

TOWER REAL ESTATE INVESTMENT TRUST (“TOWER REIT”)

Summary of key matters discussed at the 6th Annual General Meeting of Tower REIT held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 17 April 2018 at 10.00 a.m.

- 1. Noticed that under the Fund Performance on page 11 of Tower REIT 2017 Annual Report, the revenue, income and distribution for the past 5 years shows a decline whilst the gearing remains healthy at zero. Is there any plan to increase the occupancy rate of the existing assets in consideration of the present tough market situation and of any medium term plan to increase the assets?**

Response:

- The focus during the current down time is to increase occupancy rate and actions taken include tighter engagements with property agents and support from Hong Leong Group to take up vacant spaces in the buildings. Moving forward, the occupancy rate is expected to improve to healthy level in the next few quarters especially for HP Towers.
- Taking opportunity of the current downtime, enhancements are being undertaken aimed at low cost high impact improvements on the overall outlook and lobby area of the assets. The Manager is also actively on a look out for good assets to acquire.
- The Manager’s main focus for Tower REIT is to increase occupancy rate, improve operation performance, upgrading of the assets and acquisition of new asset(s) for growth.

- 2. When is the expiry of the lease of major tenant? Any pressure to reduce rentals rates for those near expiry?**

Response:

- There are 2 major tenants up for renewal at the end of 2018. Engagements had been made to secure early tenancy renewals. The normal term of a tenancy is 3 years and that there are some new anchor tenants coming in.

- 3. The occupancy rates of the existing 2 buildings are only 51% and 58% which is lower than the average rate of about 80% for office buildings in KL and PJ. Has the Company appointed any real estate agent to market the properties?**

Response:

- The Manager is continuing its effort to improve occupancy rates and had engaged all real estate agents to market the assets. With some success seen in tenancy renewals and new deals locked in, the occupancy rate for at least 1 of the existing building is expected to be higher than the market average. For tenant retention, relationship agents had been appointed for direct engagements with tenants.

Tower REIT
Re: Q&A (6th AGM)

- 4. In reference to Note 10 of the Financial Statements on page 56 of Tower REIT 2017 Annual Report, why is there a necessity to provide for a deferred tax liability on the fair value gain of investment properties that have not been sold? Please explain on the accounting policy.**

Response:

- A deferred tax liability at 5% real property gain tax (“RPGT”) had been provided on the fair value gain of investment properties based on a prudent concept, following the imposition by the Inland Revenue Board (“IRB”) on the disposal of Menara ING although it was held for more than 5 years.
- The appeal against IRB’s 2015 tax assessment is still ongoing and a hearing with IRB is tentatively scheduled in August 2018. If the outcome of the appeal to IRB is favorable to Tower REIT, the deferred tax liability will be reversed out accordingly.

- 5. In reference to Note 12 of the Financial Statements on page 57 of Tower REIT 2017 Annual Report, the property management fees for FY 2017 of RM336,000 is similar to that for FY 2016 although the net rental income had declined from RM23 million to RM20 million in FY 2017. Please explain the basis for charging the property management fees.**

Response:

- The basis for the property management fees charged by Laurelcap Sdn Bhd (“Laurelcap”), Property Manager of Tower REIT, is on per square foot of the 2 properties managed by them, in line with the industry standard.

- 6. Under the property operating expenses, why are the assessment charged for FY 2017 is the same for last year at RM2.9 million when the occupancy rates had declined. Has the Company request from the local authority for a rebate in view of the declined in occupancy rates?**

Response:

- The assessment charged by the local authority is fixed. HP Tower managed to obtain a rebate of about RM400,000 for FY 2017 due to its lower occupancy rate whilst the Manager is still appealing for a rebate for Menara HLA.