

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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CIRCULAR TO UNITHOLDERS IN RELATION TO:

PART A

PROPOSED ACQUISITION BY MTRUSTEE BERHAD, ACTING SOLELY IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF TOWER REAL ESTATE INVESTMENT TRUST ("TOWER REIT"), OF AN OFFICE BUILDING KNOWN AS MENARA GUOCO FROM DC OFFICES SDN BHD FOR A CASH CONSIDERATION OF RM242.1 MILLION ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO THE NON-INTERESTED UNITHOLDERS OF TOWER REIT IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF UNITHOLDERS' MEETING

Principal Adviser



Hong Leong Investment Bank Berhad
(Registration No. 197001000928 (10209-W))

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

Independent Adviser



MERCURY SECURITIES SDN BHD

(Registration No. 198401000672 (113193-W))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Unitholders' Meeting of Tower REIT and the Form of Proxy are enclosed in this Circular.

As a unitholder, you can appoint a proxy or proxies to attend and vote on your behalf. You must complete and deposit the Form of Proxy at the Registered Office of GLM REIT Management Sdn Bhd at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time set for the unitholders' meeting of Tower REIT ("**Unitholders' Meeting**") or at any adjournment thereof. You are not precluded from attending and voting in person at the Unitholders' Meeting should you subsequently wish to do so.

Last date and time for : Sunday, 28 June 2020 at 10.00 a.m.
lodging the Form of Proxy

Date and time of the : Tuesday, 30 June 2020 at 10.00 a.m. or at any adjournment of the
Unitholders' Meeting Unitholders' Meeting

Venue of the Unitholders' : Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6,
Meeting Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur

This Circular is dated 15 June 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

“Agreed Liquidated Damages”	:	An amount equivalent to 10% of the Purchase Consideration or such lesser amount as may be agreed between DC Offices and the Trustee in writing
“Board”	:	Board of Directors of the Manager
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Circular”	:	This circular dated 15 June 2020 to the unitholders in relation to the Proposed Acquisition
“Completion Date”	:	The date falling within the Completion Period or Extended Completion Period, as the case may be, when the full Purchase Consideration is paid, or such other date as may be agreed between DC Offices and the Trustee in writing
“Completion Period”	:	60 days from the date of compliance or satisfaction of the last of the conditions precedent or such later date as may be agreed in writing between the Trustee and DC Offices
“Compliance Period”	:	4 months from the date of the SPA or such other period as may be agreed between DC Offices and the Trustee in writing
“DC Offices”	:	DC Offices Sdn Bhd, an indirect wholly-owned subsidiary of GLM
“DCSB”	:	Damansara City Sdn Bhd, being the registered landowner of the master title of the Development Properties
“Deed”	:	Principal deed dated 17 February 2006 entered into between the Manager and the Trustee constituting Tower REIT (as amended and restated by the restated deed dated 29 May 2014 and the second restated deed dated 23 October 2019)
“Development Properties”	:	An integrated mixed development erected on that piece of freehold land held under Geran 74955, Lot 58303 in the Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur known as Damansara City, comprising 2 office buildings (including the Property), a hotel, a retail mall, serviced apartments and car parks
“Existing Agreements”	:	Collectively, all agreements and contracts entered into by DC Offices in relation to the Property or any part thereof that are in effect as at the Completion Date
“Extended Completion Period”	:	30 days from the day after expiry of the Completion Period or such other period as may be agreed between DC Offices and the Trustee in writing
“First Pacific” or “Valuer”	:	First Pacific Valuers Property Consultants Sdn Bhd, a firm of professional valuers
“FPE”	:	Financial period ended
“FYE”	:	Financial year ended/ending, as the case may be
“GLM”	:	GuocoLand (Malaysia) Berhad, a company listed on the Main Market of Bursa Securities
“HLCM”	:	Hong Leong Company (Malaysia) Berhad
“HLIB” or “Principal Adviser”	:	Hong Leong Investment Bank Berhad

DEFINITIONS (CONT'D)

“IAL”	: Independent advice letter from Mercury Securities dated 15 June 2020 to the non-interested unitholders of Tower REIT in relation to the Proposed Acquisition
“Liabilities”	: Collectively, all claims, losses, costs and expenses in relation to the Property
“LPD”	: 1 June 2020, being the latest practicable date prior to the printing of this Circular
“Manager”	: GLM REIT Management Sdn Bhd, the management company of Tower REIT
“MCO”	: Movement control order announced by the Government of Malaysia on 16 March 2020 and enforced under the Prevention and Control of Infectious Diseases Act 1988 and Police Act 1967, which order took effect from 18 March 2020
“Mercury Securities” or “Independent Adviser”	: Mercury Securities Sdn Bhd
“NAV”	: Net asset value
“Property”	: A 19-storey office building known as Menara Guoco erected on part of that piece of freehold land held under Geran 74955, Lot 58303 in the Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
“Proposed Acquisition”	: Proposed acquisition of the Property by the Trustee, acting solely in its capacity as trustee for and on behalf of Tower REIT, from DC Offices at the Purchase Consideration
“Purchase Consideration”	: Cash consideration of RM242.1 million for the Proposed Acquisition
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“SPA”	: Conditional sale and purchase agreement dated 2 March 2020 entered into between the Trustee and DC Offices in relation to the Proposed Acquisition
“Tower REIT”	: Tower Real Estate Investment Trust
“Trustee”	: MTrustee Berhad, the trustee of Tower REIT
“Unitholders’ Meeting”	: General meeting of unitholders of Tower REIT
“Valuation Certificate”	: Valuation certificate dated 19 February 2020 issued by the Valuer in relation to the Property
“Valuation Report”	: Valuation report dated 19 February 2020 issued by the Valuer in relation to the Property

All references to “you” and “unitholders” in this Circular are to the unitholders of Tower REIT.

Words denoting the singular shall, where applicable, include the plural and vice-versa, and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice-versa. References to a person shall include a corporation, unless otherwise specified.

Any reference to an enactment in this Circular is a reference to that enactment as for the time being amended or re-enacted. Any reference to the time of day in this Circular is a reference to Malaysian time.

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PART A

LETTER TO THE UNITHOLDERS IN RELATION TO THE PROPOSED ACQUISITION

Registered Office:

Level 10, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

15 June 2020

Board of Directors of the Manager:

YBhg Datuk Edmund Kong Woon Jun	<i>(Chairman; Executive/Non-Independent)</i>
YBhg Dato' Koh Hong Sun	<i>(Non-Executive/Independent)</i>
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	<i>(Non-Executive/Independent)</i>
Ms Lim Tau Kien	<i>(Non-Executive/Independent)</i>
Ms Lim Chew Yan	<i>(Non-Executive/Non-Independent)</i>

To: The unitholders of Tower REIT

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 2 March 2020, HLIB announced, on behalf of the Board, that the Trustee, acting solely in its capacity as trustee for and on behalf of Tower REIT, had on the same day entered into the SPA with DC Offices for the Proposed Acquisition.

The Proposed Acquisition is deemed to be a related party transaction in view of the interests of certain directors and major shareholders of the Manager and/or major unitholders of Tower REIT as set out in Section 10, Part A of this Circular. Accordingly, Mercury Securities has been appointed as the Independent Adviser to advise the non-interested directors of the Manager and non-interested unitholders of Tower REIT on the Proposed Acquisition in accordance with the Main Market Listing Requirements of Bursa Securities.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION IN RELATION TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING. THE NOTICE OF UNITHOLDERS' MEETING AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES, INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR, BEFORE VOTING ON THE RESOLUTION IN RELATION TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition of the Property by the Trustee from DC Offices at the Purchase Consideration, free from encumbrances and upon the terms and conditions of the SPA. The salient terms of the SPA are set out in **Appendix I** of this Circular.

2.1 Information on the Property



The Property is a 19-storey office building known as Menara Guoco erected on part of that piece of freehold land held under Geran 74955, Lot 58303 in the Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. It forms part of an integrated mixed development known as Damansara City, comprising 2 office buildings (including the Property), a hotel, a retail mall, serviced apartments and car parks.

The Property is strategically located in Damansara Heights, which is an established neighbourhood with easy accessibility from the Kuala Lumpur City Centre and Petaling Jaya. It is accessible from a few major highways and roads such as Jalan Tuanku Abdul Halim, SPRINT Highway, Jalan Kuching, Federal Highway, Damansara-Puchong Expressway and Damansara Link. In addition, the Property is also accessible via public transport such as Mass Rapid Transit with stations located at Pusat Bandar Damansara and Jalan Semantan as well as a bus station located across Jalan Johar, giving the Property excellent connectivity to other urban and sub-urban residential, commercial and industrial hubs within Klang Valley.

The Property is designed with energy efficient and green features, and is accredited with Green Building Index (GBI) and Gold Leadership in Energy and Environmental Design (LEED) certifications. Damansara City has been awarded with Multimedia Super Corridor (MSC) Malaysia Cybercentre status, with the Property as the Cybercentre's Designated Premises.

Further information on the Property is set out in **Appendix II** of this Circular.

2.2 Source of funding

The Purchase Consideration will be fully funded via debt financing.

2.3 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees to be assumed by Tower REIT, arising from the Proposed Acquisition.

2.4 Date and original cost of investment

DC Offices acquired the development rights in respect of the Property in 2012 and completed the construction in 2015 with a total cost of investment of approximately RM167.6 million as at the LPD.

2.5 Information on DC Offices

DC Offices was incorporated in Malaysia under the Companies Act 1965 on 24 May 2012 as a private limited company. It is a wholly-owned subsidiary of GLM Land Sdn Bhd, which in turn is an indirect wholly-owned subsidiary of GLM, a company listed on the Main Market of Bursa Securities. DC Offices is principally involved in property investment.

As at the LPD, the issued share capital of DC Offices is RM18,647,002 comprising 2,500,002 ordinary shares and 16,147 redeemable preference shares. The directors of DC Offices as at the LPD are YBhg Datuk Edmund Kong Woon Jun and Ms Chin Min Yann.

3. BASIS OF AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the Property of RM242.1 million as appraised by the Valuer via its Valuation Report using the investment and comparison methods of valuation. The Valuer has also been appointed by GLM to appraise the market value of the Property.

The investment method involves determining the net annual income derived from the Property by deducting all outgoings from the estimated gross annual income and then capitalising the net annual income with an appropriate capitalisation rate to arrive at the market value of the Property.

The comparison method is used to determine the market value of the Property by comparing the recent sale transactions of properties within its vicinity and making appropriate adjustments for all dissimilarities.

The Valuer has adopted the market value derived from the investment method of valuation as fair representation of the market value of the Property, taking into consideration that the Property is capable of generating regular rental income flow for its owner.

4. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the objective of the Manager to grow the distributable income of Tower REIT and provide its unitholders with regular and stable income distributions by expanding its existing portfolio of real estate to include quality properties with stable recurring income.

The Proposed Acquisition is expected to bring the following benefits to Tower REIT and its unitholders:

- (i) As at the LPD, the occupancy rate of the Property was approximately 97.1%. After the Proposed Acquisition, Tower REIT's pro forma occupancy rate for its portfolio is expected to improve from 50.0% as at the LPD to 61.4%. The committed occupancy will enhance income sustainability for Tower REIT's unitholders over the long term;
- (ii) The Proposed Acquisition is also expected to enhance the diversification of Tower REIT's tenant base across a broader range of sectors. This includes multinational and established local companies involved in sectors such as property development, tobacco, information technology and engineering. The more diverse tenant base is expected to contribute to the stability of Tower REIT's income;
- (iii) The Property is situated within a mixed-use development comprising a retail mall, a 5-star hotel, 2 Grade A office buildings (including the Property) and serviced apartments, delivering a full suite of amenities in a single location that meets the needs of office tenants beyond their demand for a productive workplace. In addition, a Mass Rapid Transit station and a bus station are within short walking distance from the Property, providing easy accessibility and connectivity for office tenants. All these attributes would raise the profile of the Property, positioning Tower REIT to benefit from robust tenant demand; and
- (iv) Upon completion of the Proposed Acquisition, Tower REIT's asset base is expected to increase by approximately 42.3% from RM572.2 million as at 30 June 2019 to RM814.3 million (assuming the Proposed Acquisition had been effected on 30 June 2019). The Proposed Acquisition will also lower the average building age of Tower REIT's property portfolio from 24 years as at the LPD to approximately 19 years. A younger property portfolio would likely attract more investor interest in Tower REIT due to lower requirement for asset enhancement initiatives or capital expenditure in the near term.

5. INDUSTRY OUTLOOK AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a lower growth of 0.7% in the first quarter of 2020 (Fourth quarter of 2019: 3.6%). At 0.7%, this was the lowest growth since the third quarter of 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the MCO in Malaysia.

Domestic demand registered a modest growth of 3.7% in the first quarter of 2020 (Fourth quarter of 2019: 4.8%), due mainly to weaker capital spending by both the private and public sectors.

The Malaysian economic outlook for 2020 will be significantly impacted by the COVID-19 pandemic as strict measures to contain the spread of the pandemic, both globally and domestically, will weigh considerably on both external demand and domestic growth. The Malaysian economy is expected to contract in the second quarter. This reflects the longer duration of containment measures both globally and domestically. As these containment measures are eased and the MCO is lifted, economic activity is expected to gradually improve in the second half of 2020. The sizable fiscal, monetary and financial measures and progress in transport-related public infrastructure projects will provide further support to growth in the second half of 2020. In line with the projected improvement in global growth, the Malaysian economy is expected to register a positive recovery in 2021.

The growth outlook is subject to significant downside risks. This arises mainly from the uncertainties surrounding the spread of COVID-19 and the duration of containment measures globally.

(Source: Bank Negara Malaysia's Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, released on 13 May 2020)

5.2 Overview and outlook of the office sector in Klang Valley and Kuala Lumpur

The office rental market remained stable in 2019. Several office buildings witnessed growth in rental rates namely Plaza See Hoy Chan, Jalan Raja Chulan, The Horizon, Bangsar South (Tower 2A, Avenue 5) and The Horizon, Bangsar South (Tower 6, Avenue 5).

The average occupancy rate for purpose-built offices reduced to 78.3% in 2019 as compared to 79.7% in 2018. The annual take-up in 2019 was at 72,716 square metres (2018: 341,604 square metres). This was due to low take-up in several purpose-built offices.

As at end-2019, there were 445 existing purpose-built offices (9,146,277 square metres) with another 21 buildings (1,478,415 square metres) in the incoming supply and 8 buildings (304,781 square metres) in the planned supply. As at the 4th quarter of 2019, the Purpose-Built Office Rental Index for Kuala Lumpur stood at 140.4 points, up by 3.2% from 136.1 points in the 4th quarter of 2018. The Purpose-Built Office Average Rental as at the 4th quarter of 2019 stood at RM54.19 per square metre (4th quarter of 2018: RM52.54 per square metre).

The purpose-built office-sector is expected to be affected by the headwinds in the global markets, the COVID-19 outbreak and expected slowdown in China. The office segment is forecasted to remain under pressure in 2020. If all the office buildings in the Klang Valley under construction and scheduled to be completed in 2020 were to be completed as scheduled, around 0.5 million square metres of net lettable office space will be released into the market in the near term, which will likely lead to lower occupancy rates and thus, further downward rental pressure. As a result, some of the older buildings with high vacancy rate might be closed down for upgrading, refurbishment, conversion to other usage or redevelopment.

(Source: Property Market Report 2019, National Property Information Centre, Valuation and Property Services Department, Ministry of Finance Malaysia)

As at 3rd quarter of 2019, the incoming supply of office space in Klang Valley remained sizeable at 36.2 million square feet, equivalent to about 30% of existing supply. It is estimated that 5.5 million square feet of office space will be completed each year until 2021, far exceeding the average annual demand of 2.3 million square feet per annum over the past 3 years. This is having a more noticeable effect on vacancy and rental rates for office spaces in the Klang Valley with conditions weakening further for non-prime properties.

Going forward, the oversupply in the office space segment will also continue to pose a drag on earnings for some firms. The economic impact of COVID-19 will further weigh down on earnings.

(Source: Financial Stability Review Second Half 2019, Bank Negara Malaysia)

5.3 Prospects of the Property

Given the uncertainties posed by the market, coupled with the subdued economic growth, commercial properties could face continued downward pressure, as tenants look at pricing over location centrality in order to manage their operating expenses. The Board observes that many companies are increasingly looking to move to the urban fringes where new sub-commercial locations have emerged such as Bangsar South, Damansara Heights, Petaling Jaya and Subang Jaya, away from the central business district and Golden Triangle areas.

The Property is strategically located in Damansara Heights with good accessibility and situated among some of the prime commercial locations and affluent neighbourhoods such as Bangsar, Sri Hartamas, Mont' Kiara, Bukit Tunku and Taman Duta. In addition, the Property is a Grade A office building with green building features and Multimedia Super Corridor (MSC) Malaysia Cybercentre status, and is enjoying an occupancy rate of approximately 97.1% as at the LPD with tenants comprising multinational and established local companies.

Taking into consideration the above factors, the Board expects that the well-located Property with good quality features, coupled with established tenant profile, would benefit from the trend of tenants in the central business district relocating to urban fringes, and would continue to achieve healthy occupancy and provide stable portfolio returns to Tower REIT in the long term. Any potential decline in rental income in the short term arising from market uncertainties would, to a certain extent, be cushioned by lower interest rates as a result of the recent interest rate reduction, and the expectation of a low interest rate environment.

(Source: The Manager)

6. RISKS OF THE PROPOSED ACQUISITION

6.1 Financing risk

Tower REIT intends to fund the Proposed Acquisition through debt financing, which would result in new interest and principal servicing obligations. The financing costs are dependent on prevailing interest rates and any future increase in interest rates could impact Tower REIT's cash flows and profitability which may, in turn, affect its distributions to its unitholders.

The Manager will actively review its debt portfolio taking into account the level, structure and nature of borrowings, and will seek to adopt cost effective and optimal mix of financing options to address any increase in interest rates that could occur in the future. However, given the current economic conditions, the Manager does not expect any increase in interest rates in the near term.

6.2 Completion risk

The Proposed Acquisition is conditional upon the fulfilment of the conditions precedent to the SPA as set out in Section 2, Appendix I of this Circular. In the event that the conditions precedent to the SPA are not fulfilled or obtained within the time frame stipulated in the SPA, it may lead to a termination of the SPA or a delay in the completion of the Proposed Acquisition. The Manager will endeavor to ensure that all the conditions precedent to the SPA are met within the stipulated time frame in order to facilitate the completion of the Proposed Acquisition.

6.3 Delays in the issuance and transfer of the strata title of the Property

The Property is part of an integrated mixed development known as Damansara City, comprising the Development Properties. DCSB will apply for strata titles for each parcel in the Development Properties, including a separate strata title for the Property.

As at the LPD, the application for strata title in respect of the Property has not been made and the duration required for the subdivision process and transfer of the strata title of the Property is uncertain and there could be possible delays in completing the said process. The Trustee will only become the registered and legal owner of the Property once the statutory instrument of transfer of the strata title to the Property in favour of the Trustee is registered by the land office.

In accordance with the terms and conditions of the SPA, DC Offices has delivered the undertaking of DCSB to procure the issuance of the strata title of the Property, to sign any memorandum of transfer and to do all other acts as shall be necessary to transfer the strata title free from encumbrance to the Trustee.

6.4 Minority ownership under the strata scheme

Based on the share units allocated to the Property under the strata scheme of Damansara City, Tower REIT will not have majority ownership of and control over the said strata scheme upon completion of the Proposed Acquisition. The risks associated with holding a minority interest in a strata scheme include the inability to direct and control certain matters that may affect the Property, including:

- (i) the management and maintenance of common property affecting the Property;
- (ii) the appointment of representative(s) from Tower REIT to be member(s) of the joint management committee or being out-voted by the other members on the joint management committee;
- (iii) the appointment of independent registered property manager of such experience and quality as Tower REIT may deem appropriate for the proper management of the common property affecting the Property;
- (iv) the charging of service charge and sinking fund, to the extent that Tower REIT views any such amount charged to be excessive in the light of the facilities made available by way of common property; and
- (v) any proposal or resolution to change or impose any expenditure or expenses if Tower REIT is of the view that such expenditure or expenses are inappropriate or excessive.

There is no assurance that the direction of the joint management committee will be aligned with those of Tower REIT in terms of managing and maintaining the common property affecting the Property.

Notwithstanding the above, the Manager is of the view that such risks can be mitigated as the law requires the joint management body (and the management corporation on due establishment thereof) to properly maintain and upkeep the common property. Further, the common property affecting the Property is very limited. In any event, the Manager may further mitigate such risks by seeking the appointment of a representative on the joint management committee (or the management committee on establishment thereof) to safeguard the interest of Tower REIT. In addition, the law also affords protection and recourse to parcel owners to raise any issue of disputes to the Commissioner for Buildings, the Strata Management Tribunal and/or the courts, as the case may be, for adjudication.

The Manager notes that office buildings are increasingly built as part of integrated developments. With this rising trend, it therefore becomes inevitable that Tower REIT will consider suitable office building within integrated development to diversify and enlarge the portfolio of assets under its management, even though Tower REIT may not have a majority ownership of and control over the strata scheme of the integrated development. Despite Tower REIT not having majority ownership of and control over the strata scheme based on the share units allocated to the Property under the strata scheme of Damansara City, Tower REIT will have control and own the entire Property upon completion of the Proposed Acquisition.

The Property meets the key investment objective and criteria of Tower REIT, and is expected to add value to Tower REIT's portfolio and improve returns to unitholders in the long run. With the above measures in place to mitigate the risk associated with holding a minority interest in a strata scheme upon completion of the Proposed Acquisition, the Manager is of the view that it is in the best interest of Tower REIT to undertake the Proposed Acquisition.

6.5 Loss of major tenants

Based on the tenancy schedule of the Property as at the LPD, the top 3 tenants of the Property collectively accounted for approximately 70.4% of the total net lettable area of the Property. These tenants are British American Tobacco (Malaysia) Berhad, Dentsu Aegis Network Malaysia Sdn Bhd and AECOM Perunding Sdn Bhd, and their tenancy agreements expire on 14 July 2020, 31 August 2022 and 30 September 2022 respectively.

If the key tenants do not renew their tenancies at expiry, it could adversely affect the operating results of Tower REIT and ultimately the ability of Tower REIT to sustain its current income levels and distribution to its unitholders.

To manage this risk, the Manager will work closely with the property manager to:

- (i) put in place active leasing and asset management strategies which are centred upon building strong tenant relationships with the existing tenants;
- (ii) pursue new rental opportunities and proactively engage tenants, whose tenancies are about to expire, in advance of renewal negotiations; and
- (iii) systematically manage tenancy renewals effectively in order to minimise vacant periods due to tenancy expiration.

6.6 Competition risk

The Property may be affected by increased competition from other office buildings in the vicinity. The increase in supply of new office space will provide existing and prospective tenants with a wider choice of available office space to rent and this could potentially exert downward pressure on rental rates, which may adversely impact Tower REIT's cash flow and its ability to make distribution to its unitholders.

Nevertheless, the Property is relatively new and is strategically located in Damansara Heights and among some of the prime commercial locations and affluent neighbourhoods. It is easily accessible via public transport, giving the Property excellent connectivity to other urban and sub-urban residential, commercial and industrial hubs within Klang Valley.

6.7 Property investment risks

The returns available to Tower REIT from the Proposed Acquisition depend largely on the revenue and income generated by the Property. These are subject to investment risks, which include, among others, general downturn in the global and Malaysian economy, developments in the political and regulatory landscape, changes in the demand and supply of office spaces in the vicinity of the Property, ability to secure tenants as well as changes in market rental rates. In addition, any decline in economic conditions as a result of the recent COVID-19 pandemic and the MCO, if prolonged, may affect the market value of the Property. It may also affect the ability of the Property's tenants to pay their rents in a timely manner or continue their tenancies, and this may in turn affect Tower REIT's cash flow and its ability to make distribution to its unitholders.

Tower REIT will monitor closely and continually assess any decline in economic conditions and the impact on the Proposed Acquisition caused by the COVID-19 pandemic and the MCO. Upon completion of the Proposed Acquisition, Tower REIT will work with the relevant parties to take appropriate and timely measures to address and mitigate such impact including active engagement with tenants as well as reviewing costs and expenses. Tower REIT will also, together with the relevant parties, implement such preventive and precautionary health and safety measures in the Property as may be prescribed by the relevant authorities.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Unitholder's capital and substantial unitholders' unitholdings

The Proposed Acquisition will not have any effect on the unitholders' capital and substantial unitholders' unitholdings in Tower REIT.

7.2 Earnings and distributable income

For illustrative purposes, assuming that the Proposed Acquisition was completed on 1 January 2018 (i.e. the beginning of the 18-month FPE 30 June 2019), the pro forma effects on the realised net income of Tower REIT for the 18-month FPE 30 June 2019 are as follows:

	Audited for the 18-month FPE 30 June 2019 (RM'000)	Pro forma assuming the Proposed Acquisition was completed on 1 January 2018 (RM'000)
Audited realised net income of Tower REIT	23,625	23,625
Add: Incremental net income contribution of the Property ⁽¹⁾	-	16,919
Less: Incremental management fees ⁽²⁾	-	(1,108)
Less: Cost of financing ⁽³⁾	-	(13,255)
Pro forma net income of Tower REIT	23,625	⁽⁴⁾26,181
Income distribution ⁽⁵⁾	22,524	24,950
Total number of units in issue ('000)	280,500	280,500
Earnings per unit (sen)	8.4	9.3
Distribution per unit (sen)	8.0	8.9

Notes:

- (1) Computed based on the net income of the Property for the 6-month FPE 30 June 2018 and FYE 30 June 2019.
- (2) Comprising incremental base fee and performance fee to be paid to the Manager computed based on the incremental gross asset value and net property income of the Property respectively for the 6-month FPE 30 June 2018 and the FYE 30 June 2019.
- (3) Assuming floating interest rate of 3.65% per annum for the debt financing to fund the Purchase Consideration.
- (4) Excluding one-off estimated expenses in relation to the Proposed Acquisition, which are not allowed to be capitalised as part of the Property, of approximately RM0.2 million.
- (5) Computed based on the payout ratio of approximately 95.3% of realised net income for the 18-month FPE 30 June 2019. For illustration purposes, the proforma income distribution is also computed based on the same payout ratio of approximately 95.3%, which is in line with Tower REIT's approved payout policy to distribute at least 90% of its distributable income to its unitholders.

The net income of the Property as shown in the table above does not take into account the positive rental reversions of approximately RM0.2 million per annum which took effect after the 18-month FPE 30 June 2019 due to the renewal of tenancy agreements in October 2019. For the 9-month FPE 31 March 2020, the unaudited net income of the Property amounted to approximately RM9.0 million, while the pro forma estimated incremental management fees and cost of financing for the same period amounted to approximately RM7.2 million.

The Proposed Acquisition is not expected to have any material effect on Tower REIT's earnings and distributable income for the FYE 30 June 2020 as it is expected to be completed by the 3rd quarter of 2020. The Proposed Acquisition is expected to contribute positively to the future earnings and distributable income of Tower REIT after taking into consideration the future increase in net property income from the expected rental reversions of the Property, the additional distributable income and its distribution policy.

7.3 NAV per Unit and gearing

The pro forma effects of the Proposed Acquisition on the NAV per unit and gearing of Tower REIT, based on the audited statement of financial position of Tower REIT as at 30 June 2019 and on the assumption that the Proposed Acquisition had been effected on that date, are as follows:

	Audited as at 30 June 2019 (RM'000)	Pro forma assuming the Proposed Acquisition had been effected on 30 June 2019 (RM'000)
Unitholders' capital	285,345	285,345
Undistributed income – realised	69,009	⁽³⁾ 68,839
Undistributed income – unrealised	185,722	185,722
NAV	540,076	539,906
No. of units in circulation ('000)	280,500	280,500
NAV per unit (RM)		
- Before income distribution	1.9254	1.9248
- After income distribution ⁽¹⁾	1.8861	1.8855
Total borrowings	100	⁽⁴⁾ 242,200
Total asset value	572,166	814,266
Gearing ratio (%) ⁽²⁾	*	29.7

Notes:

* Negligible.

(1) After the final income distribution of 3.93 sen per unit which was paid in August 2019.

(2) Calculated as total borrowings divided by total asset value.

(3) After deducting one-off estimated expenses in relation to the Proposed Acquisition, which are not allowed to be capitalised as part of the Property, of approximately RM0.2 million.

(4) Assuming the incidental costs associated with the Proposed Acquisition of approximately RM4.1 million, which are capitalised as part of the Property, are paid from cash and bank balances.

8. APPROVALS REQUIRED / CONCURRENCE SOUGHT

8.1 The Proposed Acquisition is subject to approvals being obtained from:

- (i) the unitholders of Tower REIT at the forthcoming Unitholders' Meeting;
- (ii) the shareholders of GLM at an extraordinary general meeting to be convened; and
- (iii) any other relevant authority and/or party, if required.

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is approximately 44.8%.

- 8.2 Based on the share units allocated to the Property under the strata scheme of Damansara City, Tower REIT will not have majority ownership of and control over the said strata scheme upon completion of the Proposed Acquisition. In this connection, HLIB had, on behalf of the Manager, sought the concurrence of the Securities Commission Malaysia, and the latter had, vide its letter dated 18 December 2019, concurred that the Proposed Acquisition complies with Paragraph 8.09(b) of the Guidelines on Listed Real Estate Investment Trust issued by the Securities Commission Malaysia.

9. CONDITIONALITY OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not conditional upon any other proposals undertaken or to be undertaken by Tower REIT.

Save for the Proposed Acquisition, there is no other intended corporate exercise/scheme which has been announced by the Manager but not yet completed before the printing of this Circular.

10. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS OF THE MANAGER, MAJOR UNITHOLDERS OF TOWER REIT AND/OR PERSONS CONNECTED WITH THEM

Saved as disclosed below, none of the directors and major shareholders of the Manager, major unitholders of Tower REIT and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition:

- (i) GLM, which is a major unitholder of Tower REIT through GLM Equities Sdn Bhd, is also the holding company of the Manager and DC Offices;
- (ii) HLCM, which is a major unitholder of Tower REIT through GLM Equities Sdn Bhd, Hong Leong Assurance Berhad and certain other subsidiaries, is also a major shareholder of the Manager and DC Offices through GLM;
- (iii) YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng and Mr Kwek Leng Kee, who are the major shareholders of HLCM, are also major shareholders of the Manager and DC Offices through GLM, as well as major unitholders of Tower REIT;
- (iv) YBhg Datuk Edmund Kong Woon Jun, who is a director of the Manager, is also a director of DC Offices and the Group Managing Director of GLM; and
- (v) Ms Lim Chew Yan, who is a director of the Manager, is also a director of certain subsidiaries of HLCM.

YBhg Datuk Edmund Kong Woon Jun and Ms Lim Chew Yan have abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition at the relevant board meetings.

The interested parties above will abstain and will ensure that persons connected with them will also abstain from voting in respect of their direct and/or indirect unitholdings in Tower REIT on the resolution pertaining to the Proposed Acquisition to be tabled at the Unitholders' Meeting.

The direct and indirect unitholdings of the interested directors and major shareholders of the Manager as well as the interested major unitholders of Tower REIT as at the LPD are as follows:

	Direct		Indirect	
	No. of units (‘000)	%	No. of units (‘000)	%
<u>Interested directors</u>				
YBhg Datuk Edmund Kong Woon Jun	-	-	-	-
Ms Lim Chew Yan	-	-	-	-
<u>Interested major shareholders of the Manager</u>				
GLM	-	-	⁽¹⁾ 60,769	21.7
HLCM	-	-	⁽¹⁾ 151,836	54.1
YBhg Tan Sri Quek Leng Chan	-	-	⁽²⁾ 151,836	54.1
Mr Kwek Leng Beng	-	-	⁽²⁾ 151,836	54.1
Mr Kwek Leng Kee	-	-	⁽²⁾ 151,836	54.1
<u>Interested major unitholders of Tower REIT</u>				
GLM Equities Sdn Bhd	60,769	21.7	-	-
Hong Leong Assurance Berhad	57,771	20.6	-	-
GLM	-	-	⁽¹⁾ 60,769	21.7
HLCM	-	-	⁽¹⁾ 151,836	54.1
YBhg Tan Sri Quek Leng Chan	-	-	⁽²⁾ 151,836	54.1
Mr Kwek Leng Beng	-	-	⁽²⁾ 151,836	54.1
Mr Kwek Leng Kee	-	-	⁽²⁾ 151,836	54.1

Notes:

- (1) Held through subsidiary(ies).
- (2) Held through HLCM and a company in which the major shareholder and/or major unitholder has interest.

11. RELATED PARTY TRANSACTIONS

Save for the Proposed Acquisition, there were no other related party transactions entered into between Tower REIT and DC Offices for the preceding 12 months from the date of this Circular.

12. AUDIT COMMITTEE’S STATEMENT

The Board Audit & Risk Management Committee of the Manager, after having considered the evaluation of the Independent Adviser and deliberated on all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:

- (i) in the best interest of Tower REIT;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested unitholders of Tower REIT.

13. DIRECTORS’ RECOMMENDATION

The Board (save for YBhg Datuk Edmund Kong Woon Jun and Ms Lim Chew Yan), after having considered the evaluation of the Independent Adviser and the Board Audit & Risk Management Committee of the Manager, and deliberated on all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of Tower REIT.

As such, the Board (save for YBhg Datuk Edmund Kong Woon Jun and Ms Lim Chew Yan) recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

14. TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by the 3rd quarter of 2020. The tentative timetable for the implementation of the Proposed Acquisition is set out below:

Event	Tentative date
Unitholders' Meeting	30 June 2020
Completion of the Proposed Acquisition	By end August 2020

15. UNITHOLDERS' MEETING

The forthcoming Unitholders' Meeting, the Notice of which is enclosed in this Circular, will be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 30 June 2020 at 10.00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolution to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at our forthcoming Unitholders' Meeting, please complete the Form of Proxy, which is attached in this Circular, in accordance with the instructions contained therein and deposit it at the Registered Office of the Manager at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time set for the forthcoming Unitholders' Meeting or at any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the forthcoming Unitholders' Meeting should you subsequently wish to do so.

16. FURTHER INFORMATION

You are requested to refer to the enclosed appendices for further information.

Yours faithfully,
For and on behalf of the Board of
GLM REIT MANAGEMENT SDN BHD
(The Manager of Tower Real Estate Investment Trust)

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH
Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES TO THE
NON-INTERESTED UNITHOLDERS OF TOWER REIT IN RELATION TO THE PROPOSED ACQUISITION**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposed Acquisition.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter to the unitholders in relation to the Proposed Acquisition in Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposed Acquisition.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming Unitholders’ Meeting.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

1. INTRODUCTION

On 2 March 2020, the Trustee, acting solely in its capacity as trustee for and on behalf of Tower REIT, had entered into the SPA with DC Offices for the Proposed Acquisition.

In view of the interests of certain directors and major shareholders of the Manager and/or major unitholders of Tower REIT (*see Section 10, Part A of the Circular for their interests and course of actions in relation to the Proposed Acquisition*), the Proposed Acquisition is deemed to be a related party transaction. Accordingly, Mercury Securities has been appointed as the Independent Adviser to advise the non-interested directors of the Manager and non-interested unitholders of Tower REIT on the Proposed Acquisition in accordance with the Main Market Listing Requirements of Bursa Securities.

Further details of the Proposed Acquisition are set out in Section 2, Part A of the Circular.

The purpose of this IAL is to provide the non-interested unitholders of Tower REIT with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested unitholders of Tower REIT, together with our recommendation on whether the non-interested unitholders of Tower REIT should vote in favour of the Proposed Acquisition.

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2. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition based on the following pertinent factors:-

Reference in IAL / Consideration factors	Our evaluation
<p>Section 3.1 Rationale and benefits of the Proposed Acquisition</p>	<p>The rationale and benefits of the Proposed Acquisition are fair and reasonable.</p> <p>The principal activity of Tower REIT is to own and invest in real estate with the investment objective to invest in a portfolio of quality office buildings, commercial properties, residential properties and industrial properties that can provide unitholders with stable distribution per unit, as well as sustainable medium to long-term growth in the NAV per unit.</p> <p>The Proposed Acquisition is in line with the principal activity and investment objective of Tower REIT in view of the following:-</p> <ul style="list-style-type: none"> (i) Strategic location of the Property. Menara Guoco (which is a Grade A office building, forming part of an integrated mixed development known as Damansara City) is strategically located with easy accessibility and great connectivity via a few major highways and roads as well as public transport such as Mass Rapid Transit and bus; (ii) Other positive attributes of the Property. The 19-storey Grade A office building is erected on part of a piece of freehold land and is designed with energy efficient and green features, and is accredited with Green Building Index (GBI) and Gold Leadership in Energy and Environmental Design (LEED) certifications. Further, Damansara City has been awarded with Multimedia Super Corridor (MSC) Malaysia Cybercentre status, with the Property as the Cybercentre's Designated Premises; (iii) Stable source of recurring income. As at the LPD, the occupancy rate of the Property was approximately 97.1%, with its tenant base diversified across a broad range of sectors which includes multinational and established local companies involved in sectors such as property development, tobacco, information technology and engineering. Based on our discussion with the Manager, there is no knowledge of any actual or intended non-renewal of tenancy by key tenants of the Property as at the LPD. Further, almost all the tenancies are on a long-term basis, with 3 terms of 3 years each. <p>Coupled with the strategic location and other positive attributes of the Property, the Proposed Acquisition is expected to contribute a stable source of recurring income to Tower REIT in the long term and ultimately, the distribution to the unitholders of Tower REIT.</p> <p>Any potential decline in rental income in the short term arising from market uncertainties would, to a certain extent, be cushioned by lower interest rates as a result of the recent interest rate reduction, and the expectation of a low interest rate environment; and</p>

EXECUTIVE SUMMARY (Cont'd)

Reference in IAL / Consideration factors	Our evaluation
	(iv) Enhancement to current portfolio. The proposed addition of the Property is expected to enhance the current portfolio of Tower REIT <i>(in terms of improving its pro forma occupancy rate, lowering its average building age as well as increasing Tower REIT's asset base)</i> and thereby, attracting investors' interest.
Section 3.2 Basis of and justification for the Purchase Consideration	<p>In evaluating the Purchase Consideration, we have reviewed the valuation conducted by First Pacific for the Property. In arriving at the opinion on the market value of the Property, the Valuer has adopted 2 methods of valuation, i.e. the investment method as the primary method and the comparison method as a check method.</p> <p>In view that the Property is an income generating property, the Valuer has adopted the market value derived from the investment method <i>(being the primary method)</i> of RM242.1 million <i>(based on the date of valuation on 22 January 2020)</i> as a fair representation of the market value of the Property.</p> <p>As the Purchase Consideration is equivalent to the market value of the Property, we are of the view that the Purchase Consideration is fair and reasonable.</p>
Section 3.3 Salient terms of the SPA	The salient terms of the SPA are fair and reasonable and are not detrimental to the interests of the non-interested unitholders of Tower REIT.
Section 3.4 Effects of the Proposed Acquisition	<p>The pro forma effects of the Proposed Acquisition (see <i>Section 7, Part A of the Circular and Section 3.4 of this IAL for further details</i>) are as follows:-</p> <p>(i) the Proposed Acquisition will not have any effect on the unitholders' capital and substantial unitholders' unitholdings in Tower REIT as the Proposed Acquisition does not involve the issuance of any new units in Tower REIT in view that the Purchase Consideration will be satisfied entirely in cash funded via debt financing;</p> <p>(ii) the Proposed Acquisition is expected to contribute positively to the future earnings and distributable income of Tower REIT.</p> <p>As illustrated in Section 7.2, Part A of the Circular, assuming that the Proposed Acquisition was completed on 1 January 2018 <i>(i.e. the beginning of the 18-month FPE 30 June 2019)</i>, the pro forma net income of Tower REIT for the 18-month FPE 30 June 2019 will increase by approximately RM2.6 million from RM23.6 million <i>(earnings per unit of 8.4 sen)</i> to RM26.2 million <i>(earnings per unit of 9.3 sen)</i>. For the purpose of this computation, the positive rental reversions of approximately RM0.2 million per annum which took effect after the 18-month FPE 30 June 2019 due to the renewal of tenancy agreements in October 2019 have not been taken into account.</p> <p>Based on the payout ratio of approximately 95.3% of realised net income for the 18-month FPE 30 June 2019, which is in line with Tower REIT's approved payout policy to distribute at least 90% of its distributable income to its unitholders, the pro forma distribution per unit will increase from 8.0 sen to 8.9 sen;</p>

Reference in IAL / Consideration factors	Our evaluation
	<p>(iii) the Proposed Acquisition will result in a marginal decrease in the NAV of Tower REIT by approximately RM0.2 million (<i>NAV per unit of 0.06 sen</i>), attributable to the estimated expenses in relation to the Proposed Acquisition, which are not allowed to be capitalised as part of the Property; and</p> <p>(iv) the gearing ratio of Tower REIT will increase from negligible to 29.7% upon completion of the Proposed Acquisition, resulting from the debt financing to fund the Purchase Consideration. The increased gearing ratio is within the limit as prescribed or permitted under the Guidelines on Listed Real Estate Investment Trusts i.e. the total borrowings of Tower REIT must not exceed 50% of its total asset value at the time the borrowings are incurred.</p> <p>Notwithstanding the marginal decrease in NAV and NAV per unit of Tower REIT and the increase in gearing ratio of Tower REIT, the Proposed Acquisition is expected to contribute positively to the future earnings of Tower REIT, especially as and when the debt financing is being repaid and after taking into account the positive rental reversions of the Property.</p> <p>In addition, taking into consideration the prospects of the Property as set out in Section 3.5 of this IAL, any appreciation in the market value of the Property will further enhance the NAV and NAV per unit of Tower REIT and lower the gearing ratio of Tower REIT.</p> <p>Based on the above, the overall effects of the Proposed Acquisition are not detrimental to the interests of the non-interested unitholders of Tower REIT.</p>
<p><u>Section 3.5</u> Prospects of the Property</p>	<p>Whilst the demand for commercial properties and rental rates may continue to be subdued due to the increase in supply vis-à-vis demand for office space, the Proposed Acquisition is expected to contribute positively to Tower REIT in view of the strategic location and other positive attributes of the Property.</p>
<p><u>Section 3.6</u> Risks of the Proposed Acquisition</p>	<p>The risks of the Proposed Acquisition and their mitigating factors are set out in Section 6, Part A of the Circular. We wish to highlight some of the risks of the Proposed Acquisition to the non-interested unitholders of Tower REIT, being (i) financing risk, (ii) delays in the issuance and transfer of the strata title of the Property, (iii) minority ownership under the strata scheme, (iv) loss of major tenants, (v) competition risk and (vi) property investment risk.</p> <p>Nonetheless, in view that Tower REIT's current portfolio solely consists of commercial buildings situated in Klang Valley, the proposed addition of the Property to Tower REIT's portfolio will not significantly change the business risk profile of Tower REIT upon completion of the Proposed Acquisition.</p>

3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition, taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposed Acquisition based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the unitholders in relation to the Proposed Acquisition, as set out in Part A of the Circular before voting on the ordinary resolution to give effect to the Proposed Acquisition at the forthcoming Unitholders' Meeting.

Premised on our evaluation of the Proposed Acquisition in Section 3 of this IAL, we are of the view that, on the basis of the information available to us, the Proposed Acquisition is **fair and reasonable** and is **not detrimental** to the interests of the non-interested unitholders of Tower REIT.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

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Headquarters:

Ground, 1st, 2nd and 3rd Floor
Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

15 June 2020

To: The non-interested unitholders of Tower REIT

Dear Sir / Madam,

TOWER REAL ESTATE INVESTMENT TRUST ("TOWER REIT")

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED ACQUISITION

This IAL is prepared for inclusion in the Circular to the unitholders of Tower REIT. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposed Acquisition.

1. INTRODUCTION

On 2 March 2020, the Trustee, acting solely in its capacity as trustee for and on behalf of Tower REIT, had entered into the SPA with DC Offices for the Proposed Acquisition.

In view of the interests of certain directors and major shareholders of the Manager and/or major unitholders of Tower REIT (see *Section 10, Part A of the Circular for their interests and course of actions in relation to the Proposed Acquisition*), the Proposed Acquisition is deemed to be a related party transaction. Accordingly, Mercury Securities has been appointed as the Independent Adviser to advise the non-interested directors of the Manager and non-interested unitholders of Tower REIT on the Proposed Acquisition in accordance with the Main Market Listing Requirements of Bursa Securities.

Further details of the Proposed Acquisition are set out in Section 2, Part A of the Circular.

The purpose of this IAL is to provide the non-interested unitholders of Tower REIT with an independent evaluation on the fairness and reasonableness of the Proposed Acquisition and whether the Proposed Acquisition is detrimental to the non-interested unitholders of Tower REIT, together with our recommendation on whether the non-interested unitholders of Tower REIT should vote in favour of the Proposed Acquisition.

Nonetheless, the non-interested unitholders of Tower REIT should rely on their own evaluation of the merits of the Proposed Acquisition before making a decision on the course of action to be taken at the forthcoming Unitholders' Meeting.

This IAL is prepared solely for the use of the non-interested unitholders of Tower REIT to consider the Proposed Acquisition and should not be used or relied upon by any other party for any other purposes whatsoever.

Butterworth - Ground, 1st, 2nd & 3rd Floor, Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai. Tel: 04-3322123 Fax: 04-3231813 / 3312195 E-mail: mercury@mersec.com.my Website: www.mercuryscurities.com.my
Kuala Lumpur - L-7-2, No. 2, Jalan Solaris, Solaris Mont' Kiara 50480 Kuala Lumpur. Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my
Melaka - No. 81, Ground Floor, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898
Penang - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuhr Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118
Johor Bahru - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO THE UNITHOLDERS IN RELATION TO THE PROPOSED ACQUISITION AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING UNITHOLDERS' MEETING.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed Acquisition. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Main Market Listing Requirements of Bursa Securities and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities ("**IAL Guide**").

Our scope as the Independent Adviser is limited to expressing an independent opinion on the Proposed Acquisition as to whether the Proposed Acquisition is fair and reasonable and whether the Proposed Acquisition is detrimental to the interests of the non-interested unitholders of Tower REIT, together with our recommendation on whether the non-interested unitholders of Tower REIT should vote in favour of the Proposed Acquisition, based on information and documents provided to us or which are available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information:-

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) the SPA;
- (iii) the Valuation Certificate and the Valuation Report;
- (iv) other relevant information, documents, confirmations and representations furnished to us by the directors, management and/or representatives (*where applicable*) of the Manager, the Trustee and Tower REIT; and
- (v) other relevant publicly available information, including but not limited to the annual reports of Tower REIT.

We have relied on the directors, management and/or representatives (*where applicable*) of the Manager, the Trustee and Tower REIT to take due care to ensure that all information, documents, confirmations and representations provided by them to facilitate our evaluation of the Proposed Acquisition are accurate, valid and complete in all material aspects. Nonetheless, we have made enquiries as were reasonable in the circumstances and undertaking reasonableness check and corroborating such information with independent sources, where possible. We are satisfied that the information provided to us or which are available to us is sufficient and we have no reason to believe that the aforementioned information is unreasonable, unreliable, inaccurate, incomplete and/or that there are any facts not contained in this IAL, the omission of which would make any information in this IAL misleading as at the LPD.

The Board has seen, reviewed and accepted the contents of this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (*save for the views and recommendation of Mercury Securities*) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, there are no other facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

The responsibility of the Board in respect of the independent advice and expression of opinion by Mercury Securities in relation to the Proposed Acquisition is limited to ensuring that accurate information in relation to Tower REIT and the Property has been provided to Mercury Securities for its evaluation of the Proposed Acquisition and to ensure that all information in relation to Tower REIT and the Property that are relevant to Mercury Securities' evaluation of the Proposed Acquisition have been completely disclosed to Mercury Securities and that there is no material fact, the omission of which would make any information provided to Mercury Securities false or misleading.

We have evaluated the Proposed Acquisition and in rendering our advice, we have considered various factors, which we believe are of relevance and general importance to an assessment of the Proposed Acquisition and would be of general concern to the non-interested unitholders of Tower REIT. Our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested unitholders of Tower REIT as a whole and not for any specific group of non-interested unitholders of Tower REIT. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situations, risk profiles or particular needs of any individual non-interested unitholder of Tower REIT or any specific group of non-interested unitholders of Tower REIT. We recommend that any individual non-interested unitholder of Tower REIT who is in doubt as to the action to be taken or requires advice in relation to the Proposed Acquisition in the context of his individual investment objectives, financial situation, risk profile or particular needs to consult his stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Further, it is not within our terms of reference to express any opinion on legal, accounting and taxation issues relating to the Proposed Acquisition.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the SPA are able to fulfill their respective obligations thereto in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time.

We shall notify the non-interested unitholders of Tower REIT if, after the despatch of this IAL, we become aware of the following:-

- (i) significant change affecting the information contained in this IAL;
- (ii) there is a reasonable ground to believe that the statements in this IAL are misleading / deceptive; and
- (iii) there is a material omission in this IAL.

The following are disclosures made pursuant to the IAL Guide:-

- (i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposed Acquisition;
- (ii) Save for our current appointment as the Independent Adviser for the Proposed Acquisition, we do not have any other professional relationship with Tower REIT in the past 2 years; and
- (iii) We are a holder of a Capital Markets Services Licence issued by the Securities Commission Malaysia as a principal adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. The corporate finance department of Mercury Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualification and experience to provide, amongst others, independent advice and render opinion on fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

As a testament to our experience and credentials as independent adviser, we have issued more than 50 independent advice circulars / letters for transactions relating to acquisitions, disposals and take-over offers since 2014, including the following:-

- (a) independent adviser to the non-interested shareholders of Caring Pharmacy Group Berhad ("**Caring**") in relation to the unconditional mandatory take-over offer by Convenience Shopping (Sabah) Sdn Bhd ("**Caring Offeror**") to acquire all the remaining ordinary shares in Caring not already held by the Caring Offeror, whereby our independent advice circular was issued on 16 March 2020;
- (b) independent adviser to the non-interested shareholders of D.B.E. Gurney Resources Berhad ("**DBE**") in relation to the proposed disposal of 51% equity interest in poultry-related companies involving the interests of related parties, whereby our independent advice letter was issued on 6 November 2019;
- (c) independent adviser to the non-interested shareholders of Lien Hoe Corporation Berhad ("**Lien Hoe**") in relation to the conditional mandatory take-over offer by Christine Holding Sdn Bhd ("**Lien Hoe Offeror**") to acquire all the remaining ordinary shares in Lien Hoe (*excluding treasury shares*) not already owned by the Lien Hoe Offeror, ultimate offeror and person acting in concert with them, whereby our independent advice circular was issued on 23 September 2019;
- (d) independent adviser to the non-interested shareholders of Dayang Enterprise Holdings Bhd in relation to the proposed subscription of new redeemable convertible preference shares in Perdana Petroleum Berhad under a proposed rights issue to be undertaken by Perdana Petroleum Berhad involving the interests of related parties, whereby our independent advice letter was issued on 13 September 2019;
- (e) independent adviser to the non-interested shareholders of Grand-Flo Berhad ("**Grand-Flo**") in relation to the unconditional mandatory take-over offer by YBG Yap Consolidated Sdn Bhd ("**Grand-Flo Offeror**") to acquire all the remaining ordinary shares in Grand-Flo not already owned by the Grand-Flo Offeror, joint ultimate offerors and persons acting in concert with them, whereby our independent advice circular was issued on 29 August 2019;

- (f) independent adviser to the non-interested shareholders of LTKM Berhad (“**LTKM**”) in relation to the conditional voluntary take-over offer by Ladang Ternakan Kelang Sdn Berhad, YBJ Capital Sdn Bhd, Datuk Tan Kok, Datin Lim Hooi Tin, Tan Yee Boon, Tan Yee Siong and Tan Chee Huey (*collectively, the “**LTKM Joint Offerors**”*) to acquire all the remaining ordinary shares in LTKM (“**LTKM Shares**”) not already held by the LTKM Joint Offerors and any new LTKM Shares that may be issued and allotted prior to the closing date of the offer arising from the exercise of outstanding option under the employees’ share option scheme in LTKM, whereby our independent advice circular was issued on 23 August 2019;
- (g) independent adviser to the non-interested shareholders of DBE in relation to the proposed joint development of a mixed development project involving the interests of related parties, whereby our independent advice letter was issued on 5 July 2019;
- (h) independent adviser to the non-interested shareholders of Tasek Corporation Berhad (“**Tasek**”) in relation to the unconditional voluntary take-over offer by HL (Cement) Malaysia Sdn Bhd and Ridge Star Limited (*collectively, the “**Tasek Joint Offerors**”*) to acquire all the remaining ordinary shares (*excluding treasury shares*) and preference shares in Tasek not already held by the Tasek Joint Offerors, whereby our independent advice circular was issued on 28 June 2019;
- (i) independent adviser to the non-interested shareholders of DBE in relation to the proposed participation in the development and assumption of the development rights to an ongoing development project involving the interests of related parties, whereby our independent advice letter was issued on 10 April 2019; and
- (j) independent adviser to the entitled shareholders of Suiwah Corporation Bhd (“**SCB**”) in relation to the proposed selective capital reduction and repayment exercise of SCB pursuant to Section 116 of the Companies Act, 2016, whereby our independent advice letter was issued on 8 April 2019.

3. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition based on the following pertinent factors:-

Consideration factors		Section
(i)	Rationale and benefits of the Proposed Acquisition	3.1
(ii)	Basis of and justification for the Purchase Consideration	3.2
(iii)	Salient terms of the SPA	3.3
(iv)	Effects of the Proposed Acquisition	3.4
(v)	Prospects of the Property	3.5
(vi)	Risks of the Proposed Acquisition	3.6

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3.1

Rationale and benefits of the Proposed Acquisition

We have considered the rationale and benefits of the Proposed Acquisition set out in Section 4, Part A of the Circular and our commentaries are as follows:-

Rationale and benefits of the Proposed Acquisition	Our commentaries
<p>The Proposed Acquisition is in line with the objective of the Manager to grow the distributable income of Tower REIT and provide its unitholders with regular and stable income distributions by expanding its existing portfolio of real estate to include quality properties with stable recurring income.</p> <p>The Proposed Acquisition is expected to bring the following benefits to Tower REIT and its unitholders:-</p> <p>(i) As at the LPD, the occupancy rate of the Property was approximately 97.1%. After the Proposed Acquisition, Tower REIT's pro forma occupancy rate for its portfolio is expected to improve from 50.0% as at the LPD to 61.4%. The committed occupancy will enhance income sustainability for Tower REIT's unitholders over the long term;</p> <p>(ii) The Proposed Acquisition is also expected to enhance the diversification of Tower REIT's tenant base across a broader range of sectors. This includes multinational and established local companies involved in sectors such as property development, tobacco, information technology and engineering. The more diverse tenant base is expected to contribute to the stability of Tower REIT's income;</p>	<p>The principal activity of Tower REIT is to own and invest in real estate with the investment objective to invest in a portfolio of quality office buildings, commercial properties, residential properties and industrial properties that can provide unitholders with stable distribution per unit, as well as sustainable medium to long-term growth in the NAV per unit.</p> <p>The Proposed Acquisition is in line with the principal activity and investment objective of Tower REIT in view of the following:-</p> <p>(i) Strategic location of the Property. Menara Guoco (<i>a Grade A office building</i>) is strategically located with easy accessibility and great connectivity whereby the Property:-</p> <p>(a) forms part of an integrated mixed development known as Damansara City, comprising another office building (Menara Hong Leong), a hotel (Sofitel KL Damansara), a retail mall (DC Mall), serviced apartments (DC Residensi Tower A and B) and car parks;</p> <p>(b) is strategically located in Damansara Heights, which is an established neighbourhood with easy accessibility from the Kuala Lumpur City Centre (<i>approximately 5 kilometres by road</i>) and Petaling Jaya (<i>approximately 10 kilometres by road</i>);</p> <p>(c) is accessible from a few major highways and roads such as Jalan Tuanku Abdul Halim, SPRINT Highway, Jalan Kuching, Federal Highway, Damansara-Puchong Expressway and Damansara Link; and</p> <p>(d) is also accessible via public transport such as Mass Rapid Transit with stations located at Pusat Bandar Damansara and Jalan Semantan as well as a bus station located across Jalan Johar, giving the Property excellent connectivity to other urban and sub-urban residential, commercial and industrial hubs within Klang Valley;</p>

Rationale and benefits of the Proposed Acquisition	Our commentaries
<p>(iii) The Property is situated within a mixed-use development comprising a retail mall, a 5-star hotel, 2 Grade A office buildings (<i>including the Property</i>) and serviced apartments, delivering a full suite of amenities in a single location that meets the needs of office tenants beyond their demand for a productive workplace. In addition, a Mass Rapid Transit station and a bus station are within short walking distance from the Property, providing easy accessibility and connectivity for office tenants. All these attributes would raise the profile of the Property, positioning Tower REIT to benefit from robust tenant demand; and</p>	<p>(ii) Other positive attributes of the Property. The 19-storey Grade A office building is erected on part of a piece of freehold land and is designed with energy efficient and green features, and is accredited with Green Building Index (GBI) and Gold Leadership in Energy and Environmental Design (LEED) certifications. Further, Damansara City has been awarded with Multimedia Super Corridor (MSC) Malaysia Cybercentre status, with the Property as the Cybercentre's Designated Premises.</p> <p>Such accreditations and certifications would render the Property more attractive to its tenants as they may enjoy various incentives and financial benefits to operate from the Property such as income tax exemption as well as savings in utility bills;</p>
<p>(iv) Upon completion of the Proposed Acquisition, Tower REIT's asset base is expected to increase by approximately 42.3% from RM572.2 million as at 30 June 2019 to RM814.3 million (<i>assuming the Proposed Acquisition had been effected on 30 June 2019</i>). The Proposed Acquisition will also lower the average building age of Tower REIT's property portfolio from 24 years as at the LPD to approximately 19 years. A younger property portfolio would likely attract more investor interest in Tower REIT due to lower requirement for asset enhancement initiatives or capital expenditure in the near term.</p>	<p>(iii) Stable source of recurring income. As at the LPD, the occupancy rate of the Property was approximately 97.1%, with its tenant base diversified across a broad range of sectors which includes multinational and established local companies involved in sectors such as property development, tobacco, information technology and engineering. Based on our discussion with the Manager, there is no knowledge of any actual or intended non-renewal of tenancy by key tenants of the Property as at the LPD. Further, almost all the tenancies are on a long-term basis, with 3 terms of 3 years each.</p> <p>Coupled with the strategic location and other positive attributes of the Property, the Proposed Acquisition is expected to contribute a stable source of recurring income to Tower REIT in the long term and ultimately, the distribution to the unitholders of Tower REIT.</p> <p>Any potential decline in rental income in the short term arising from market uncertainties would, to a certain extent, be cushioned by lower interest rates as a result of the recent interest rate reduction, and the expectation of a low interest rate environment; and</p>
	<p>(iv) Enhancement to current portfolio. The proposed addition of the Property is expected to enhance the current portfolio of Tower REIT and thereby, attracting investors' interest in view that:-</p> <ul style="list-style-type: none"> (a) pro forma occupancy rate for its portfolio is expected to improve from 50.0% as at the LPD to 61.4%; (b) average building age of Tower REIT's property portfolio will be lower from 24 years as at the LPD to approximately 19 years; and (c) Tower REIT's asset base is expected to increase from RM572.2 million as at 30 June 2019 to RM814.3 million (<i>assuming the Proposed Acquisition had been effected on 30 June 2019</i>).

Rationale and benefits of the Proposed Acquisition		Our commentaries						
Upon completion of the Proposed Acquisition, the portfolio of Tower REIT will comprise 3 commercial buildings situated within Klang Valley, as follows:-								
No.	Property	Address	Tenure	Age of building (approximately)	Net lettable area (square feet)	Occupancy rate as at the LPD (%)	Market value (RM'million)	Date of valuation
(1)	Menara HLA (a 32-storey high-rise office building with a 4-level basement car park)	No. 3, Jalan Kia Peng, 50450 Kuala Lumpur	Freehold	21 years	375,842	35.9 ⁽¹⁾	342.2	13.03.2019
(2)	Plaza Zurich (2 blocks of 9 and 21-storey office buildings with 3 levels connecting podium and 4 levels of basement car park)	No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur	Freehold	27 years	348,994	65.1 ⁽¹⁾	220.1	14.03.2019
(3)	Menara Guoco (a 19-storey office building)	No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur	Freehold	2 years ⁽²⁾	232,133	97.1	242.1	22.01.2020

Notes:-

- (1) The occupancy rates for Menara HLA and Plaza Zurich are low as the challenging operating landscape amidst the excess supply of office spaces in the market had affected the ability to secure new tenants and renew existing tenancies.
- (2) The age of building is based on the date of the Certificate of Completion and Compliance obtained for the entire development of Damansara City.

Based on the above, we are of the view that the rationale and benefits of the Proposed Acquisition are fair and reasonable.

3.2 Basis of and justification for the Purchase Consideration

In evaluating the Purchase Consideration, we have reviewed the valuation conducted by First Pacific for the Property, which is a 19-storey office building known as Menara Guoco erected on part of a piece of freehold land, bearing the postal address of No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur. As at the LPD, the occupancy rate of the Property was approximately 97.1%.

In arriving at the opinion on the market value of the Property, the Valuer has adopted 2 methods of valuation, i.e. the investment method as the primary method and the comparison method as a check method. Further details on the investment method and comparison method are as follows:-

- (i) the investment method is used to value a property that generates regular income to the owner. It involves determining the net annual income derived from the property under valuation by deducting all outgoings from the estimated gross annual income and then capitalising the net annual income with an appropriate capitalisation rate to arrive at the market value of the property. The capitalisation rate is derived by analysing the transactions of properties deemed similar in all aspects to the Property. The net annual income for the term period is based on the remaining tenancy period for each existing tenancy, while for the reversionary period, it is based on an estimate of the market rental rate subsequent to the term period and up to perpetuity; and
- (ii) the comparison method is used to determine the market value of the Property by comparing the recent sale transactions of properties within its vicinity and then making appropriate adjustments for all dissimilarities as each property is with unique characteristics, thus establishing the estimated market value of the property.

In view that the Property is an income generating property, the Valuer has adopted the market value derived from the investment method (*being the primary method*) of RM242.1 million (*based on the date of valuation on 22 January 2020*) as a fair representation of the market value of the Property.

Based on the comparison method which is used to complement the market value of the Property arrived at using the investment method, the Valuer derived a higher market value of RM242.6 million.

We are of the view that the valuation methodologies adopted by the Valuer are reasonable, appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by the Valuer and are satisfied with the reasonableness of the key bases and assumptions. As such, we are satisfied with the valuation conducted by the Valuer as well as the reasonableness of the opinion of the market value expressed by the Valuer on the Property.

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Summarised below are our commentaries in respect of the key bases and assumptions adopted in the valuation of the Property by the Valuer:-

No.	Key bases and assumptions	Our commentaries																																																																		
1.	<div>Gross monthly rental</div> <table><tr><th></th><th>Amount (RM per square foot ("psf"))</th></tr><tr><td>Gross monthly rental (Term)</td><td>4.93 to 7.00</td></tr><tr><td>Gross monthly rental (Reversionary)</td><td>6.55</td></tr></table>		Amount (RM per square foot ("psf"))	Gross monthly rental (Term)	4.93 to 7.00	Gross monthly rental (Reversionary)	6.55	<p>Fair and reasonable.</p> <p>The gross monthly rental (term) of between RM4.93 psf and RM7.00 psf is based on the actual rental agreed in the tenancy agreements. The rental rates are different depending on various factors such as space occupied, duration of the tenancy and terms as negotiated between the landlord and the tenants.</p> <p>The gross monthly rental (reversionary) of RM6.55 psf is adopted by the Valuer after taking into consideration, amongst others, the following:-</p> <p>(i) the current asking rental rates of office buildings in the surrounding neighbourhood as follows:-</p> <table><tr><th>No.</th><th>Building name</th><th>Location</th><th>Monthly rental range (RM psf)</th></tr><tr><td>(1)</td><td>Menara Millennium</td><td>Damansara Heights</td><td>5.50 to 6.20</td></tr><tr><td>(2)</td><td>Menara LGB</td><td>Taman Tun Dr. Ismail</td><td>5.70 to 6.00</td></tr><tr><td>(3)</td><td>NU Tower</td><td>KL Sentral</td><td>7.10 to 7.50</td></tr><tr><td>(4)</td><td>Menara Shell</td><td>KL Sentral</td><td>8.20 to 8.50</td></tr><tr><td>(5)</td><td>Mercu 2</td><td>KL Eco City</td><td>6.50 to 7.10</td></tr><tr><td>(6)</td><td>South Point</td><td>Mid Valley City</td><td>8.50 to 9.00</td></tr></table> <p>(ii) the rental rates between 2018 to 2019 of similar properties within the vicinity based on the Property Market Report 2019 issued by the Valuation and Property Services Department, Ministry of Finance Malaysia as follows:-</p> <table><tr><th>No.</th><th>Building name</th><th>Location</th><th>Monthly rental range (RM psf)</th></tr><tr><td>(1)</td><td>Plaza Zurich (HP Tower)</td><td>Damansara Heights</td><td>3.00 to 4.95</td></tr><tr><td>(2)</td><td>Menara BRDB</td><td>Bangsar</td><td>4.65 to 5.80</td></tr><tr><td>(3)</td><td>Menara UOA</td><td>Bangsar</td><td>4.65 to 6.00</td></tr><tr><td>(4)</td><td>Menara Sapura Kencana</td><td>Publika Sri Hartamas</td><td>5.25 to 6.50</td></tr><tr><td>(5)</td><td>Plaza Sentral (TH Tower)</td><td>KL Sentral</td><td>5.30 to 6.80</td></tr><tr><td>(6)</td><td>The Horizon, Tower 8, Avenue 5</td><td>Bangsar South</td><td>6.00 to 8.60</td></tr><tr><td>(7)</td><td>Centre Point South</td><td>Mid Valley City</td><td>5.00 to 8.20</td></tr></table> <p>(iii) similarities and differences in location, age and condition of building, size, building features and particularly taking into account the Property's MSC, GBI and LEED certifications and quality building construction work. Appropriate adjustments are made for all the dissimilarities on each unique characteristic, to derive the estimated market rental value of the Property.</p> <p>Further, we noted that the gross monthly rental over total space occupied as at the date of valuation on 22 January 2020 averaged at RM6.44 psf. The gross monthly rental (reversionary) of RM6.55 psf is only slightly higher than the said average of RM6.44 psf i.e. by less than 2%.</p>	No.	Building name	Location	Monthly rental range (RM psf)	(1)	Menara Millennium	Damansara Heights	5.50 to 6.20	(2)	Menara LGB	Taman Tun Dr. Ismail	5.70 to 6.00	(3)	NU Tower	KL Sentral	7.10 to 7.50	(4)	Menara Shell	KL Sentral	8.20 to 8.50	(5)	Mercu 2	KL Eco City	6.50 to 7.10	(6)	South Point	Mid Valley City	8.50 to 9.00	No.	Building name	Location	Monthly rental range (RM psf)	(1)	Plaza Zurich (HP Tower)	Damansara Heights	3.00 to 4.95	(2)	Menara BRDB	Bangsar	4.65 to 5.80	(3)	Menara UOA	Bangsar	4.65 to 6.00	(4)	Menara Sapura Kencana	Publika Sri Hartamas	5.25 to 6.50	(5)	Plaza Sentral (TH Tower)	KL Sentral	5.30 to 6.80	(6)	The Horizon, Tower 8, Avenue 5	Bangsar South	6.00 to 8.60	(7)	Centre Point South	Mid Valley City	5.00 to 8.20
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2.	Monthly outgoings <table><tr><th></th><th>Amount (RM per square foot ("psf"))</th></tr><tr><td>Monthly outgoings (term)</td><td>1.40</td></tr><tr><td>Monthly outgoings (reversionary)</td><td>1.47</td></tr></table>		Amount (RM per square foot ("psf"))	Monthly outgoings (term)	1.40	Monthly outgoings (reversionary)	1.47	<p>Fair and reasonable.</p> <p>The monthly outgoings (term) of RM1.40 psf is an average monthly outgoings of the Property based on the 3-year historical outgoings from 2017 to 2019.</p> <p>The monthly outgoings (reversionary) of RM1.47 psf is adopted by the Valuer to reflect an increase of approximately 5.00% from the past 3-year average in view of the rising cost due to inflation and lesser maintenance and management fee incurred given the current age of the Property.</p> <p>Further, as a comparison with the market rate, the Valuer has considered the outgoings for other office buildings within Klang Valley as follows:-</p> <table><tr><th>No.</th><th>Building name</th><th>Net lettable area (square feet)</th><th>Monthly outgoings (RM psf)</th></tr><tr><td>(1)</td><td>Menara UOA Damansara II</td><td>290,793</td><td>1.39</td></tr><tr><td>(2)</td><td>Menara UOA Bangsar – Parcel B</td><td>307,551</td><td>1.41</td></tr><tr><td>(3)</td><td>Menara Bank Muamalat</td><td>221,647</td><td>1.10</td></tr><tr><td>(4)</td><td>UOA Centre Parcels</td><td>123,950</td><td>1.26</td></tr><tr><td>(5)</td><td>Menara Axis, Petaling Jaya</td><td>181,169</td><td>1.00</td></tr></table>	No.	Building name	Net lettable area (square feet)	Monthly outgoings (RM psf)	(1)	Menara UOA Damansara II	290,793	1.39	(2)	Menara UOA Bangsar – Parcel B	307,551	1.41	(3)	Menara Bank Muamalat	221,647	1.10	(4)	UOA Centre Parcels	123,950	1.26	(5)	Menara Axis, Petaling Jaya	181,169	1.00
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3.	Allowance for void of 2.50%	<p>Fair and reasonable. The Valuer has adopted 2.50% of gross annual rental for risk of vacancy period and uncertainty vacancy between rent reviews and rent free and fitting out periods as fair representation for void, taking into consideration the following factors:-</p> <ul style="list-style-type: none">(i) <u>Age of office building</u> The Property is new (<i>approximately 2 years old</i>).(ii) <u>Occupancy rate</u> The occupancy rate of the Property is 97.1%.(iii) <u>Quality tenants</u> The Property is currently occupied by multinational and established local companies.(iv) <u>Long-term tenancies</u> Almost all the tenancies are on a long-term basis, with 3 terms of 3 years each.(v) <u>Grade A office building</u> The Property has been awarded with the MSC, GBI and LEED certifications.(vi) <u>Strategic location</u> The Property is located at the affluent neighbourhood of Damansara Heights, with direct access to public transport.																														

No.	Key bases and assumptions	Our commentaries																																										
4.	<table><tr><td></td><td>Rate (%)</td></tr><tr><td>Capitalisation rate (term)</td><td>5.50</td></tr><tr><td>Capitalisation rate (reversionary)</td><td>5.75</td></tr></table>		Rate (%)	Capitalisation rate (term)	5.50	Capitalisation rate (reversionary)	5.75	<p>Fair and reasonable. The Valuer has adopted the capitalisation rate (term) at 5.50% and capitalisation rate (reversionary) at 5.75% after taking into consideration the following:-</p> <p>(i) estimated capitalisation rate of recent transactions involving similar type of office buildings within Klang Valley as follows:-</p> <table><tr><th>No.</th><th>Building name</th><th>Year</th><th>Estimated capitalisation rate (%)</th></tr><tr><td>(1)</td><td>Menara AmFirst</td><td>2018</td><td>6.25</td></tr><tr><td>(2)</td><td>Sunway Tower</td><td>2018</td><td>6.50</td></tr><tr><td>(3)</td><td>Sunway Clio</td><td>2017</td><td>4.43</td></tr><tr><td>(4)</td><td>Menara Shell</td><td>2016</td><td>5.50</td></tr><tr><td>(5)</td><td>Tropicana City Office Tower and Mall</td><td>2015</td><td>6.00</td></tr><tr><td>(6)</td><td>NU Tower 1</td><td>2015</td><td>4.71</td></tr><tr><td>(7)</td><td>Platinum Sentral</td><td>2015</td><td>5.62</td></tr><tr><td>(8)</td><td>Dijaya Plaza</td><td>2015</td><td>5.47</td></tr></table> <p>Based on the above, the capitalisation rates range between 4.43% and 6.50%;</p> <p>(ii) relevant factors including location, age, tenancy profile, building specification / green building features and MSC status of the Property; and</p> <p>(iii) a lower capitalisation rate is adopted for the term period in order to reflect the security of the existing tenancy, certain and fixed rental income quality of the tenants.</p>	No.	Building name	Year	Estimated capitalisation rate (%)	(1)	Menara AmFirst	2018	6.25	(2)	Sunway Tower	2018	6.50	(3)	Sunway Clio	2017	4.43	(4)	Menara Shell	2016	5.50	(5)	Tropicana City Office Tower and Mall	2015	6.00	(6)	NU Tower 1	2015	4.71	(7)	Platinum Sentral	2015	5.62	(8)	Dijaya Plaza	2015	5.47
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(8)	Dijaya Plaza	2015	5.47																																									

Based on our discussions with the Manager and the Valuer, the current COVID-19 pandemic (*unless prolonged excessively*) is not expected to have a material impact to the long-term income of the Property and hence, its market value in view that:-

- (i) almost all the tenancies are on a long-term basis, with 3 terms of 3 years each; and
- (ii) there is no knowledge of any actual or intended non-renewal of tenancies as at the LPD.

Our commentaries:-

As the Purchase Consideration is equivalent to the market value of the Property, we are of the view that the Purchase Consideration is fair and reasonable.

3.3 Salient terms of the SPA

Our commentaries on the salient terms of the SPA as set out in Appendix I of the Circular are as follows:-

Salient terms of the SPA	Our commentaries
<p>(1) Agreement for sale and purchase</p> <p>The Property is sold by DC Offices and purchased by the Trustee on, among others, the following basis:-</p> <ul style="list-style-type: none"> (i) the sale of the Property is subject to fulfilment of all conditions precedent as set out in Section 2 below; (ii) the Property is sold free from encumbrance; (iii) the Property is sold together with all associated rights and benefits of DC Offices as at the Completion Date; (iv) the Property is sold subject to the Existing Agreements, and on the basis that the Existing Agreements are novated to the Trustee wherever possible, or all benefits, rights, entitlements and interest of DC Offices under the Existing Agreements are assigned to the Trustee; (v) the Property is sold subject to all conditions of title and restrictions in interest affecting the land on which the Property is situated or otherwise affecting the Property, express or implied, including all endorsements and conditions as may be set out in the strata title of the Property to be issued; (vi) the Property is sold in 'as is where is' condition as at the Completion Date; and (vii) the Property is sold with all licenses, approvals and certificate(s) of completion and compliance issued for the same. 	<p>Fair and reasonable. This clause allows that subject to fulfilment of all conditions precedent to the SPA, the Trustee (<i>acting solely in its capacity as trustee for and on behalf of Tower REIT</i>) to acquire the Property free from encumbrance and in 'as is where is' condition as at the Completion Date, together with all associated rights and benefits of DC Offices as at the Completion Date (<i>including the Existing Agreements which will be novated to the Trustee wherever possible, or all benefits, rights, entitlements and interest of DC Offices under the Existing Agreements will be assigned to the Trustee</i>).</p> <p>Upon completion of the Proposed Acquisition, Tower REIT will become the beneficial owner of the Property and shall be entitled to all rights and benefits to the Property, subject to the Existing Agreements and the conditions of relevant titles, licenses, approvals and certificates in respect of the Property and the land on which the Property is situated.</p>

Salient terms of the SPA	Our commentaries
<p>(2) Conditions precedent</p> <p>The SPA is conditional upon fulfilment of the following conditions precedent within the Compliance Period:-</p> <ul style="list-style-type: none"> (i) DC Offices having obtained the approval of the shareholders of its holding company, GLM, at a general meeting to its sale of the Property upon the terms of the SPA; (ii) the Trustee and the Manager having obtained the approval of the unitholders of Tower REIT at a unitholders' meeting to its purchase of the Property upon the terms of the SPA; (iii) the Trustee being satisfied with the results of the technical due diligence of the Property; (iv) in the event the market value of the Property as stated in the Valuation Report is varied or adjusted by the Valuer pursuant to comments received from the appropriate authorities, the Trustee and DC Offices having agreed to proceed with the sale and purchase at the Purchase Consideration or at such other price as mutually agreed between the Trustee and DC Offices. If the mutually agreed price is different from the Purchase Consideration, the parties having entered into a supplemental agreement to reflect such mutually agreed price; and (v) any other approvals or consents from third parties and any other matter as may be agreed in writing by DC Offices and the Trustee. <p>If any of the conditions precedent to the SPA is not fulfilled by the last day of the Compliance Period, either party may terminate the SPA by notice in writing to the other, whereupon the SPA shall terminate and be null and void of no further effect and neither party shall have any claim against the other party.</p> <p>The SPA shall become unconditional and effective on the date when the last of the conditions precedent is fulfilled or such later date as may be agreed in writing between the Trustee and DC Offices.</p>	<p>Fair and reasonable. The conditions precedent represent necessary approvals / procedures which are customary to facilitate the completion of the Proposed Acquisition.</p> <p>The SPA will become unconditional and effective on the date when all the conditions precedent are fulfilled or such later date as may be agreed in writing between the Trustee and DC Offices.</p> <p>As at the LPD, the Proposed Acquisition was still subject to the fulfilment of all the conditions precedent.</p> <p>If any of the conditions precedent to the SPA is not fulfilled by the last day of the Compliance Period (<i>being 4 months from the date of the SPA (2 March 2020) or such other period as may be agreed between DC Offices and the Trustee in writing</i>), either party may terminate the SPA, whereupon neither party shall have any claim against the other party.</p>

Salient terms of the SPA	Our commentaries
<p>(3) Purchase Consideration</p> <p>The Purchase Consideration agreed between DC Offices and the Trustee, on a willing-buyer willing-seller basis, is RM242.1 million and the Trustee shall pay the Purchase Consideration within the Completion Period.</p> <p>If the Trustee fails to pay the Purchase Consideration or any part thereof within the Completion Period, DC Offices shall automatically extend time by the Extended Completion Period, provided always that the Trustee pays DC Offices late payment interest (<i>chargeable at the simple interest rate of 8% per annum</i>) on the amount due and remaining unpaid, commencing from the day after the last day of the Completion Period until the date of full and final settlement of the same.</p>	<p>Fair and reasonable. Please refer to Section 3.2 of this IAL for our evaluation on the Purchase Consideration.</p> <p>Unlike most transactions of such nature, there is no deposit payment required for the Proposed Acquisition.</p> <p>The full Purchase Consideration shall be paid within the Completion Period, failing which the period for full settlement of the Purchase Consideration shall be automatically extended by the Extended Completion Period, provided that the Trustee pays DC Offices a late payment interest at the simple interest rate of 8% per annum on the outstanding amount from the day after the expiry of the Completion Period until the date of full and final settlement of the same.</p> <p>Notwithstanding the above, any delay by DC Offices to provide the relevant documents to the solicitors of the Trustee and/or its financier shall automatically extend the time for payment of the Purchase Consideration by the Trustee for a period corresponding to such delay for which DC Offices shall not be entitled to charge any late payment interest.</p>
<p>(4) Novation and assignment agreements</p> <p>The Existing Agreements shall be dealt with in the following manner:-</p> <ul style="list-style-type: none"> (i) DC Offices may request the applicable third party to the Existing Agreements to sign and return the novation agreements in relation to the Existing Agreements; (ii) in lieu of a novation agreement, the parties to the SPA may agree to the execution and delivery of new agreements to be made between the Trustee and the applicable third party and the termination of the applicable Existing Agreements and the release of DC Offices thereunder; or (iii) If any applicable third party fails to execute the novation agreement in relation to the Existing Agreement, DC Offices shall (<i>unless waived by the Trustee</i>) sign and deliver an assignment agreement to assign the full benefits, entitlements, rights, title and interests of DC Offices under and arising from that Existing Agreement to the Trustee. 	<p>Fair and reasonable. The said novation agreements / new agreements / assignment agreements serve to ensure that all benefits, rights, entitlements and interest of DC Offices in relation to the Property under the Existing Agreements as at the Completion Date will be transferred to and assumed by Tower REIT as the beneficial owner of the Property.</p>

Salient terms of the SPA	Our commentaries
<p>(5) Completion</p> <p>On payment of the full Purchase Consideration, the following shall be treated to have occurred as from the Completion Date:-</p> <ul style="list-style-type: none"> (i) full beneficial interests in, and title to, the Property shall be conveyed to the Trustee and its successors in title and lawful assigns; (ii) legal possession of the Property shall be conveyed to the Trustee; (iii) with the delivery of legal possession, risks shall pass to the Trustee; (iv) all associated rights and benefits shall be assigned absolutely and unconditionally by DC Offices to the Trustee; and (v) the Trustee shall assume the liabilities under the Existing Agreements accruing as from the Completion Date. 	<p>Fair and reasonable. Tower REIT will become the beneficial owner of the Property and shall be entitled to all associated rights and benefits to the Property upon payment of the full Purchase Consideration on the Completion Date.</p> <p>Accordingly, the Liabilities which arise on or after the Completion Date shall accrue to Tower REIT whereas the Liabilities which arise before the Completion Date shall accrue to DC Offices.</p>
<p>(6) Property sold free from claims and liabilities</p> <p>The Trustee shall indemnify DC Offices against the Liabilities that may be sustained by DC Offices if any claim is made against DC Offices for any Liabilities accruing after <i>(and including)</i> the Completion Date.</p> <p>DC Offices shall indemnify the Trustee against all Liabilities that may be sustained by the Trustee, if any claim is made against the Trustee for any Liabilities accruing before <i>(and excluding)</i> the Completion Date.</p>	

Salient terms of the SPA		Our commentaries		
(7)	Default	Fair and reasonable. This clause is a normal commercial term which governs the rights of the non-defaulting party. In an event of default, the non-defaulting party shall be entitled to the following rights and remedies:-		
(i)	If, for any reason whatsoever:-			
(a)	the Trustee fails to pay an amount due to DC Offices in accordance with the provisions of the SPA;			
(b)	the Trustee fails to observe or perform any material obligation on its part contained in the SPA (<i>other than (a) above</i>) and if such failure is capable of remedy, the Trustee having failed to remedy the same to the reasonable satisfaction of DC Offices within 10 days from the date of written notice from DC Offices to the Trustee requesting remedy thereof; or			
(c)	any of the representations or warranties of the Trustee shall at any time be found to be incorrect, untrue or misleading in any material aspect,			
	DC Offices shall be entitled to terminate the SPA by notice in writing to the Trustee, whereupon:-			
(aa)	if the Purchase Consideration or any part thereof has been paid to DC Offices, DC Offices shall deduct and forfeit the Agreed Liquidated Damages from the Purchase Consideration received by it, or if no Purchase Consideration has been paid to DC Offices, the Trustee shall pay the Agreed Liquidated Damages to DC Offices within 10 business days from the date of receipt of DC Offices' notice of termination;			
(bb)	DC Offices shall then refund and/or procure the refund of any other amount paid by the Trustee towards the Purchase Consideration (<i>if paid</i>) free of interest after deducting the Agreed Liquidated Damages;			
(cc)	in exchange of the full refund under (bb) above, the Trustee shall perform its termination obligations pursuant to the terms of the SPA,			
	and thereafter, the SPA shall terminate and be null and void and be of no further effect, and neither party shall have any claim against the other (<i>save and except for antecedent breach</i>).			

Salient terms of the SPA	Our commentaries
<p>(ii) If, for any reason whatsoever:-</p> <p>(a) DC Offices fails to perform any material obligations on its part contained in the SPA and if such failure is capable of remedy, DC Offices having failed to remedy the same to the reasonable satisfaction of the Trustee within 10 days from the date of written notice from the Trustee to DC Offices requesting remedy thereof; or</p> <p>(b) any of the representations or warranties of DC Offices shall at any time be found to be incorrect, untrue or misleading in any material aspect,</p> <p>the Trustee shall be entitled to the remedy at law for specific performance. Alternatively, at the election of the Trustee, it may terminate the SPA by notice in writing to DC Offices whereupon:-</p> <p>(aa) DC Offices shall refund and/or procure the refund of all amounts paid by the Trustee towards the Purchase Consideration together with interest accrued thereon;</p> <p>(bb) DC Offices shall pay to the Trustee the Agreed Liquidated Damages within 10 business days from the date of receipt of the Trustee's notice of termination;</p> <p>(cc) in exchange of the full refund and payment under (aa) and (bb) above, the Trustee shall perform its termination obligations pursuant to the terms of the SPA,</p> <p>and thereafter, the SPA shall terminate and be null and void and be of no further effect, and neither party shall have any claim against the other (<i>save and except for antecedent breach</i>).</p> <p>(iii) Upon termination of the SPA in accordance with (i) and (ii) above, DC Offices shall be at liberty to sell or otherwise deal with the Property in any manner as DC Offices deems fit without reference to the Trustee.</p>	<p>Please refer to our commentaries above.</p>

Based on the above, we are of the view that the salient terms of the SPA are fair and reasonable and are not detrimental to the interests of the non-interested unitholders of Tower REIT.

3.4 Effects of the Proposed Acquisition

We noted the following pro forma effects of the Proposed Acquisition from Section 7, Part A of the Circular:-

(i) Unitholders' capital and substantial unitholders' unitholdings

The Proposed Acquisition will not have any effect on the unitholders' capital and substantial unitholders' unitholdings in Tower REIT as the Proposed Acquisition does not involve the issuance of any new units in Tower REIT in view that the Purchase Consideration will be satisfied entirely in cash funded via debt financing.

(ii) Earnings and earnings per unit

The Proposed Acquisition is expected to contribute positively to the future earnings and distributable income of Tower REIT.

As illustrated in Section 7.2, Part A of the Circular, assuming that the Proposed Acquisition was completed on 1 January 2018 (*i.e. the beginning of the 18-month FPE 30 June 2019*), the pro forma net income of Tower REIT for the 18-month FPE 30 June 2019 will increase by approximately RM2.6 million from RM23.6 million (*earnings per unit of 8.4 sen*) to RM26.2 million (*earnings per unit of 9.3 sen*).

The non-interested unitholders of Tower REIT should note that the computation of pro forma effects of the Proposed Acquisition on the earnings and earnings per unit of Tower REIT above:-

- (a) includes a significant cost of financing of RM13.3 million, computed based on an assumed floating interest rate of 3.65% per annum for the debt financing to fund the Purchase Consideration. Such cost of financing will reduce as and when the debt financing is being repaid;
- (b) does not include one-off estimated expenses in relation to the Proposed Acquisition, which are not allowed to be capitalised as part of the Property, of approximately RM0.2 million; and
- (c) does not take into account the positive rental reversions of approximately RM0.2 million per annum which took effect after the 18-month FPE 30 June 2019 due to the renewal of tenancy agreements in October 2019. For the 9-month FPE 31 March 2020, the unaudited net income of the Property amounted to approximately RM9.0 million, while the pro forma estimated incremental management fees and cost of financing for the same period amounted to approximately RM7.2 million.

Based on the payout ratio of approximately 95.3% of realised net income for the 18-month FPE 30 June 2019, which is in line with Tower REIT's approved payout policy to distribute at least 90% of its distributable income to its unitholders, the pro forma distribution per unit will increase from 8.0 sen to 8.9 sen.

(iii) NAV and gearing

As set out in Section 7.3, Part A of the Circular, the Proposed Acquisition will result in a marginal decrease in the NAV of Tower REIT by approximately RM0.2 million (*NAV per unit of 0.06 sen*), attributable to the estimated expenses in relation to the Proposed Acquisition, which are not allowed to be capitalised as part of the Property.

The gearing ratio of Tower REIT will increase from negligible to 29.7% upon completion of the Proposed Acquisition, resulting from the debt financing to fund the Purchase Consideration. The increased gearing ratio is within the limit as prescribed or permitted under the Guidelines on Listed Real Estate Investment Trusts i.e. the total borrowings of Tower REIT must not exceed 50% of its total asset value at the time the borrowings are incurred.

Notwithstanding the marginal decrease in NAV and NAV per unit of Tower REIT and the increase in gearing ratio of Tower REIT, the Proposed Acquisition is expected to contribute positively to the future earnings of Tower REIT, especially as and when the debt financing is being repaid and after taking into account the positive rental reversions of the Property.

In addition, taking into consideration the prospects of the Property as set out in Section 3.5 of this IAL, any appreciation in the market value of the Property will further enhance the NAV and NAV per unit of Tower REIT and lower the gearing ratio of Tower REIT.

Based on our evaluation above, the overall effects of the Proposed Acquisition are not detrimental to the interests of the non-interested unitholders of Tower REIT.

3.5 Prospects of the Property

As set out in Section 3.1 of this IAL, the Proposed Acquisition is in line with the principal activity and investment objective of Tower REIT, which is to invest in a portfolio of quality office buildings and commercial properties that can provide unitholders with stable distribution per unit, as well as sustainable medium to long-term growth in the NAV per unit.

Menara Guoco (*which is a Grade A office building, forming part of an integrated mixed development known as Damansara City*) is strategically located with easy accessibility and great connectivity via a few major highways and roads as well as public transport such as Mass Rapid Transit and bus. Further, the MSC, GBI and LEED certifications would render the Property more attractive to its tenants as they may enjoy various incentives and financial benefits to operate from the Property such as income tax exemption as well as savings in utility bills.

Although the Property may be affected by increased competition from other office buildings in the vicinity (*including the incoming supply of 10 office blocks comprising 1.5 million square feet from the Pavilion Damansara Heights Project*), the Board observes that many companies are increasingly looking to move to the urban fringes where new sub-commercial locations have emerged such as Bangsar South, Damansara Heights, Petaling Jaya and Subang Jaya, away from the central business district and Golden Triangle areas.

Taking into consideration the abovementioned strategic location and other positive attributes of the Property, such trend of tenants in the central business district relocating to urban fringes is expected to benefit the Property in achieving healthy occupancy, positive rental reversions as well as potentially benefitting from any appreciation in market value.

Unless prolonged excessively, the current COVID-19 pandemic is not expected to have a material impact to the long-term income of the Property and hence, its market value in view that:-

- (i) almost all the tenancies are on a long-term basis, with 3 terms of 3 years each; and
- (ii) there is no knowledge of any actual or intended non-renewal of tenancies as at the LPD.

Further, any potential decline in rental income in the short term arising from market uncertainties would, to a certain extent, be cushioned by lower interest rates as a result of the recent interest rate reduction, and the expectation of a low interest rate environment.

In view of the above, whilst the demand for commercial properties and rental rates may continue to be subdued due to the increase in supply vis-à-vis demand for office space, the Proposed Acquisition is expected to contribute positively to Tower REIT in view of the strategic location and other positive attributes of the Property.

3.6 Risks of the Proposed Acquisition

In considering the Proposed Acquisition, the non-interested unitholders of Tower REIT are advised to give careful consideration to the risks of the Proposed Acquisition as set out in Section 6, Part A of the Circular. We wish to highlight some of the risks of the Proposed Acquisition to the non-interested unitholders of Tower REIT as follows:-

- (i) financing risk – as the Proposed Acquisition is intended to be fully funded via debt financing, this would result in new interest and principal servicing obligations. The financing costs are dependent on prevailing interest rates and any future increase in interest rates could impact Tower REIT's cash flows and profitability which may, in turn, affect its distributions to its unitholders.

Based on an assumed floating interest rate of 3.65% per annum (*being the assumption adopted in the illustration set out in Section 7.2, Part A of the Circular*), the borrowings of RM242.1 million will result in an additional cost of financing of RM8.8 million per annum;

- (ii) delays in the issuance and transfer of the strata title of the Property – as the Property is part of an integrated mixed development known as Damansara City (*comprising the Development Properties*), DCSB will apply for strata titles for each parcel in the Development Properties, including a separate strata title for the Property.

As at the LPD, the application for strata title in respect of the Property has not been made and there could be possible delays in completing the subdivision process and transfer of the strata title of the Property in favour of the Trustee. Without the said transfer, the Trustee would not be the registered and legal owner of the Property;

- (iii) minority ownership under the strata scheme – based on the share units allocated to the Property under the strata scheme of Damansara City, Tower REIT will not have majority ownership of and control over the said strata scheme upon completion of the Proposed Acquisition. Accordingly, Tower REIT will not be able to direct and control matters concerning management and maintenance of common property affecting the Property. Nonetheless, this is not expected to compromise materially or be detrimental to the interest of Tower REIT given that:-
 - (a) Tower REIT will have control and own the entire Property upon completion of the Proposed Acquisition; and
 - (b) the common property affecting the Property is very limited and there are legal recourse and protection available for parcel owners;
- (iv) loss of major tenants – as set out in Section 6.5, Part A of the Circular, the top 3 tenants of the Property collectively accounted for approximately 70.4% of the total net lettable area of the Property as at the LPD. These tenants are British American Tobacco (Malaysia) Berhad, Dentsu Aegis Network Malaysia Sdn Bhd and AECOM Perunding Sdn Bhd, and their tenancy agreements expire on 14 July 2020, 31 August 2022 and 30 September 2022 respectively. Any non-renewal of tenancy by the key tenants could adversely affect the operating results of Tower REIT and ultimately, the ability of Tower REIT to sustain its current income levels and distribution to its unitholders;
- (v) competition risk – the Property may be affected by increased competition from other office buildings in the vicinity whereby the increase in supply of new office space could potentially exert downward pressure on rental rates, which may adversely impact Tower REIT's cash flows and its ability to make distribution to its unitholders.

Based on the Property Market Report 2019 issued by the Valuation and Property Services Department, Ministry of Finance Malaysia:-

- (a) Kuala Lumpur: As at end-2019, there were 445 existing purpose-built offices (9,146,277 square metres) with another 21 buildings (1,478,415 square metres) in the incoming supply and 8 buildings (304,781 square metres) in the planned supply; and
- (b) Selangor: As at end-2019, there were 242 existing purpose-built offices (4,020,955 square metres) with 5 buildings (181,804 square metres) in the incoming supply and another one (10,276 square metres) in the planned supply; and
- (vi) property investment risk – the returns from the Proposed Acquisition may be affected by factors such as a general downturn in the global and Malaysian economy, developments in the political and regulatory landscape, changes in the demand and supply of office spaces in the vicinity of the Property, ability to secure tenants as well as changes in market rental rates. In addition, any decline in economic conditions as a result of the recent COVID-19 pandemic and the MCO, if prolonged, may affect the market value of the Property and the ability of the Property's tenants to pay their rents in a timely manner or continue their tenancies, and this may in turn affect the cash flow and income generated by the Property and therefore, the distributions to the unitholders of Tower REIT.

In respect of the abovementioned risks of the Proposed Acquisition, we noted from Section 6, Part A of the Circular that there are various factors and actions which will be taken by Tower REIT and the Manager to mitigate such risks.

Nonetheless, in view that Tower REIT's current portfolio solely consists of commercial buildings situated in Klang Valley, the proposed addition of the Property to Tower REIT's portfolio will not significantly change the business risk profile of Tower REIT upon completion of the Proposed Acquisition.

4. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Acquisition, taking into consideration the various factors set out in Section 3 of this IAL. You should carefully consider the merits and demerits of the Proposed Acquisition based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the unitholders in relation to the Proposed Acquisition, as set out in Part A of the Circular before voting on the ordinary resolution to give effect to the Proposed Acquisition at the forthcoming Unitholders' Meeting.

Premised on our evaluation of the Proposed Acquisition in Section 3 of this IAL, we are of the view that, on the basis of the information available to us, the Proposed Acquisition is **fair and reasonable** and is **not detrimental** to the interests of the non-interested unitholders of Tower REIT.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution to give effect to the Proposed Acquisition to be tabled at the forthcoming Unitholders' Meeting.

Yours faithfully,
For and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN
Managing Director

DENIS LIM
Director / Head of Corporate Finance

SALIENT TERMS OF THE SPA

The salient terms of the SPA are as follows:

1. Agreement for sale and purchase

The Property is sold by DC Offices and purchased by the Trustee on, among others, the following basis:

- (i) the sale of the Property is subject to fulfilment of all conditions precedent as set out in Section 2 below;
- (ii) the Property is sold free from encumbrance;
- (iii) the Property is sold together with all associated rights and benefits of DC Offices as at the Completion Date;
- (iv) the Property is sold subject to the Existing Agreements, and on the basis that the Existing Agreements are novated to the Trustee wherever possible, or all benefits, rights, entitlements and interest of DC Offices under the Existing Agreements are assigned to the Trustee;
- (v) the Property is sold subject to all conditions of title and restrictions in interest affecting the land on which the Property is situated or otherwise affecting the Property, express or implied, including all endorsements and conditions as may be set out in the strata title of the Property to be issued;
- (vi) the Property is sold in 'as is where is' condition as at the Completion Date; and
- (vii) the Property is sold with all licenses, approvals and certificate(s) of completion and compliance issued for the same.

2. Conditions precedent

The SPA is conditional upon fulfilment of the following conditions precedent within the Compliance Period:

- (i) DC Offices having obtained the approval of the shareholders of its holding company, GLM, at a general meeting to its sale of the Property upon the terms of the SPA;
- (ii) the Trustee and the Manager having obtained the approval of the unitholders of Tower REIT at a unitholders' meeting to its purchase of the Property upon the terms of the SPA;
- (iii) the Trustee being satisfied with the results of the technical due diligence of the Property;
- (iv) in the event the market value of the Property as stated in the Valuation Report is varied or adjusted by the Valuer pursuant to comments received from the appropriate authorities, the Trustee and DC Offices having agreed to proceed with the sale and purchase at the Purchase Consideration or at such other price as mutually agreed between the Trustee and DC Offices. If the mutually agreed price is different from the Purchase Consideration, the parties having entered into a supplemental agreement to reflect such mutually agreed price; and
- (v) any other approvals or consents from third parties and any other matter as may be agreed in writing by DC Offices and the Trustee.

SALIENT TERMS OF THE SPA (CONT'D)

If any of the conditions precedent to the SPA is not fulfilled by the last day of the Compliance Period, either party may terminate the SPA by notice in writing to the other, whereupon the SPA shall terminate and be null and void and of no further effect and neither party shall have any claim against the other party.

The SPA shall become unconditional and effective on the date when the last of the conditions precedent is fulfilled or such later date as may be agreed in writing between the Trustee and DC Offices.

3. Purchase Consideration

The Purchase Consideration agreed between DC Offices and the Trustee, on a willing-buyer willing-seller basis, is RM242.1 million and the Trustee shall pay the Purchase Consideration within the Completion Period.

If the Trustee fails to pay the Purchase Consideration or any part thereof within the Completion Period, DC Offices shall automatically extend time by the Extended Completion Period, provided always that the Trustee pays DC Offices late payment interest (chargeable at the simple interest rate of 8% per annum) on the amount due and remaining unpaid, commencing from the day after the last day of the Completion Period until the date of full and final settlement of the same.

4. Novation and assignment agreements

The Existing Agreements shall be dealt with in the following manner:

- (i) DC Offices may request the applicable third party to the Existing Agreements to sign and return the novation agreements in relation to the Existing Agreements;
- (ii) in lieu of a novation agreement, the parties to the SPA may agree to the execution and delivery of new agreements to be made between the Trustee and the applicable third party and the termination of the applicable Existing Agreements and the release of DC Offices thereunder; or
- (iii) if any applicable third party fails to execute the novation agreement in relation to the Existing Agreement, DC Offices shall (unless waived by the Trustee) sign and deliver an assignment agreement to assign the full benefits, entitlements, rights, title and interests of DC Offices under and arising from that Existing Agreement to the Trustee.

5. Completion

On payment of the full Purchase Consideration, the following shall be treated to have occurred as from the Completion Date:

- (i) full beneficial interests in, and title to, the Property shall be conveyed to the Trustee and its successors in title and lawful assigns;
- (ii) legal possession of the Property shall be conveyed to the Trustee;
- (iii) with the delivery of legal possession, risks shall pass to the Trustee;
- (iv) all associated rights and benefits shall be assigned absolutely and unconditionally by DC Offices to the Trustee; and
- (v) the Trustee shall assume the liabilities under the Existing Agreements accruing as from the Completion Date.

SALIENT TERMS OF THE SPA (CONT'D)

6. Property sold free from claims and liabilities

The Trustee shall indemnify DC Offices against the Liabilities that may be sustained by DC Offices if any claim is made against DC Offices for any Liabilities accruing after (and including) the Completion Date.

DC Offices shall indemnify the Trustee against all Liabilities that may be sustained by the Trustee, if any claim is made against the Trustee for any Liabilities accruing before (and excluding) the Completion Date.

7. Default

(i) If, for any reason whatsoever:

- (a) the Trustee fails to pay an amount due to DC Offices in accordance with the provisions of the SPA;
- (b) the Trustee fails to observe or perform any material obligation on its part contained in the SPA (other than (a) above) and if such failure is capable of remedy, the Trustee having failed to remedy the same to the reasonable satisfaction of DC Offices within 10 days from the date of written notice from DC Offices to the Trustee requesting remedy thereof; or
- (c) any of the representations or warranties of the Trustee shall at any time be found to be incorrect, untrue or misleading in any material aspect,

DC Offices shall be entitled to terminate the SPA by notice in writing to the Trustee, whereupon:

- (aa) if the Purchase Consideration or any part thereof has been paid to DC Offices, DC Offices shall deduct and forfeit the Agreed Liquidated Damages from the Purchase Consideration received by it, or if no Purchase Consideration has been paid to DC Offices, the Trustee shall pay the Agreed Liquidated Damages to DC Offices within 10 business days from the date of receipt of DC Offices' notice of termination;
- (bb) DC Offices shall then refund and/or procure the refund of any other amount paid by the Trustee towards the Purchase Consideration (if paid) free of interest after deducting the Agreed Liquidated Damages;
- (cc) in exchange of the full refund under (bb) above, the Trustee shall perform its termination obligations pursuant to the terms of the SPA,

and thereafter, the SPA shall terminate and be null and void and be of no further effect, and neither party shall have any claim against the other (save and except for antecedent breach).

(ii) If, for any reason whatsoever:

- (a) DC Offices fails to perform any material obligations on its part contained in the SPA and if such failure is capable of remedy, DC Offices having failed to remedy the same to the reasonable satisfaction of the Trustee within 10 days from the date of written notice from the Trustee to DC Offices requesting remedy thereof; or
- (b) any of the representations or warranties of DC Offices shall at any time be found to be incorrect, untrue or misleading in any material aspect,

SALIENT TERMS OF THE SPA (CONT'D)

the Trustee shall be entitled to the remedy at law for specific performance. Alternatively, at the election of the Trustee, it may terminate the SPA by notice in writing to DC Offices whereupon:

- (aa) DC Offices shall refund and/or procure the refund of all amounts paid by the Trustee towards the Purchase Consideration together with interest accrued thereon;
- (bb) DC Offices shall pay to the Trustee the Agreed Liquidated Damages within 10 business days from the date of receipt of the Trustee's notice of termination;
- (cc) in exchange of the full refund and payment under (aa) and (bb) above, the Trustee shall perform its termination obligations pursuant to the terms of the SPA,

and thereafter, the SPA shall terminate and be null and void and be of no further effect, and neither party shall have any claim against the other (save and except for antecedent breach).

- (iii) Upon termination of the SPA in accordance with (i) and (ii) above, DC Offices shall be at liberty to sell or otherwise deal with the Property in any manner as DC Offices deems fit without reference to the Trustee.

INFORMATION ON THE PROPERTY

The information on the Property is as follows:

Postal address	: Menara Guoco, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur
Strata title	: Not issued yet
Master title	: Geran 74955, Lot 58303, Mukim and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
Beneficial owner	: DC Offices
Category of land use	: Building
Existing and proposed use	: Offices
Terms of tenure	: Freehold
Audited net book value	: RM242.1 million based on the latest audited consolidated financial statements of GLM for the FYE 30 June 2019
Market value	: RM242.1 million as appraised by the Valuer as at the material date of valuation of 22 January 2020 using the investment and comparison methods of valuation
Encumbrances	: The Property is currently assigned to Public Bank Berhad, being the existing financier of DC Offices. The encumbrances over the master title are as follows: <ul style="list-style-type: none"> (i) lease to Tenaga Nasional Berhad for an area measuring 756 square metres from 30 March 2014 to 29 March 2044 registered on 17 December 2014; and (ii) lease to Tenaga Nasional Berhad for an area measuring 4,367 square metres from 18 July 2017 to 17 July 2047 registered on 15 July 2019
Age of building	: Approximately 2 years
Surveyed floor area	: 310,183 square feet
Net lettable area	: 232,133 square feet
Percentage of occupancy as at the LPD	: Approximately 97.1%
Gross rental income for the FYE 30 June 2019	: Approximately RM15.6 million

VALUATION CERTIFICATE

VALUATION CERTIFICATE FOR MENARA GUOCO

Our Ref : VC20/0028/01/NAD

Date : 19 February 2020



Directors
Sr. Hj. Mohamad Sarip Saleh Diploma in Estate Management (Kingston) UK
 VI17 EI174
Sr. P.L. Lee B App Sc. Property Resource Management (Valuation) Aust. FRISM, APEPS
 V596 E565

BOARD OF DIRECTORS
GLM REIT MANAGEMENT SDN BHD
(MANAGEMENT COMPANY OF TOWER REAL ESTATE INVESTMENT TRUST)
LEVEL 13, MENARA GUOCO
NO. 6, JALAN DAMANLELA
BUKIT DAMANSARA
50490 KUALA LUMPUR

Dear Sir/Madam,

VALUATION CERTIFICATE ON 19-STOREY OFFICE BUILDING KNOWN AS MENARA GUOCO WITHIN AN INTEGRATED MIXED DEVELOPMENT KNOWN AS DAMANSARA CITY ERECTED ON ALL THAT PIECE OF FREEHOLD LAND HELD UNDER GERAN 74955 FOR LOT. 58303 MUKIM KUALA LUMPUR, DAERAH KUALA LUMPUR, WILAYAH PERSEKUTUAN KUALA LUMPUR (THE "MASTER TITLE")
PROPERTY ADDRESS : MENARA GUOCO, NO. 6, JALAN DAMANLELA, BUKIT DAMANSARA, 50490 KUALA LUMPUR

We thank you for your instructions to carry out a formal valuation on the Subject Property in providing our opinion of the Market Value for purpose of submission to Bursa Malaysia Securities Berhad ("**Bursa Securities**") and for inclusion in the circular to unitholders of Tower Real Estate Investment Trust ("**Tower REIT**") in relation to the proposed acquisition by MTrustee Berhad, acting solely in its capacity as trustee for and on behalf of Tower REIT, of an office building known as Menara Guoco ("**Subject Property**") from DC Offices Sdn Bhd for a cash consideration of RM242,100,000.00.

The Subject Property was inspected on 22 January 2020. The date of inspection is taken as the date of valuation, i.e. 22 January 2020.

The valuation has been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards ("**MVS**") issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia and with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined by the MVS to be "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The Valuation Certificate should be read in conjunction with the full Valuation Report (Ref No: VC20/0028/01/NAD) prepared by First Pacific Valuers Property Consultants Sdn Bhd for the submission to Bursa Securities which detailed the basis under which the valuations have been prepared.

Registered Valuers • Estate Agents • Auctioneers • Property & Project Managers • International Property Consultants



Level 3A, Wisma Rapid, No. 32-36, Jalan 30/70A, Desa Sri Hartamas, 50480 Kuala Lumpur, Malaysia.
 Tel: (603) 6203 1188 (Hunting Line) Fax: (603) 6203 9814
 E-mail: enquiries@firstpacific.com.my website: http://www.firstpacific.com.my

VALUATION CERTIFICATE (CONT'D)

VALUATION CERTIFICATE FOR MENARA GUOCO



IDENTIFICATION OF THE PROPERTY	
Name and Address:	Menara Guoco, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur
Type of Property:	19-storey office building
Date of Inspection:	22 January 2020
Date of Valuation:	For the purpose of this valuation exercise, the material date of valuation is the date of inspection, i.e. 22 January 2020
Master Title Particulars:	Title No. Geran 74955, Lot No. 58303, Mukim Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
Tenure:	Freehold
Category of Land Use:	Bangunan
Express Condition:	Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan pangsapuri servis, hotel butik, pejabat dan ruang perniagaan sahaja
Restriction in Interest:	Nil
Encumbrances and other Endorsement:	<p>The Subject Property is currently assigned to Public Bank Berhad, being the existing financier of DC Offices Sdn Bhd. The encumbrances and other endorsement over the Master Title are as follows:</p> <ol style="list-style-type: none"> 1) Lease part of the land to TENAGA NASIONAL BERHAD vide PDSC49445/2014 for size of 756 square metres for 30 years from 30 March 2014 to 29 March 2044 registered on 17 December 2014 2) Permohonan Tukarsyarat, Sekatan, Kategori Tanah vide PDN2777/2018 registered on 30 August 2018 3) Lease part of the land to TENAGA NASIONAL BERHAD vide PDSC25333/2019 for size of 4,367 square metres for 30 years from 18 July 2017 to 17 July 2047 registered on 15 July 2019
General Description of the Property:	<p>Menara Guoco is situated along Jalan Damanlela within Damansara City, an integrated mixed development located in the sub-urban area of Damansara Heights. It is located 5 kilometres by road to the west of Kuala Lumpur City Centre and approximately 10 kilometres north from the Petaling Jaya City Centre.</p> <p>Situated within the vicinity is an on-going development known as Pavilion Damansara Heights. Nearby schemes include Taman SA, Bukit Bandaraya, Bangsar Baru, Lucky Garden, Medan Damansara, Taman Bukit Damansara and Bukit Kiara.</p>
Site:	<p>The Master Title lot, with a land area of 32,450 square metres ("s.m.") (approximately 349,289 square feet ("sq ft") or 8.02 acres), is irregular in shape and bounded with 3 major roads i.e. the west to north boundary is adjoining with Damansara Link and SPRINT Highway towards Kuala Lumpur which run parallel with Jalan Beringin at the north and Jalan Johar to the west and Jalan Damanlela to the south.</p> <p>To the east across an unnamed metalled road is Menara Millennium, the south boundary is adjoining with Twins@Damansara Heights and across Jalan Damanlela is an on-going development known as Pavillion Damansara Heights.</p> <p>Generally, the site is flat in terrain and lies slightly higher than three road frontages namely Jalan Johar, Jalan Damanlela and Jalan Beringin. The Subject Property is accessible via Damansara Link/SPRINT Highway through ramp leading to the Subject Property's main entrance. Generally, the boundaries are not demarcated with any form of fencing.</p>
Net Lettable Area ("NLA"):	232,133 sq ft (21,566 s.m.)

VALUATION CERTIFICATE (CONT'D)

VALUATION CERTIFICATE FOR MENARA GUOCO



Total Car Parking Bays:	Nil														
Age of Building:	Approximately 2 years old														
Certificate of Completion and Compliance:	The Subject Property has obtained Certificate of Completion and Compliance (CCC) bearing reference no. LAM/WP/No. 8355 dated 10 January 2018.														
Occupancy:	<p>The Subject Property registered an occupancy rate of approximately 97.1% or 225,169 sq ft of the total NLA based on the Tenancy Schedule as at January 2020 as provided to us by DC Offices Sdn Bhd.</p> <p>Based on the tenancy schedule, the top three tenants who occupy the largest office space of the Subject Property are British American Tobacco (Malaysia) Berhad (64,007 sq ft), Dentsu Aegis Network Malaysia Sdn Bhd (58,381 sq ft) and Aecom Perunding Sdn Bhd (40,932 sq ft).</p>														
Tenancy:	<p>The Subject Property is tenanted by a variety of tenants, including multinational companies. The current monthly rental ranged between RM4.93 per square foot ("psf") to RM7.00 psf. The total gross rental of the Subject Property is RM1,451,983.44 per month and the net lettable area of the Subject Property is 232,133 sq ft, representing an average monthly rental of approximately RM6.25 psf.</p> <table><tr><th>Category</th><th>Size (sq ft)</th><th>Rental (psf)</th></tr><tr><td>Above 10,000 sq ft</td><td>13,084 to 14,951</td><td>RM5.50 to RM7.00</td></tr><tr><td>Above 5,000 sq ft and below 10,000 sq ft</td><td>5,330 to 9,454</td><td>RM6.15 to RM6.80</td></tr><tr><td>Below 5,000 sq ft</td><td>1,288 to 4,692</td><td>RM4.93 to RM7.00</td></tr></table>			Category	Size (sq ft)	Rental (psf)	Above 10,000 sq ft	13,084 to 14,951	RM5.50 to RM7.00	Above 5,000 sq ft and below 10,000 sq ft	5,330 to 9,454	RM6.15 to RM6.80	Below 5,000 sq ft	1,288 to 4,692	RM4.93 to RM7.00
Category	Size (sq ft)	Rental (psf)													
Above 10,000 sq ft	13,084 to 14,951	RM5.50 to RM7.00													
Above 5,000 sq ft and below 10,000 sq ft	5,330 to 9,454	RM6.15 to RM6.80													
Below 5,000 sq ft	1,288 to 4,692	RM4.93 to RM7.00													
Outgoings:	The office space outgoings are about RM1.40 psf per month.														

PROPERTY MARKET OUTLOOK

The Malaysian property market is expected to remain resilient in 2020, underpinned by the strong gross domestic product growth in the second quarter of 2019 at 4.9%, government-driven initiatives (i.e. Home Ownership Campaign and new rate for Real Property Gains Tax on disposal of properties) to further support the market activities in the housing sector, reduction in the Overnight Policy Rate, and the revival of the East Coast Rail Link and Bandar Malaysia which are expected to have a positive impact on the property market landscape in the medium term and long term.

(Source: Property Market Report First Half 2019)

Generally, during times of increased uncertainty, if the unprecedented COVID-19 pandemic in Malaysia prolong further, the property market could be negatively affected over the short to medium term period. Investors' confidence and sentiments remain largely cautious and most of them are adopting a wait-and-see approach to observe the extent of this unprecedented pandemic, which may result in the property market facing, among others, the following:-

- softening of the market;
- reduced transaction activities and volumes;
- moderately low demand levels;
- oversupply of properties on the market for sale;
- declining prices of properties;
- declining occupancy rates;
- declining rental rates; and
- increasing yields.

VALUATION CERTIFICATE (CONT'D)

VALUATION CERTIFICATE FOR MENARA GUOCO



As the economic and property market outlook remains challenging, the Government had recently announced several economic stimulus packages which will, hopefully, assist to mitigate any immediate impact which will, in turn, cushion the real estate market in the short to medium term.

However, it may be premature at this juncture to assess the magnitude of the COVID-19 pandemic on the property market in Malaysia as its impact on real estate property values remains unknown.

Impact on the valuation of the Subject Property

Since the material date of valuation of the Subject Property on 22 January 2020, we had taken steps to assess the impact of the COVID-19 pandemic on the parameters adopted in the valuation of the Subject Property, including the existing rentals and outgoings of the Subject Property, as well as the status of renewal for tenancies which are near expiry. We note that all the existing tenancies of the Subject Property remain in effect, and the outgoings of the Subject Property are not expected to increase materially arising from the COVID-19 pandemic. In addition, negotiations for renewal of tenancies which are near expiry are ongoing and tenants have indicated their intent to renew at no less than the expiring gross monthly rental rates.

Based on our foregoing assessment, there has not been any material change arising from the COVID-19 pandemic in the parameters adopted in the valuation of the Subject Property. Accordingly, there is no change to the market value of the Subject Property as stated in this Valuation Certificate arising from the COVID-19 pandemic.

METHOD OF VALUATION

In arriving at the opinion on the Market Value of the Subject Property, we are adopting two methods of valuation, i.e. the Investment Method and the Comparison Method. We have adopted the Investment Method as the primary method for this valuation exercise and Comparison Method as a check method. The Comparison Method is used to complement the Market Value of the Subject Property arrived at using the Investment Method.

INVESTMENT METHOD

The Investment Method is used to value a property that generates regular income to the owner. It involves determining the net annual income derived from the property under valuation by deducting all outgoings from the estimated gross annual income and then capitalising the net annual income with an appropriate capitalisation rate to arrive at the Market Value of the property. The capitalisation rate is derived by analysing the transactions of properties deemed similar in all aspects to the Subject Property.

COMPARISON METHOD

The Comparison Method is used to determine the Market Value of the Subject Property by comparing the recent sale transactions of properties within vicinity and then making appropriate adjustments for all dissimilarities as each property is with unique characteristics, thus establishing the estimated Market Value of the Subject Property.

VALUATION CERTIFICATE (CONT'D)

VALUATION CERTIFICATE FOR MENARA GUOCO



VALUE CONSIDERATION

(i) Investment Method

To derive the Market Value of the Subject Property, the necessary inputs would be rental income expected to be generated by the Subject Property, the kind of expenditures required to ensure the Subject Property is adequately maintained and the rate of return generally expected by investors from these kinds of properties. The parameters adopted in the Investment Method are as follows:-

Description	Parameters	Remarks
Term Gross Rental	RM4.93 psf to RM7.00 psf	The existing rentals for the building are between RM4.93 psf and RM7.00 psf. The rentals are different depending on various factors such as, among others, space occupied, durations of the tenancy and negotiations between the landlord and the tenants. We have adopted the actual rental agreed in the tenancy agreement.
Reversionary Gross Rental	RM6.55 psf	<p>The current market rental rates of office are derived from the asking rental. We have made adjustments on the rental rates according to relevant factors based on the rental rates in the surrounding neighbourhood.</p> <p>Menara Milenium : RM5.50 psf – RM6.20 psf Menara LGB : RM5.70 psf – RM6.00 psf Nu Tower : RM7.10 psf – RM7.50 psf Menara Shell : RM8.20 psf – RM8.50 psf Mercu 2 : RM6.50 psf – RM7.10 psf South Point : RM8.50 psf – RM9.00 psf</p> <p>Based on the Property Market Report 2019 issued by the Valuation and Property Services Department Ministry of Finance, Malaysia ("JPPH"), the rental rates between 2018 to 2019 of similar properties within the vicinity are:-</p> <p>Plaza Zurich (HP Tower) : RM3.00 psf – RM4.95 psf Menara BRDB : RM4.65 psf – RM5.80 psf Menara UOA : RM4.65 psf – RM6.00 psf Menara Sapura Kencana : RM5.25 psf – RM6.50 psf Plaza Sentral (TH Tower) : RM5.30 psf – RM6.80 psf The Horizon (Tower 8) : RM6.00 psf – RM8.60 psf Centre South Point : RM5.00 psf – RM8.20 psf</p> <p>After analysing the comparable rentals of the office buildings in the immediate vicinity of the Subject Property and the comparable rentals of the existing tenancies of the Subject Property, we derived the fair market rental of the Subject Property from the comparable rentals of the existing tenancies.</p> <p>In our opinion, the current passing gross rentals of the tenancies within the Subject Property would be the most appropriate comparable rentals and is a fair representation of the market rental.</p> <p>Based on the Tenancy Schedule of the Subject Property, approximately 85% of the office space with total occupied NLA of 191,262 sq ft commands a passing rental above RM6.00 psf while the remaining 15% of the office space with total occupied NLA of 34,103 sq ft commands a passing rental below RM6.00 psf.</p>

VALUATION CERTIFICATE (CONT'D)

VALUATION CERTIFICATE FOR MENARA GUOCO



		<p>The Subject Property has an average monthly rental of approximately RM6.44 psf, which was derived based on the total gross monthly rental of RM1,451,983.44 and the total occupied NLA of 225,365 sq ft. As majority of the office spaces of the Subject Property commands a passing rental of above RM6.00 psf level, we derived the monthly rental of RM6.55 psf after making an upward adjustment of approximately 2% to the average monthly rental of RM6.44 psf.</p> <p>In view of the above, we have adopted RM6.55 psf as market rental for all units within the Subject Property in the reversion period irrespective of floor levels and space occupied as a base rent for this valuation exercise.</p>
Monthly Outgoings (Term)	2017 : RM1.34 psf 2018 : RM1.49 psf 2019 : RM1.37 psf	As per information provided by the client, after consideration, we have adopted the average monthly outgoings of the Subject Property at RM1.40 psf, which is in line with the market rate.
Monthly Outgoings (Reversionary)	RM1.47 psf	This estimate is adopted to reflect an increase of approximately 5.00% from the past three year average in view of the rising cost due to inflation and lesser maintenance and management fee incurred after taking into consideration the age of the Subject Property which is approximately 2 years old. The said outgoings are considered fair and reasonable as well as in line with the market rate.
Void	2.50%	<p>Considering various factors stated below, we have adopted a minimal of 2.50% for void for this valuation:-</p> <ul style="list-style-type: none"> (a) New Building – The Subject Property is new and it is only approximately 2-years old. (b) Occupancy – The occupancy rate of the Subject Property is 97.1%. (c) Quality Tenant – The Subject Property is currently occupied by multinational and established local companies. (d) Long-term Tenancy – Majority (99%) of the tenants have a tenancy of 3 terms of 3-year each. (e) Grade A Building – The Subject Property has been awarded with GBI and LEED Certification as well as MSC Status. <p>A well-managed new Grade A office building with 97.1% occupancy comprising multinational and established local companies as tenants located at the most exclusive sought after affluent neighbourhood of Damansara Heights, with direct access to public transport, meets the needs of the office tenants beyond their demand for a productive workplace.</p> <p>In addition, coupled with the Subject Property's high rate of occupancy and the quality tenants with long term tenancy, void period could possibly be reduced to a minimum that translates to low risk of termination of tenancy. Thus, conservatively, we have adopted 2.50% for void for the investment method.</p> <p>We have adopted 2.50% of gross annual rental for risk of vacancy period and uncertainty vacancy between rent reviews and rent free and fitting out periods as fair representation for void.</p>

VALUATION CERTIFICATE (CONT'D)

VALUATION CERTIFICATE FOR MENARA GUOCO



Capitalisation Rate (Term)	5.50%	Based on the recent transactions of similar type of office buildings within Klang Valley, we noted that the net yields ranged between 4.43% to 6.50%.
Capitalisation Rate (Reversionary)	5.75%	It is noted that Nu Tower 1, Platinum Sentral and Menara Shell located at Kuala Lumpur Sentral transacted at a net yield of 4.71%, 5.62% and 5.50% respectively whilst Sunway Tower and Menara AmFirst located at Petaling Jaya transacted at a net yield of 6.50% and 6.25% respectively. Based on the above analysis and having considered the relevant factors including location, age, tenancy profile, building specification/green building features and MSC compliance of the Subject Property, we have adopted the net yield (term) at 5.50% and net yield (reversionary) at 5.75% to reflect the security of the existing tenancy, certain and fixed rental income quality of the tenants. The net yields adopted for this valuation exercises are a fair reflection in arriving at the Market Value of the Subject Property.

The Market Value derived from Investment Method is RM242,100,000.00 (Ringgit Malaysia: Two Hundred Forty Two Million and One Hundred Thousand only).

(ii) Comparison Method

In arriving at the Market Value of the Subject Property based on Comparison Method, we have considered transactions of office buildings within the immediate and surrounding localities.

The comparables are as follows:-

Property Details	Comparison 1	Comparison 2	Comparison 3
Property Type	An Office Complex	An Office Complex	An Office Complex
Address	Ikhlas Point, Tower 11, Avenue 5, The Horizon, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur	Wisma UOA Pantai, No. 11, Jalan 4/83A, Jalan Pantai Baru, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	ACE Tower, BO2-B-5-1 to BO2-B-18A-1, Menara 3, No. 3, Jalan Bangsar, KL Eco City, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Legal Description	Lot 58190, Pajakan Negeri 46338, Mukim and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Lot No. 57687, Geran 68832, Mukim and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Parent Lot No. 20007 Section 95A, Master Title No. Pajakan Negeri 52716, Mukim and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
NLA	54,046.00 sq ft	157,083.00 sq ft	64,016.00 sq ft
Category of land use	Building	Building	Building
Tenure	99 years lease expiring on 16 August 2106	Freehold	99 years lease expiring on 5 December 2113
Remaining Tenure	87.69 years	—	95.79 years
Date of Transaction	28 December 2018	8 June 2018	15 March 2018

VALUATION CERTIFICATE (CONT'D)

VALUATION CERTIFICATE FOR MENARA GUOCO



Property Details	Comparison 1	Comparison 2	Comparison 3
Consideration	RM46,000,000.00/-	RM120,000,000.00/-	RM85,000,000.00/-
Car Park Bays	—	306 bays	—
Vendor	TAKAFUL IKHLAS FAMILY BERHAD	RHB TRUSTEES BERHAD	NURIMEKAR SDN BHD
Purchaser	SANICHI CAPITAL SDN BHD	CIMB BANK BERHAD	ACE CORPORATION (M) SDN BHD
Analysed Value (Exclude carpark bays)	RM851.13 psf	RM647.00 psf	RM1,327.79 psf
Source	JPPH & Bursa Announcement	JPPH & Bursa Announcement	JPPH
Adjustment Factors Considered	Tenure, location/accessibility, size, building certification (GBI, LEED & MSC), age of the building and type of title (Strata or Individual)		
Adjusted Value	RM1,042.63 psf	RM792.63 psf	RM1,394.18 psf

In arriving at the Market Value of the Subject Property, we have taken into consideration each aspect of the comparable properties in terms of tenure, location/accessibility, size, building certification (GBI, LEED & MSC), age of the building and type of title (Strata or Individual). After making the appropriate adjustments, we have noted that the values psf for the Subject Property derived range between RM792.63 psf to RM1,394.18 psf.

In reconciling our opinion of the Market Value of the Subject Property, we have placed greater emphasis on Comparable 1 due to the following factors:-

- (a) Comparable 1 is the latest transacted comparable sale; and
- (b) Comparable 1 is a parcel of stratified office building which is similar to the Subject Property.

Having regard to the foregoing, we have adopted a value of RM1,045.00 psf or RM242,600,000.00, in our valuation as a fair representation of the Market Value of the Subject Property.

RECONCILIATION OF VALUE

The Market Value of the Subject Property derived by adopting the valuation methods are tabulated below:-

Method of Valuation	Market Value (RM)
Comparison Method	RM242,600,000.00
Investment Method	RM242,100,000.00

We have adopted the Market Value derived from Investment Method of RM242,100,000.00 as a fair representation of the Market Value of the Subject Property in view of the fact that the Subject Property is an income generating property.

VALUATION CERTIFICATE (CONT'D)

VALUATION CERTIFICATE FOR MENARA GUOCO



OPINION OF VALUE

Having taken into consideration all relevant and pertinent factors and recent transactions of comparable properties in the immediate and nearby locality, we are of the opinion that the Market Value of the Subject Property, on the basis that the strata title with "building" category of land use will be issued to the Subject Property for commercial use conveying a freehold tenure, which is registrable, transferable and marketable and it being sold free from encumbrance without vacant possession is **RM242,100,000.00 (RINGGIT MALAYSIA : TWO HUNDRED FORTY TWO MILLION AND ONE HUNDRED THOUSAND ONLY).**

Yours faithfully

For and on behalf of

FIRST PACIFIC VALUERS PROPERTY CONSULTANTS SDN BHD

Sr Lee Pak Ling FRISM, APEPS

Managing Director

B.App.Sc. Property Resource Management (Valuation) Aust

Registered Valuer (V596) & Estate Agent (E565)



FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved this Circular and the Board collectively and individually accepts full responsibility for the accuracy of the information given in this Circular and confirms that, after making all reasonable enquiries to the best of its knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

2. CONSENTS AND CONFLICT OF INTEREST**2.1 HLIB**

HLIB, being the Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

HLIB has confirmed that no conflict of interest exists or is likely to exist in its capacity as the Principal Adviser for the Proposed Acquisition, apart from it being related to Tower REIT and the Manager by virtue of the common ultimate holding company, HLCM. In addition, HLIB also has a direct unitholding of approximately 2.1% in Tower REIT as at the LPD.

Notwithstanding the above, HLIB is a licensed investment bank and its appointment as the Principal Adviser for the Proposed Acquisition is in its ordinary course of business. Furthermore, the conduct of HLIB is regulated strictly by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and its internal control policies and procedures.

2.2 Mercury Securities

Mercury Securities, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

Mercury Securities has confirmed that no conflict of interest exists or is likely to exist in its capacity as the Independent Adviser for the Proposed Acquisition.

2.3 First Pacific

First Pacific, being the Valuer in respect of the valuation of the Property for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Valuation Certificate and all references thereto in the form and context in which they appear in this Circular.

First Pacific was appointed by the Manager and GLM to appraise the market value of the Property for the Proposed Acquisition. First Pacific was also the independent property valuer appointed by GLM to appraise the market value of the Property to determine its fair value for GLM's audited consolidated financial statements for the FYE 30 June 2019. In this respect, First Pacific has confirmed that no conflict of interest exists or is likely to exist in its capacity as the Valuer in respect of the valuation of the Property for the Proposed Acquisition.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of:

- (i) any material commitments incurred or known to be incurred by Tower REIT which may have a material impact on the financial position of Tower REIT; or
- (ii) any contingent liabilities which, upon becoming enforceable, may have a material impact on Tower REIT's profits or NAV.

FURTHER INFORMATION (CONT'D)

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD and as warranted by DC Offices under the terms of the SPA, there is no material litigation, claims or arbitration involving the Property.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Manager at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the Unitholders' Meeting:

- (i) the Deed;
- (ii) the letters of consent and conflict of interest referred to in Section 2 of this Appendix;
- (iii) the audited financial statements of Tower REIT for the FYE 31 December 2017 and the 18-month FPE 30 June 2019;
- (iv) the unaudited financial statements of Tower REIT for the 9-month FPE 31 March 2020;
- (v) the SPA;
- (vi) the Valuation Certificate referred to in Appendix III of this Circular; and
- (vii) the Valuation Report.



NOTICE OF UNITHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the meeting of unitholders ("**Unitholders' Meeting**") of Tower Real Estate Investment Trust ("**Tower REIT**") will be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damansara, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 30 June 2020 at 10.00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing with or without modifications the following resolution:

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY MTRUSTEE BERHAD, ACTING SOLELY IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF TOWER REIT ("TRUSTEE"), OF AN OFFICE BUILDING KNOWN AS MENARA GUOCO ERECTED ON PART OF THAT PIECE OF FREEHOLD LAND HELD UNDER GERAN 74955, LOT 58303 IN THE MUKIM AND DISTRICT OF KUALA LUMPUR, STATE OF WILAYAH PERSEKUTUAN KUALA LUMPUR ("PROPERTY") FROM DC OFFICES SDN BHD FOR A CASH CONSIDERATION OF RM242.1 MILLION ("PROPOSED ACQUISITION")

"THAT subject to the approvals of all relevant authorities and/or parties having been obtained, where required, approval be and is hereby given to the Board of Directors of GLM REIT Management Sdn Bhd ("**Board**"), the management company of Tower REIT ("**Manager**"), and the Trustee for the proposed acquisition of the Property upon the terms and conditions contained in the conditional sale and purchase agreement ("**SPA**") dated 2 March 2020 entered into between the Trustee and DC Offices Sdn Bhd in relation to the Proposed Acquisition;

AND THAT the Board (save for YBhg Datuk Edmund Kong Woon Jun and Ms Lim Chew Yan) and the Trustee be and are hereby authorised to take all such necessary steps and enter into all deeds, agreements, arrangements, undertakings, transfers and indemnities as they may deem fit, necessary, expedient and/or appropriate and in the best interests of Tower REIT in order to implement, finalise, complete and give full effect to the Proposed Acquisition and the terms and conditions of the SPA with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by any relevant authorities as they may deem fit, appropriate and in the best interests of Tower REIT."

**By Order of the Board of
GLM REIT Management Sdn Bhd**
(The Manager of Tower Real Estate Investment Trust)

Chew Ann Nee (SSM PC No. 201908001413) (MAICSA 7030413)
Company Secretary

Kuala Lumpur
15 June 2020

Notes:

1. For the purpose of determining unitholders' eligibility to attend this meeting, only unitholders whose names appear in the Record of Depositors as at 22 June 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for unitholder who is an exempt authorised nominee, a unitholder entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a unitholder of Tower REIT. A unitholder who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities it holds. A unitholder who is an exempt authorised nominee for multiple beneficial owners in one securities account ("**Omnibus Account**") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the proportions of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which, the appointments shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of GLM REIT Management Sdn Bhd at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.
5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice will be put to vote by way of a poll.

I/We, _____

NRIC/Passport/Company No. _____ of _____

being a unitholder of Tower Real Estate Investment Trust ("**Tower REIT**"), hereby appoint _____

NRIC/Passport No. _____ of _____

or failing him/her _____

NRIC/Passport No. _____ of _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the unitholders' meeting of Tower REIT to be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damansara, 50490 Kuala Lumpur on Tuesday, 30 June 2020 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote on a poll as indicated below with an "X":

NO.	RESOLUTION	FOR	AGAINST
1.	Ordinary Resolution – Proposed Acquisition		

Dated this _____ day of _____ 2020

Number of units held

Signature(s) of Unitholder

Notes:

- For the purpose of determining unitholders' eligibility to attend this meeting, only unitholders whose names appear in the Record of Depositors as at 22 June 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy may but need not be a unitholder of Tower REIT.
- Save for a unitholder who is an exempt authorised nominee, a unitholder shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a unitholder of Tower REIT is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with units of Tower REIT standing to the credit of the said securities account. A unitholder who is an exempt authorised nominee for multiple beneficial owners in one securities account ("**Omnibus Account**") may appoint any number of proxies in respect of the Omnibus Account.
- Where two (2) or more proxies are appointed, the proportions of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which, the appointments shall be invalid (please see note 9 below).
- In the case where a unitholder is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of GLM REIT Management Sdn Bhd at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.
- In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of unitholdings to be represented

- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of the Unitholders' Meeting will be put to vote by way of a poll.



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AFFIX
STAMP

The Company Secretary
GLM REIT MANAGEMENT SDN BHD
(Registration No. 200401020808 (659312-H))
(The Manager of Tower Real Estate Investment Trust)
Level 10, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

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