TOWER REAL ESTATE INVESTMENT TRUST

Summary of key matters discussed at the 7th Annual General Meeting of Tower Real Estate Investment Trust ("Tower REIT") (7th AGM) held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 17 October 2019 at 10.00 a.m.

1. **In reference to the Statement of Comprehensive Income on page 58 of Tower REIT 2019 Annual Report, the reason for the unrealised loss of RM9,798,000 for the period ended 30 June 2019.**

   Response:

   - The unrealised loss pertains to the additional provision for deferred tax liability on the fair value gain of the existing two buildings at 10% Real Property Gain Tax ("RPGT") from 5% of the previous financial year.

   Why is there a necessity for such provision when the buildings have not been sold?

   Response:

   - The provision was made to account for all potential cost in the event Tower REIT realise the value of such buildings.

   Will the provision change every year?

   Response:

   - The provision will only change each financial year if there is a change to the RPGT rate or changes to the fair value of the buildings.

2. **What is the outlook for Tower REIT considering the low occupancy rate and challenging property market? Is Tower REIT expected to perform better in 2020? Any long or medium term plans to increase the number of properties in its portfolio to achieve economics scale of operations?**

   Response:

   - Business prospects remains challenging with the oversupply situation especially for commercial office space in Klang Valley coupled with an extremely weak overall economic climate.

- There are two key strategies that Tower REIT are undertaking to address the challenging market conditions. They are as follows:

  (i) Diversification – as part of the 7th AGM Agenda, to seek the unitholders' approval to widen the portfolio from just commercial office space. The Manager have been evaluating many potential assets to acquire, looking at the suitability of each asset;

  (ii) Within Tower REIT's existing buildings, Tower REIT is seeking to build an eco-system for its tenants as opposed to offer of space. Moving forward, new economies and companies are ecosystem within the buildings. As such, The HLX (The Hong Leong Exchange) was introduced in April 2019 in Menara HLA.

How about for Plaza Zurich? And how Tower REIT makes a profit despite the lower occupancy rate?

Response:

- Actions have been taken to address the reducing occupancy rate. The Manager has managed to negotiate favorable early termination terms for which the amount paid for unexpired term of the rent had resulted in additional gain that has buffered Tower REIT's loss of rental income.

- Seek additional/alternate sources of revenue such as building naming rights.

- The building is also undergoing enhancements to improve its offerings such as new food and beverage (F&B) outlets, exciting new spaces at the ground floor area including a covered walkway that links to the Semantan MRT station to create traffic passing through the building.

Is there any hope of Hong Leong Group companies moving into Tower REIT's office space?

Response:

- During the 18-month period, some Hong Leong Group companies whom were renting from others have moved into Tower REIT's building.

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3. Will 2020 be better than 2019 considering the current plans and forecast?

Response:

- Amidst the challenging market, the Manager will try its best to perform better in 2020. The Manager remains very conservative and will do their best to defend its occupancy and to set itself apart from the surrounding buildings. The Manager is hopeful that occupancy will improve in the medium term.

- Occupancy of the building is expected to improve given the efforts taken on Menara HLA to attract tenants mainly due to the introduction of The HLX concept.

4. It was noted that the occupancy rate in Menara HLA and Plaza Zurich was 34% and 64% respectively. Can Management confirm if Tower REIT has requested for a rebate on assessment charged from the local authority in view of the low occupancy rates and whether Tower REIT has succeeded in getting such rebate?

Response:

- Every half year, the Manager will monitor and write in to the local authority to ask for rebates.