARY 2021 (cont'd) (as per Record of Depositors)

NO.	NAME	HOLDINGS	%
25	MRCB QUILL MANAGEMENT SDN BHD	2,857,000	0.27
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR WONG SIEW HUNG	2,732,000	0.25
27	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,613,600	0.24
28	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD HONG LEONG ASSET MANAGEMENT BHD FOR CHE KING TOW (ND100-JA)	2,100,000	0.20
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR WONG SIEW HUNG (PB)	2,009,100	0.19
30	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR KHOO CHAI PEK (MY1030)	2,001,400	0.19
		869,297,100	81.14

SUBSTANTIAL UNITHOLDERS AS AT 5 FEBRUARY 2021

Name	No. of Units Held			
	Direct	%	Indirect	%
Malaysian Resources Corporation Berhad	298,297,000	27.83	-	-
Employees Provident Fund Board	129,136,700	12.05	-	-
Capitacommercial Trust	117,040,000	10.92	-	-
Quill Land Sdn Bhd	59,040,000	5.51	-	-

UNITHOLDINGS OF DIRECTORS OF THE MANAGER AS AT 5 FEBRUARY 2021

Name	No. of Units Held			
	Direct	%	Indirect	%
Dato' Michael Ong Leng Chun	55,000	0.01	59,401,000*	5.54
Dato' Dr Low Moi Ing, J.P.	50,000	-	59,401,000**	5.54
Tan Sri Saw Choo Boon	-	-	185,000#	0.02
Kwan Joon Hoe	350,000	0.03	-	-

* deemed interest by virtue his substantial shareholding in through Quill Land Sdn Bhd and Quill Resources Holding Sdn Bhd

** deemed interest by virtue her substantial shareholding in through Quill Land Sdn Bhd and Quill Resources Holding Sdn Bhd

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

NOTICE OF NINTH ANNUAL GENERAL MEETING



SENTRAL REIT

(FORMERLY KNOWN AS MRCB-QUILL REIT)

(A real estate investment trust constituted under the laws of Malaysia)

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting ("9th AGM") of Sentral REIT will be conducted in a fully virtual manner through live streaming from the Broadcast Venue at KL Sentral Room, Level 30, Menara Allianz Sentral, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Wednesday, 7 April 2021 at 10.00 a.m. for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 of Sentral REIT together with the Trustee's Report to the Unitholders issued by Maybank Trustees Berhad, as the trustee for Sentral REIT ("Trustee") and the Statement by the Manager issued by Sentral REIT Management Sdn Bhd (formerly known as MRCB Quill Management Sdn Bhd), as the Manager of Sentral REIT ("Manager") and the Auditors' Report thereon.

(Please refer to Explanatory Note 1)

As Special Business:

To consider and if thought fit, to pass the following resolution with or without modifications:

Ordinary Resolution

2. Proposed authority to allot and issue new units of Sentral REIT

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities being obtained, authority be and is hereby given to the Directors of the Manager, to issue and allot new units in Sentral REIT ("New Units") at any time in such number and to such person and upon such terms and conditions as the Directors of the Manager, may in their absolute discretion, deem fit and expedient in the best interest of Sentral REIT, provided that the aggregate number of the New Units to be issued pursuant to this resolution, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the total number of issued units of Sentral REIT for the time being comprising 1,071,783,000 units ("Proposed Authority");

NOTICE OF NINTH ANNUAL GENERAL MEETING

(cont'd)

THAT the Proposed Authority shall continue to be in force until:

- (i) the conclusion of the next AGM of Sentral REIT at which time this Proposed Authority will lapse, unless by a resolution passed at the next AGM, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the unitholders is required by law to be held; or
- (iii) The Proposed Authority is revoked or varied by a resolution passed by the unitholders in a general meeting of Sentral REIT,

whichever is earlier;

THAT the New Units to be issued pursuant to the Proposed Authority shall, upon allotment and issue, rank *pari passu* in all respects with the existing units except that the New Units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions that may be declared prior to the date of allotment and issuance of such New Units;

THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Sentral REIT, to give effect to the Proposed Authority with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of Sentral REIT and/or may be imposed by the relevant authorities;

AND THAT the Directors of the Manager and the Trustee, acting for and on behalf of Sentral REIT, be and are hereby authorised to implement, finalise, complete and do all acts, deeds and things (including executing such documents as may be required) in relation to the Proposed Authority."

3. To transact such other business of which due notice shall have been given in accordance with the Trust Deed constituting Sentral REIT.

BY ORDER OF THE BOARD

Sentral REIT Management Sdn Bhd
(The Manager of Sentral REIT)

Mohamed Noor Rahim bin Yahaya (MAICSA 0866820)
Ho Ngan Chui (MAICSA 7014785)
Company Secretaries

Kuala Lumpur
Date: 26 February 2021

NOTICE OF NINTH ANNUAL GENERAL MEETING

(cont'd)

Notes:

1. Only Unitholders whose name appear in the Record of Depositors of Sentral REIT on 31 March 2021 shall be eligible to participate at the 9th AGM or to appoint proxies on their behalf.
2. A Unitholder who is entitled to attend and vote at this meeting is entitled to appoint another person to attend and vote in his stead. A proxy may but need not be a Unitholder.
3. Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
4. Where a Unitholder is an exempt authorised nominee which holds the units for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Registered Address 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 forty-eight (48) hours before the time appointed for holding the 9th AGM or any adjournment thereof, either by hand, post, fax to (603) 27807668 or email to azeela@mrcb.com/irene@mrcb.com. If no name is inserted in the space for the name of your proxy, the Chairman of the 9th AGM will act as your proxy.

Explanatory Notes on Ordinary and Special Business:

1. Item 1 of the Agenda

The Audited Financial Statements under Agenda 1 are laid before the Unitholders for discussion only in accordance with Clause 13.18(b) of the Guidelines on Listed Real Estate Investment Trust issued by the Securities Commission Malaysia on 15 March 2018, the audited financial statements do not require a formal approval of the unitholders and hence, the matter is not put forward for voting.

2. Item 2 of the Agenda – Proposed Authority

The proposed ordinary resolution, if passed, will give a mandate to the Directors of the Manager to issue and allot units of Sentral REIT from time to time provided that the aggregate number of the New Units to be issued, when aggregated with the number of units issued during the preceding 12 months does not exceed 20% of the total number of issued units of Sentral REIT for the time being. This Proposed Authority, unless revoked or varied by a resolution passed by the Unitholders at a general meeting of Sentral REIT, will expire at the conclusion of the next AGM of Sentral REIT.

As at the date of this notice, Sentral REIT has not issued any units under the mandate which was approved at the 8th AGM held on 12 June 2020 and which will lapse at the conclusion of the 9th AGM.

The Proposed Authority will allow Sentral REIT the flexibility to allot and issue New Units to raise funds to finance future investments, acquisitions and capital expenditure projects to enhance the value of Sentral REIT and/or to refinance existing debt as well as for working capitals purposes without convening a general meeting, which may delay the capital raising initiatives and incur relevant costs in organising the required general meeting.

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SENTRAL REIT
(formerly known as MRCB-Quill REIT)

Number of Unit(s) held	CDS Account No.												
				-					-				

I/We (FULL NAME IN CAPITAL LETTERS) _____

NRIC No./Passport No./Company No. _____ of (FULL ADDRESS) _____

Email address: _____ Tel./Mobile No.: _____

being a Unitholder/Unitholders of Sentral REIT hereby appoint:

Name of Proxy in capital letters		Proportion of Unitholdings to be represented by the proxies:	
		Number of Units	Percentage [%]
Proxy 1			
	NRIC No./Passport No.:		
	Email Address:		
	Tel./Mobile No.:		
<i>And/or failing him/her</i>			
Proxy 2			
	NRIC No./Passport No.:		
	Email Address:		
	Tel./Mobile No.:		

Total _____

or failing him/her the Chairman of the Meeting as my/our proxies to attend and vote for me/us on my/our behalf at the Ninth Annual General Meeting ("9th AGM") of Sentral REIT to be held as a fully virtual meeting through live streaming and online remote voting 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, 7 April 2021 at 10.00 a.m. and at any adjournment thereof.

My/our proxies is to vote on the Resolution as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.

No.	Resolution	For	Against
1	Proposed Authority		

Dated this _____ day of _____ 2021

Signature of Unitholder

* DELETE IF NOT APPLICABLE

Notes:

Proxy

- Only Unitholders whose name appear in the Record of Depositors of Sentral REIT on 31 March 2021 shall be eligible to participate at the 9th AGM or to appoint proxies on their behalf.
- A Unitholder who is entitled to attend and vote at this meeting is entitled to appoint another person to attend and vote in his stead. A proxy may but need not be a Unitholder.
- Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
- Where a Unitholder is an exempt authorised nominee which holds the units for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
- The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Registered Address of Sentral REIT Management Sdn Bhd (formerly known as MRCB Quill Management Sdn Bhd) at Level 33A, Menara NU 2, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the 9th AGM or any adjournment thereof, either by hand, post, fax to (603) 27807668 or email to azeela@mrcb.com/irene@mrcb.com. If no name is inserted in the space for the name of your proxy, the Chairman of the 9th AGM will act as your proxy.

Fold this flap for sealing

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Affix
Stamp

The Company Secretary
Sentral REIT Management Sdn Bhd
(formerly known as MRCB Quill Management Sdn Bhd)
The Manager of Sentral REIT
(formerly known as MRCB-Quill REIT)

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

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www.sentralreit.com



Sentral REIT Management Sdn Bhd

(formerly known as MRCB Quill Management Sdn Bhd)
Company No. 200601017500 (737252-X)
(the Manager of Sentral REIT)

Level 35, Menara NU 2, No. 203, Jalan Tun Sambanthan,
Kuala Lumpur Sentral, 50470 Kuala Lumpur.
Tel : +603 2786 8080 / 2859 7070
Fax : +603 2780 0098

