

Summary of key matters discussed at the 11th Annual General Meeting of Tower Real Estate Investment Trust (“Tower REIT”) held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Monday, 16 October 2023 at 2.30 p.m.

1. What is the business outlook for Tower REIT in the next few years?

What are the steps taken to improve the financial performance of Tower REIT?

Response:

- The office market remains challenging due to imbalance of supply and demand of office space, particularly in the Klang Valley. This imbalance has exerted downward pressure on rental rates. Although there is improvement in leasing activities, prospective tenants remain cautious in making commitments, with many reassessing their workplace needs after the COVID-19 pandemic.

In addition to challenges in the office market, Tower REIT is facing the compounding effects of escalating electricity tariffs, inflation in input costs, rising interest rates and higher labour cost. These factors will affect Tower REIT's financial performance over the next few years.

- Nevertheless, the Manager of Tower REIT (the “Manager”) will continue to take proactive steps to improve the occupancy rate of its three buildings. This involves improving offerings to target markets, enhancing facility management services and formulating innovative strategies to enhance the attractiveness of the buildings. The Manager will also continue to optimise operational efficiency and cost efficiencies of the three buildings. Through these proactive steps, Tower REIT is positioned to navigate challenges in the office market and aim for better performance in the next few years.

2. What are the strategies to improve the occupancy rate of Menara HLX?

What are the steps taken to reduce energy cost?

Response:

- To improve the occupancy rate of Menara HLX, the Manager has implemented robust marketing strategies to showcase and promote the available office space. The marketing team has also undertaken thorough analysis of the office space market in Klang Valley, benchmarking pricing against competitors to ensure that the rental rates for Menara HLX are competitive and attractive. Key focus has also been placed on understanding leasing trends and tailoring offerings to cater the specific requirements of tenants. Through a combination of strategic marketing, competitive pricing and understanding tenants’ requirements, the occupancy rate of Menara HLX has recently improved. The Manager will continue to take proactive steps to achieve a better occupancy rate for Menara HLX.

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- The Manager has taken cost containment measures to reduce operational costs, including energy consumption of the three buildings. Also, through asset enhancement initiatives, the buildings will be able to reduce their overall energy costs. In line with these initiatives, part of the air-condition system of Menara HLX has been upgraded recently and this will lower the energy consumption for Menara HLX. This strategic initiative also aligns with Tower REIT’s ongoing efforts to promote energy savings and sustainability.

3. Why does Tower REIT seek unitholders’ approval to renew the mandate to allot and issue new units in Tower REIT (“Proposed Renewal of Authority Mandate”)?

Is there an intention to increase the number of units issued in Tower REIT?

Response:

- Presently, there is no intention to increase the number of units issued in Tower REIT.
- The Proposed Renewal of Authority Mandate will enable the Manager to take swift action in case of, inter-alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new units, and to avoid delay and cost in convening unitholders’ meetings to approve such issue of units.

4. As shown in the Statement of Financial Position as at 30 June 2023 (Page 71 of the Annual Report 2023), the cash and bank balances of RM1.32 million was recorded whereas the borrowings were RM260.29 million. Will this cause any potential cash flow concerns for Tower REIT?

Response:

- Tower REIT has an existing unutilised banking facilities of approximately RM30.0 million in case Tower REIT requires additional funds for its operational and capital expenditure.
- Besides that, Tower REIT recorded an annual net cash of RM14.95 million which was generated from operating activities in the financial year ended 2023.
- For information, the total bank borrowings as at 30 June 2023 was RM271.29 million, represented approximately 33.57% of the total assets of Tower REIT and was within the borrowing limit of 50% of the total assets of Tower REIT as stipulated under the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts.