

Summary of key matters discussed at the 10th 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 Friday, 21 October 2022 at 2.30 p.m.

1. What are the strategies to improve the declining performance of Tower REIT?

What are the plans for Tower REIT in the medium term and long term?

Response:

- Tower REIT’s performance was adversely affected by the Covid-19 pandemic and the consequent lockdown measures taken by the Government. Almost all businesses were affected as well with many forced to close down. Tower REIT had offered rent concession to certain financially distressed tenants to ease their burden during the pandemic.

While economic recovery is underway after the relaxation of the Covid 19 lockdowns, commercial enterprises remained generally cautious and the three buildings of Tower REIT did not see a significant improvement in demand for office space. Many tenants have adopted a new hybrid working paradigm (a combination of physical office and remote working place) and this has resulted in some tenants downsizing their office space. Coupled with the oversupply of office space particularly in the Klang Valley, the office rental market continues to be challenging in the near future mainly due to mismatch of supply and demand.

The challenging outlook of office rental market and other factors such as inflation, rising interest rates and labour cost will have an impact on Tower REIT’s performance in the near future.

- Generally, in the past few months, the unit prices of most REITs have been trading at discount to their respective net asset value due to the challenging outlook of office rental market. The lack of liquidity in Tower REIT’s units has also affected the performance of its unit price.
- To sustain and improve the overall performance of the Tower REIT, the Manager of Tower REIT (“the Manager”) had taken immediate and medium-term actions, such as providing value-added services to tenants by upgrading the three buildings and offering attractive rental rates as well as office space with fit out solution services to prospective tenants. In this regard, the Manager has been working with a service provider to offer design and fit-out solution services to prospective tenants. Where possible, the Manager and its service provider may also arrange for the fit-out cost to be amortised over the term of the tenancy, rather than paid upfront. This will help ease cashflow for the prospective tenant.

The Manager will continue to take proactive steps to improve its offering to target markets, enhance its service level and adopt appropriate strategies and operational measures to improve the overall performance of Tower REIT.

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- In the long term, the Manager aimed to diversify the portfolio of Tower REIT to include residential and industrial properties through acquisitions. The investment objective of Tower REIT had been amended in 2019 to include investment in residential and industrial properties. This has allowed the Manager to explore investment opportunities in the residential and industrial property markets with long term growth potential.

The Manager will constantly explore new investment opportunities but under the current challenging rental market conditions, the Manager will be cautious in considering new investments or restructuring its portfolio.

2. What is the outlook of dividend for Tower REIT in the coming years?

Response:

The outlook of dividend for Tower REIT depends on the profitability and overall financial performance of Tower REIT. The Board of Directors of the Manager is not in the position to give any forward looking statement on whether the dividend rate for Tower REIT’s units will increase or decrease in the near future.

3. Can the Board of Directors of the Manager (“the Board”) consider presenting the financial performance and outlook of Tower REIT in future Annual General Meetings?

Response:

The Board took note of the request.