

Summary of key matters discussed at the 8th Annual General Meeting of Tower Real Estate Investment Trust (“Tower REIT”) (8th AGM) held at the Beyond4 Digital Campus, Level 6, Menara HLX, No. 3, Jalan Kia Peng, 50450 Kuala Lumpur on Tuesday, 13 October 2020 at 10.00 a.m.

- 1. What is the Management’s strategy against the current challenging economic conditions and to turnaround the revenue growth including the level of achievements to date in addressing the declining revenue?**
- 2. Having spent about RM20 million on enhancement and refurbishment to Menara HLX, kindly elaborate on the improvements to the property and the additional yield derived from it including the strategies to improve the current occupancy rate of 21% (lowest among the properties).**

Response:

- At present, Tower REIT is facing unprecedented supply in the Kuala Lumpur market. From the Manager’s observation, most companies are moving away from pure leases towards the consideration of what value-added services a landlord is able to offer them. The Manager has also identified that there is stronger demand for training and meeting spaces than office space in Kuala Lumpur City Centre and accordingly, is considering to fit out more floors for such purposes.
- The marketing strategy is to attract people into the building via tech meetings and training in order to create an interest for them to move their offices into the building.
- All assets have been upgraded over the past 3 years including Menara HLX at the cost of about RM11 million.
- Menara HLX, branded as The Hong Leong Exchange, is Malaysia’s first integrated innovation exchange with Malaysian Digital Economy Corporation (MDEC) as one of its strategic partners to support and drive technology companies into our space.
- In summary, pure leasing is not competitive and there is no large demand in the market. With people interested in digitalization, the Manager’s strategy is to leverage on technology to provide tenants the solutions to business disruptions and entice them to Menara HLX.
- The Manager has also taken steps to reduce cost while maintaining the minimum operating cost required to maintain the quality of the buildings and retain its tenants.
- The RM20 million on asset enhancement innovation (AEI) incurred for Menara HLX and Plaza Zurich involved major lift upgrades and installation of a fiber optic backbone in the buildings.

Tower REIT

Re: Summary of key matters discussed (8th AGM)

- The occupancy rate of Menara HLX has improved slightly to 24.5% as of October 2020. The average rental rate is on a down trend from RM5.80 on 30 June 2020 to RM4.90 at present.
- 3. In reference to page 81 of Tower REIT 2020 Annual Report, the revolving credit of RM24 million is repayable upon its maturity on 20 July 2020. What is the position of the current loan funding?**

Response:

- The maturing revolving credit has been extended at the prevailing rate of 2.90%, a reduction in borrowing cost due to the overall market rate.