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**1. CORPORATE DIRECTORY**

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**MANAGER** : GLM REIT Management Sdn Bhd  
(formerly known as Premiumview Development Sdn Bhd)

Principal Address : Level 8, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur

Tel No. : 03-2164 7878

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

Tel. No. : 03-2164 1818

Board of Directors

<b>Name</b>	<b>Address</b>	<b>Nationality</b>	<b>Occupation</b>
Kwek Leng Seng <i>Chairman (Non-independent)</i>	2-11-2, 1A, Jalan Stonor 50450 Kuala Lumpur	Singaporean	Group Managing Director of GLM
Tan Ming Huat <i>Director/Chief Executive Officer (Non-independent)</i>	20, Jalan SS21/46 47400 Petaling Jaya Selangor Darul Ehsan	Malaysian	Chief Executive Officer of the Manager
Steven Lek Ah Hup <i>Director (Non-independent)</i>	65, Jalan Enam Ampang Jaya 68000 Ampang Selangor Darul Ehsan	Singaporean	Chief Operating Officer of GLM
Goh Tian Sui <i>Director (Independent)</i>	156-2-8, Villa Flora Jalan Burhanuddin Helmi Taman Tun Dr Ismail 60000 Kuala Lumpur	Malaysian	Managing Director of C H Williams Talhar & Wong Sdn Bhd
Dato' Ahmad Johari bin Tun Abdul Razak <i>Director (Independent)</i>	20, Jalan Nusa Bukit Tunku 50480 Kuala Lumpur	Malaysian	Executive Chairman of Ancom Berhad

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**1. CORPORATE DIRECTORY (Cont'd)**

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<u>Company Secretaries</u>	:	Lim Yew Yoke (LS 000431) 2, Jalan SG 7/12 Taman Sri Gombak 68100 Batu Caves Selangor Darul Ehsan  Lee Sow Yeang (MAICSA 7020119) 11A, Jalan Alam Jaya 5 Taman Alam Jaya 43200 Selangor Darul Ehsan  Tel. No. : 03-2164 1818
<b>TRUSTEE</b>	:	AmTrustee Berhad 22 <sup>nd</sup> Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur  Tel. No. : 03-2078 2633 Website : <a href="http://www.ambg.com.my">www.ambg.com.my</a>
<b>PROPERTY MANAGER</b>	:	Yap Burgess Rawson International (proprietor : Yap & Partners Sdn Bhd) Level 5, Bangunan MIDF 195A, Jalan Tun Razak 50400 Kuala Lumpur  Tel. No. : 03-2712 0033
<b>VALUER</b>	:	Knight Frank (Ooi & Zaharin Sdn Bhd) Suite 9.01, 9 <sup>th</sup> Floor Menara IGB, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur  Tel. No. : 03-2289 9688
<b>INDEPENDENT PROPERTY CONSULTANT</b>	:	Jones Lang Wootton (proprietor : Singham Sulaiman Sdn Bhd) 8 <sup>th</sup> Floor, Bangunan Getah Asli (Menara) 148, Jalan Ampang 50450 Kuala Lumpur  Tel. No. : 03-2161 2522
<b>PRINCIPAL BANKERS</b>	:	Hong Leong Bank Berhad Level 1, Wisma Hong Leong 18, Jalan Perak 50450 Kuala Lumpur  Tel. No. : 03-2164 2525

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**1. CORPORATE DIRECTORY (Cont'd)**

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		Public Bank Berhad 27 <sup>th</sup> Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur  Tel. No. : 03-2163 8888
<b>LEGAL ADVISERS</b>	:	Messrs Wong & Partners Level 41, Suite A Menara Maxis Kuala Lumpur City Centre 50088 Kuala Lumpur  Tel. No. : 03-2055 1888  Messrs Lee, Perara & Tan 55, Jalan Thambapillai Off Jalan Tun Sambanthan Brickfields 50470 Kuala Lumpur  Tel. No. : 03-2273 4307
<b>REPORTING ACCOUNTANTS</b>	:	KPMG Chartered Accountants Wisma KPMG Jalan Dungun Damansara Heights 50490 Kuala Lumpur  Tel. No. : 03-2095 3388
<b>TAX CONSULTANT</b>	:	KPMG Tax Services Sdn Bhd Wisma KPMG Jalan Dungun Damansara Heights 50490 Kuala Lumpur  Tel. No. : 03-2095 3388
<b>ADVISER, UNDERWRITER, LEAD MANAGER AND JOINT PLACEMENT AGENT</b>	:	Commerce International Merchant Bankers Berhad 5 <sup>th</sup> Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur  Tel. No. : 03-2084 8888
<b>JOINT PLACEMENT AGENT</b>	:	HLG Securities Sdn Bhd Level 8, Menara HLA 3, Jalan Kia Peng 50450 Kuala Lumpur  Tel. No. : 03-2168 1168

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**1. CORPORATE DIRECTORY (Cont'd)**

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<b>REGISTRAR</b>	:	Hong Leong Share Registration Services Sdn Bhd Level 5, Wisma Hong Leong 18, Jalan Perak 50450 Kuala Lumpur  Tel. No. : 03-2164 1818
<b>ISSUING HOUSE</b>	:	Malaysian Issuing House Sdn Bhd 27 <sup>th</sup> Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur  Tel. No. : 03-2693 2075
<b>LISTING SOUGHT</b>	:	Main Board of Bursa Securities

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## 2. INFORMATION SUMMARY

**THIS IS ONLY A SUMMARY OF THE SALIENT INFORMATION ON TOWER REIT AND THE PUBLIC OFFERING, AND IS EXTRACTED FROM THE FULL TEXT OF THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS, INCLUDING THE RISK FACTORS DESCRIBED IN SECTION 4 OF THIS PROSPECTUS, BEFORE YOU DECIDE WHETHER TO INVEST IN THE UNITS. IF NECESSARY, PLEASE CONSULT YOUR ADVISERS.**

**YOU SHOULD BE AWARE THAT RENTAL YIELDS OF THE REIT PROPERTIES AND OTHER REAL ESTATE INVESTMENTS THAT TOWER REIT MAY INVEST IN THE FUTURE ARE NOT EQUIVALENT TO THE YIELD OF THE UNITS. IN ADDITION, THE CURRENT RENTAL RECEIPTS AND YIELDS OF THE REIT PROPERTIES MAY NOT BE SUSTAINABLE.**

**YOU SHOULD ALSO NOTE THAT THE VALUE OF THE REIT PROPERTIES AND OTHER INVESTMENTS OF TOWER REIT, UNIT PRICES AND DISTRIBUTIONS PAYABLE, IF ANY, MAY GO DOWN AS WELL AS UP.**

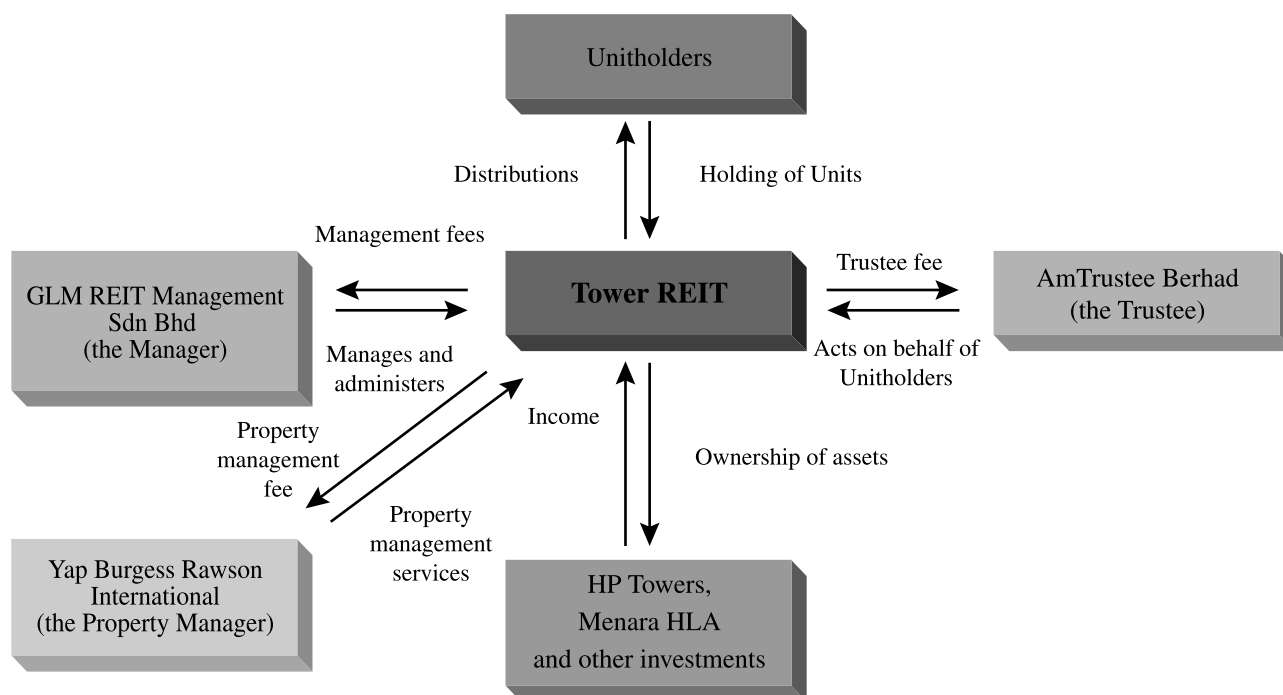
### 2.1 Overview of Tower REIT

Tower REIT is a Malaysian-based real estate investment trust. Tower REIT was established on the Establishment Date pursuant to the Deed and its key investment objective is to invest primarily in a portfolio of quality office buildings and commercial properties in order to:

- (i) provide Unitholders with regular and stable distributions; and
- (ii) achieve medium to long-term growth in the NAV per Unit.

Tower REIT will acquire the REIT Properties which comprise HP Towers and Menara HLA as its initial investments.

The following diagram illustrates the structure of Tower REIT. For further information on Tower REIT, you may refer to Section 6 of this Prospectus.



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## **2. INFORMATION SUMMARY (Cont'd)**

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### **2.2 The Manager and Its Key Investment Strategies**

We are responsible for the management and administration of Tower REIT including its investment, asset enhancement and capital management strategies. We were incorporated in Malaysia under the Act on 13 July 2004 as a private limited company. As at the Latest Practicable Date, our authorised capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, all of which are fully paid-up.

We plan to achieve the Fund's key investment objective through the implementation of the following key strategies:

(i) *Active Asset Management*

This strategy is aimed at improving the operational efficiency and maximising the growth and performance of the Real Estate Investments.

(ii) *Acquisition Growth*

We will continue to identify properties to be acquired by the Fund as long as the target properties meet the Fund's key investment objective and investment criteria. The strategy is to acquire yield accretive assets or good quality properties with strong recurring rental income that will provide Unitholders with regular and stable distributions and to achieve medium to long-term growth in the NAV per Unit.

(iii) *Optimisation of the Capital Structure*

We will adopt an optimal combination of debt and equity to fund future acquisitions of Tower REIT.

For further information on our key investment strategies and our Company, you may refer to Sections 6 and 8 of this Prospectus.

### **2.3 The Trustee**

AmTrustee Berhad, the trustee of Tower REIT, will act as custodian for Tower REIT's Assets and is also responsible for safeguarding the rights and interests of the Unitholders. It will carry out its duties and obligations in accordance with the Deed.

AmTrustee Berhad was incorporated in Malaysia under the Act on 28 July 1987. It is registered as a trust company under the Trust Companies Act, 1949. As at the Latest Practicable Date, the authorised share capital of the Trustee is RM1,000,000 comprising 100,000 ordinary shares of RM10.00 each, paid-up to RM5.00 each in accordance with section 3(c) of the Trust Companies Act, 1949. The Trustee's principal activity is the provision of trustee services.

For further information on the Trustee, you may refer to Section 8 of this Prospectus.

### **2.4 The Property Manager**

The Fund's Property Manager, Yap Burgess Rawson International (proprietor : Yap & Partners Sdn Bhd) will provide property management services to Tower REIT. The Property Manager was incorporated in Malaysia under the Act on 24 January 1994 and is registered under the VAEA to practice property management, property valuation and real estate agency under the registration number VE(2) 0011. As at the Latest Practicable Date, its authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, while its issued and paid-up share capital is RM150,000 comprising 150,000 ordinary shares of RM1.00 each. Its principal activities are the provision of property management, real estate agency and property valuation services.

For further information on the Property Manager, you may refer to Section 8 of this Prospectus.

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## 2. INFORMATION SUMMARY *(Cont'd)*

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### 2.5 Salient Information on Tower REIT

Name of the fund	:	Tower Real Estate Investment Trust
Fund category	:	REIT
Fund type	:	Income and growth
Manager	:	GLM REIT Management Sdn Bhd <i>(formerly known as Premiumview Development Sdn Bhd)</i>
Trustee	:	AmTrustee Berhad
Approved Fund size	:	237,500,000 Units
Distribution policy	:	<p>Barring any unforeseen circumstances, we will distribute 100% of the Distributable Income to Unitholders for the financial period from the Establishment Date to 31 December 2006 and the financial year ending 31 December 2007. Thereafter, we intend to distribute at least 90% of the Distributable Income for the relevant financial year or such other percentage and at such other intervals as determined by us at our discretion.</p> <p>We intend to make semi-annual distributions to Unitholders with the amount calculated as at 30 June and 31 December each year. However, our Board may at its discretion change the frequency of distributions to be made to Unitholders.</p> <p>For further information on the distribution policy, you may refer to Section 6 of this Prospectus.</p>
Borrowing limits	:	<p>Total borrowings of the Fund shall not exceed 35% of the Gross Asset Value at the time the borrowings are incurred or such other level as may be permitted by the SC Guidelines on REIT.</p> <p>Tower REIT will have an initial gearing of RM105.5 million, representing 29.3% of its Gross Asset Value upon Listing.</p>
Financial year end	:	31 December
Minimum initial investment	:	Minimum of 100 Units
Minimum additional investment	:	Multiples of 100 Units
Board lot	:	100 Units per board lot
No redemption or repurchase by Unitholders	:	<p>Unitholders have no right to request our Company to repurchase or redeem the Units while the Units are listed on Bursa Securities. It is intended that Unitholders may only deal in their listed Units through trading on Bursa Securities.</p>

For further information on redemption of Units by our Company, you may refer to Section 15 of this Prospectus.

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## 2. INFORMATION SUMMARY (Cont'd)

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Investor profile	:	Tower REIT may appeal to an investor who:
		<ul style="list-style-type: none"><li>• understands the risks related to the real estate industry and REITs;</li><li>• has long-term investment objectives with moderate risk appetite; and</li><li>• seeks regular distribution of income and long-term capital appreciation.</li></ul>

For further information on Tower REIT, you may refer to Section 6 of this Prospectus.

### 2.6 Key Information on the REIT Properties

Tower REIT will acquire HP Towers and Menara HLA, both located in Kuala Lumpur, as its initial investments. A brief description of the REIT Properties is set out below:

#### **HP Towers**

Description	:	2 blocks of office buildings identified as Block A (9 storey) and Block B (21 storey) with a 3 level connecting podium and a 4 level basement car park.
Postal address	:	HP Towers, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur.
Location	:	HP Towers is situated within the commercial area of Damansara Heights. HP Towers is sited on the northern (right) side of Jalan Semantan (forming part of the SPRINT Highway), travelling from Kuala Lumpur city centre towards Petaling Jaya. HP Towers lies about 8 kilometres (5 miles) due west of the Kuala Lumpur city centre.
Age of building	:	13 years
Current occupancy rate as at 31 January 2006	:	83.1% <sup>(1)</sup>
Gross built-up area	:	493,351 sq. ft. (office space) 163,374 sq. ft. (car park)
Net lettable area	:	350,056 sq. ft.
Tenure	:	Freehold
Purchase price	:	RM130,000,000
Appraised value	:	RM135,000,000
Date of valuation	:	31 May 2005. HP Towers shall be revalued at least once every 3 years, or at such other times as required under the applicable approved accounting standards.

*Note:*

<sup>(1)</sup> There are committed tenancies which will increase the occupancy rate to 88.4% when these tenants take up office space by April 2006.



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## 2. INFORMATION SUMMARY (Cont'd)

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### Menara HLA

Description	:	A 32 storey high-rise office building with a 4 level basement car park.
Postal address	:	Menara HLA, No. 3, Jalan Kia Peng, 50450 Kuala Lumpur.
Location	:	Menara HLA is located in Seksyen 57, Bandar Kuala Lumpur, in the heart of the prestigious Golden Triangle of Kuala Lumpur. The Golden Triangle is Kuala Lumpur's main central business district accommodating prime office buildings, prime retail centres and prestigious international class hotels.
Age of building	:	6 years
Current occupancy rate as at 31 January 2006	:	83.6% <sup>(1)</sup> . The occupancy will increase to 94.0% upon commencement of the Master Tenancy.
Gross built-up area	:	506,427 sq. ft. (office space) 296,391 sq. ft. (car park)
Net lettable area	:	396,820 sq. ft.
Tenure	:	Freehold
Purchase price	:	RM221,000,000
Appraised value	:	RM228,000,000
Date of valuation	:	2 June 2005. Menara HLA shall be revalued at least once every 3 years, or at such other times as required under the applicable approved accounting standards.

*Note:*

<sup>(1)</sup> There is a committed tenancy which will increase the occupancy rate to 85.8% when the tenant takes up office space in the first quarter of 2006.

For further information on the REIT Properties, you may refer to Section 7 of this Prospectus.

### 2.7 Fees and Charges

**THERE ARE FEES AND CHARGES INVOLVED. YOU ARE ADVISED TO CONSIDER THE FEES AND CHARGES BEFORE INVESTING IN THE FUND.**

Save for the fees and charges highlighted in Section 5.7 of this Prospectus, there are no other fees to be borne directly by the Unitholders when purchasing the Units. Other fees and charges payable by Tower REIT in connection with the establishment of the Fund and the on-going management of the Fund are as follows:

## 2. INFORMATION SUMMARY (Cont'd)

### Payable by Tower REIT

### Amount Payable

**Base fee** : A base fee (excluding any GST payable) of up to 0.75% per annum of the Gross Asset Value is calculated as at the end of each month, payable monthly in arrears by the Fund to us and accrues daily.

For the 3 financial years ending 31 December 2008, the base fee payable by Tower REIT per annum is set out below:

		<---Financial year ending---> 31 December		
Gross Asset Value		2006	2007	2008
Up to RM400 million	<i>up to</i>	0.205%	0.250%	0.250%
Next RM400 million	<i>up to</i>	0.150%	0.150%	0.150%
Subsequent amounts above RM800 million	<i>up to</i>	0.100%	0.100%	0.100%

**Performance fee** : A performance fee (excluding any GST payable) of up to 4% per annum of the Net Property Income, but before deduction of the property management fee payable to the Property Manager, is calculated as at the end of each month and payable monthly in arrears by the Fund to us.

For the 3 financial years ending 31 December 2008, the performance fee payable by Tower REIT per annum is set out below:

		<---Financial year ending---> 31 December		
Net Property Income		2006	2007	2008
Up to RM25 million	<i>up to</i>	-	3.11%	3.35%
Subsequent amounts above RM25 million	<i>up to</i>	2.00%	2.00%	2.00%

**Acquisition fee** : For any acquisition of real estate (including shares in an unlisted company whose principal assets comprise of real estate) by the Fund, an acquisition fee of 1.0% of the acquisition price is payable by the Fund to us (pro-rated if applicable to the proportion of the interest of the Fund in the asset acquired). However, no acquisition fee is payable in respect of the acquisition of the REIT Properties.

**Divestment fee** : For any sale or divestment of real estate (including shares in an unlisted company whose principal assets comprise of real estate) by the Fund, a divestment fee of 0.5% of the disposal price is payable by the Fund to us (pro-rated if applicable to the proportion of the interest of the Fund in the asset divested).

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## 2. INFORMATION SUMMARY (Cont'd)

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Trustee fee	: A trustee fee (excluding any GST payable) of up to 0.03% per annum of the audited NAV, subject to a maximum amount of RM200,000 per annum, is calculated daily and payable monthly in arrears.
Property management fee	: A property management fee, is payable monthly in arrears by the Fund to the Property Manager, as follows: <ul style="list-style-type: none"><li>• in respect of the first RM30,000 of the gross annual rental income from the REIT Properties, 5% per annum of such gross annual rental income;</li><li>• in respect of the residue up to RM100,000 of the gross annual rental income from the REIT Properties, 3% per annum of such gross annual rental income; and</li><li>• in respect of the residue over RM100,000 of the gross annual rental income from the REIT Properties, 2% per annum of such gross annual rental income, with permissible discount in accordance with the VAEA.</li></ul>
Other expenses directly/indirectly related to the operation of the Fund	: Including but not limited to the following: <ul style="list-style-type: none"><li>• auditors' fee;</li><li>• valuation fees;</li><li>• other relevant professional fees;</li><li>• interest expense;</li><li>• taxation;</li><li>• printing, posting and general expenses that are directly related and necessary for the administration of the Fund; and</li><li>• property operating expenses.</li></ul>

For further information on the permitted charges of the Fund, you may refer to Section 15 of this Prospectus.

Our Company is entitled to be reimbursed for all costs incurred in the course of exercising its powers and in fulfilling its obligations and in relation to the administration and management of Tower REIT under the Deed. These costs include, amongst others, those incurred in communicating with Unitholders and maintaining Tower REIT on the Official List.

Our Company may charge the Unitholder fees for performing any service or undertaking any task at the request of the Unitholder where no obligation to perform that service or undertake that task is expressly provided for in the Deed, SCA, SC Guidelines on REIT and SC Guidelines on Unit Trust Funds and such fees must be communicated to the Unitholder and accepted. However, if the Unitholder does not accept, we are not bound to perform the service or task as requested by the Unitholders.

For further information on the fees and charges, you may refer to Section 8 of this Prospectus.

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**2. INFORMATION SUMMARY (Cont'd)**

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**2.8 Principal Statistics relating to the Public Offering****2.8.1 Units**

	<b>No. of Units</b>
<i>Fund size approved by the SC</i>	<u>237,500,000</u>
<i>Issued and fully paid-up</i>	
1,000 Units issued to us as Promoter Units	1,000
<i>Units to be issued pursuant to the HP Towers Acquisition</i>	
35,625,000 Units	35,625,000
<i>Public Offering Units to be issued pursuant to the Public Offering</i>	
201,874,000 Units	201,874,000
<b>Total Units in issue upon Listing</b>	<u><b>237,500,000</b></u>

There is only 1 class of Units in Tower REIT. The Public Offering Units will rank equally in all respects with the existing Units in issue, including voting rights and rights to all distributions and/or allotments that may be declared, paid or made after the date of allotment and issuance of the Units.

For further information on the Public Offering, you may refer to Section 3 of this Prospectus.

**2.8.2 Issue Price**

<b>Issue price per Public Offering Unit (RM)</b>	<b>1.07</b>
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**2.8.3 Proforma NAV as at the Establishment Date**

<b>Proforma NAV (RM'000)</b>	<b>246,724</b>
(after deducting the estimated listing expenses of RM4.9 million)	
<b>Proforma NAV per Unit (RM)</b>	<b>1.04</b>
(based on the enlarged Units in issue of 237,500,000 Units)	

## 2. INFORMATION SUMMARY (Cont'd)

### 2.9 Unitholdings of our Company's Substantial Shareholders, our Directors and our Key Personnel in Tower REIT

Prior to the date of this Prospectus, there are only 1,000 Units in circulation, all of which are held by us as Promoter Units. We will dispose of all of the Promoter Units on the Market Day immediately following the Listing.

Based on GLM's Register of Substantial Shareholders, as at 15 February 2006, the unitholdings of GLM, our holding company, and the substantial shareholders of GLM in the Fund after the Public Offering are as follows:

Name	<-----Direct----->		<-----Indirect----->	
	No. of Units held	%	No. of Units held	%
GLM	35,625,000	15.0	-	-
Hong Leong Company (Malaysia) Berhad	-	-	35,625,000 <sup>(1)</sup>	15.0
Tan Sri Quek Leng Chan	-	-	35,625,000 <sup>(1)</sup>	15.0
HL Holdings Sdn Bhd	-	-	35,625,000 <sup>(1)</sup>	15.0
Kwek Leng Beng	-	-	35,625,000 <sup>(1)</sup>	15.0
Kwek Holdings Pte Ltd	-	-	35,625,000 <sup>(1)</sup>	15.0
Hong Realty (Private) Limited	-	-	35,625,000 <sup>(1)</sup>	15.0
Hong Leong Investment Holdings Pte Ltd	-	-	35,625,000 <sup>(1)</sup>	15.0
Kwek Leng Kee	-	-	35,625,000 <sup>(1)</sup>	15.0
Davos Investment Holdings Private Limited	-	-	35,625,000 <sup>(1)</sup>	15.0
Quek Leng Chye	-	-	35,625,000 <sup>(1)</sup>	15.0
GLL (Malaysia) Pte Ltd	-	-	35,625,000 <sup>(1)</sup>	15.0
GuocoLand Limited	-	-	35,625,000 <sup>(1)</sup>	15.0
Guoco Investment Pte Ltd	-	-	35,625,000 <sup>(1)</sup>	15.0
Guoco Group Limited	-	-	35,625,000 <sup>(1)</sup>	15.0
GuoLine Overseas Limited	-	-	35,625,000 <sup>(1)</sup>	15.0
GuoLine Capital Assets Limited	-	-	35,625,000 <sup>(1)</sup>	15.0
Employees Provident Fund Board	-(2)	-	-	-

#### Notes:

<sup>(1)</sup> Deemed interest by virtue of its interest in GLM pursuant to Section 6A of the Act and assuming it will not subscribe for any Units made available to the Malaysian public as set out in Section 3.4(i) of this Prospectus.

<sup>(2)</sup> Assuming it will not subscribe for any Units made available to the Malaysian public as set out in Section 3.4(i) of this Prospectus.

## 2. INFORMATION SUMMARY (Cont'd)

The unitholdings of our Directors in the Fund after the Public Offering are as follows:

Name	Designation	<-----Direct <sup>(1)</sup> ----->		<-----Indirect----->	
		No. of Units held	%	No. of Units held	%
Kwek Leng Seng	Chairman (Non-independent)	300,000	0.1	-	-
Tan Ming Huat	Director/Chief Executive Officer (Non-independent)	120,000	.(2)	-	-
Steven Lek Ah Hup	Director (Non-independent)	80,000	.(2)	-	-
Goh Tian Sui	Director (Independent)	-	-	-	-
Dato' Ahmad Johari bin Tun Abdul Razak	Director (Independent)	-	-	-	-

**Notes:**

<sup>(1)</sup> Assuming full subscription of their respective allocations under the pink form allocation to eligible employees and directors as set out in Section 3.4(ii) of this Prospectus and assuming our Directors will not subscribe for any Units made available to the Malaysian public as set out in Section 3.4(i) of this Prospectus.

<sup>(2)</sup> Negligible.

The unitholdings of our key personnel in the Fund after the Public Offering are as follows:

Name	Designation	<-----Direct <sup>(1)</sup> ----->		<-----Indirect----->	
		No. of Units held	%	No. of Units held	%
Tan Ming Huat	Director/Chief Executive Officer (Non-independent)	120,000	.(2)	-	-
Chan Wan Leong	Chief Financial Officer	80,000	.(2)	-	-
Wong Hon Meng	Senior Building Manager	58,000	.(2)	-	-
Yong Yuet Lan	Tenancy Manager	29,000	.(2)	-	-
Chay Wan Nee	Finance Manager	12,000	.(2)	-	-

**Notes:**

<sup>(1)</sup> Assuming full subscription of their respective allocations under the pink form allocation to eligible employees and directors as set out in Section 3.4(ii) of this Prospectus and assuming our key personnel will not subscribe for any Units made available to the Malaysian public as set out in Section 3.4(i) of this Prospectus.

<sup>(2)</sup> Negligible.

### 2.10 Utilisation of Proceeds

The total indicative gross proceeds to Tower REIT arising from the issue of 201,874,000 Public Offering Units at the Issue Price is approximately RM216.0 million. These proceeds will be utilised as follows:

	RM million
Part finance the Acquisitions	209.9
Working capital	1.2
Estimated listing expenses <sup>(1)</sup>	4.9
Total gross proceeds	<u>216.0</u>

**Note:**

<sup>(1)</sup> The details of the estimated listing expenses are set out in Section 3.11 of this Prospectus.

For further information on the utilisation of proceeds, you may refer to Section 3 of this Prospectus.

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## 2. INFORMATION SUMMARY (Cont'd)

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### 2.11 Financial Highlights

For more details on the financial information relating to Tower REIT, you may refer to Section 10 of this Prospectus.

#### 2.11.1 Proforma Income Statements

We have prepared the proforma income statements of Tower REIT based on the information extracted from the Vendors' audited financial statements for the past 5 financial years ended 30 June 2005 and their unaudited financial statements for the 7 month period ended 31 January 2006 and based on the representation and opinion of the Directors of GLM that the revenue and expenses stated below are directly related to the operations of the REIT Properties.

	<----- Financial year ended 30 June ----->					7 months ended 31 January 2006
	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	(RM'000)
Revenue <sup>(1)</sup>	24,356	25,801	22,932	18,007	21,888	15,032
Property operating expenses						
Quit rent and assessment	(1,203)	(2,607)	(2,668)	(2,522)	(2,541)	(1,515)
Insurance	(181)	(179)	(197)	(168)	(188)	(127)
Other operating expenses <sup>(2)</sup>	(4,072)	(5,203)	(4,983)	(5,903)	(5,669)	(3,667)
	(5,456)	(7,989)	(7,848)	(8,593)	(8,398)	(5,309)
Net property income	18,900	17,812	15,084	9,414	13,490	9,723

**Notes:**

<sup>(1)</sup> Revenue includes income earned from rental, naming rights, signage space and parking.

<sup>(2)</sup> Other operating expenses comprise repair and maintenance, utilities, staff expenses and other direct expenses.

The extraction of expenses above consists of expenses directly related to the operations of the REIT Properties. Since Tower REIT was only established on the Establishment Date, the unaudited proforma income statements do not include the expenses specifically incurred by Tower REIT (for example trustee fee, management fee etc.) and the purpose of this proforma is to mainly illustrate the past performance of the REIT Properties. The unaudited proforma income statements of Tower REIT are prepared and presented for illustrative purposes only and are not indicative of the total income that would have been attained had Tower REIT actually existed in the financial years/period under review.

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## 2. INFORMATION SUMMARY (Cont'd)

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### 2.11.2 Proforma Balance Sheets

We have presented below a summary of the proforma balance sheets of Tower REIT based on the unaudited financial statements of Tower REIT as at the Establishment Date for illustrative purposes only to show the effects of the Public Offering, Acquisitions and the utilisation of proceeds arising from the Public Offering on the assumption that these transactions were completed on that date.

	Unaudited As at the Establishment Date (RM'000)	Proforma I Public Offering, Acquisitions and utilisation of proceeds (RM'000)
Investment properties	-	351,000
<b>CURRENT ASSET</b>		
Deposits, cash and bank balances	1	9,274
<b>CURRENT LIABILITY</b>		
Tenancy deposits	-	8,050
<b>NET CURRENT ASSET</b>	1	1,224
	<u>1</u>	<u>352,224</u>
<b>FINANCED BY:</b>		
Unitholders' fund	1	251,631
Less: Establishment and issue expenses	-	(4,907)
	1	246,724
<b>NON-CURRENT LIABILITY</b>		
Bank borrowings	-	105,500
	<u>1</u>	<u>352,224</u>
NAV (RM'000)	1	246,724
No. of Units in issue ('000)	1	237,500
NAV per Unit (RM)	1.00	1.04

The proforma balance sheets have been prepared based on the principal bases and assumptions set out in Section 10.8 of this Prospectus (Reporting Accountants' Letter on the proforma balance sheets). We advise you to read Section 10.8 of this Prospectus (Reporting Accountants' Letter on the proforma balance sheets) together with the proforma balance sheets set out above.



## 2. INFORMATION SUMMARY (Cont'd)

### 2.11.3 Profit Forecast and Projections

Barring any unforeseen circumstances, our Board forecasts and projects the net income after taxation of Tower REIT from the Establishment Date to 31 December 2006 and the 2 financial years ending 31 December 2008 to be as follows:

	←Forecast→ From the Establishment Date to 31 December 2006 (RM'000)	←Projection→ Financial year ending 31 December 2007 (RM'000)	2008 (RM'000)
Revenue	21,829	32,126	33,417
Property operating expenses	(6,050)	(8,844)	(9,110)
<b>Net property income</b>	<b>15,779</b>	<b>23,282</b>	<b>24,307</b>
Trust expenses	(943)	(2,101)	(2,107)
Borrowing cost	(3,288)	(4,642)	(4,642)
<b>Net income before taxation</b>	<b>11,548</b>	<b>16,539</b>	<b>17,558</b>
Taxation	-	-	-
<b>Net income after taxation</b>	<b>11,548</b>	<b>16,539</b>	<b>17,558</b>
 MER (%) <sup>(1)</sup>	 0.54 <sup>(2)</sup>	 0.85	 0.85

Notes:

<sup>(1)</sup> The MER provides a measure by which investors can assess and compare the fee and administration expenses incurred by the Fund.

<sup>(2)</sup> Annualised.

The profit forecast and projections have been prepared based on the principal bases and assumptions set out in Section 10.6 of this Prospectus (Reporting Accountant's Letters on the profit forecast and projections). We advise you to read Section 10.6 of this Prospectus (Reporting Accountant's Letters on the profit forecast and projections) together with the profit forecast and projections set out above.

### 2.11.4 Distribution Forecast and Projections

Barring any unforeseen circumstances, we will distribute 100% of the Distributable Income to Unitholders for the financial period from the Establishment Date to 31 December 2006 and the financial year ending 31 December 2007. Thereafter, we intend to distribute at least 90% of the Distributable Income for the relevant financial year or such other percentage and at such other intervals as determined by us at our discretion. Based on the profit forecast and projections set out in Section 10.3.1 of this Prospectus, our Board forecasts and projects that the distributions to Unitholders from the Establishment Date to 31 December 2006 and the 2 financial years ending 31 December 2008 to be as follows:

	←Forecast→ From the Establishment Date to 31 December 2006	←Projection→ Financial year ending 31 December 2007	2008
<b>Distributable Income (RM'000)</b> <sup>(1)</sup>	11,548	16,539	17,558
<b>Distribution per Unit (sen)</b> <sup>(2)</sup>	6.87 <sup>(4)</sup>	6.96	7.39 <sup>(5)</sup>
<b>Distribution yield (%)</b> <sup>(3)</sup>	6.42 <sup>(4)</sup>	6.51	6.91 <sup>(5)</sup>
<b>Distribution rate (%)</b>	100	100	100 <sup>(5)</sup>
<b>Distribution cover (%)</b>	100	100	100 <sup>(5)</sup>

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## 2. INFORMATION SUMMARY (Cont'd)

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**Notes:**

- <sup>(1)</sup> The Distributable Income is expected to be the same as the net income after taxation as set out in Section 10.3.1 of this Prospectus.
- <sup>(2)</sup> Distribution per Unit is calculated by dividing the Distributable Income by the enlarged Units in issue of 237,500,000 Units.
- <sup>(3)</sup> Distribution yield is calculated by dividing the distribution per Unit by the issue price of RM1.07 per Unit.
- <sup>(4)</sup> Annualised for comparative purposes.
- <sup>(5)</sup> Computed based on the assumption that Tower REIT will distribute 100% of its Distributable Income to Unitholders.

For further information on our distribution policy, you may refer to Section 6.3 of this Prospectus.

### 2.12 Risk Factors

You should carefully consider the following risks, which are set out in detail in Section 4 of this Prospectus, together with all other information contained in this Prospectus before investing in the Units. If necessary, you should seek professional advice from the relevant advisers before deciding to invest in the Units.

***Risks Relating to Tower REIT's Operations***

- potential conflict of interests relating to the Acquisitions;
- potential conflict of interests between Tower REIT and GLM Group;
- risks in relation to Tower REIT's debt facilities;
- borrowing limits;
- limited operating history;
- dependence on key personnel;
- changes in investment policies of Tower REIT;
- competition may affect the implementation of the investment strategies of Tower REIT;
- our operations are subject to regulations;
- certain regulations that apply to other securities and investments in Malaysia do not apply to the Units and Tower REIT; and
- changes in the laws, regulations and guidelines in Malaysia.

***Risks Relating to the REIT Properties***

- risks relating to the property market, economic, political and regulatory conditions in Malaysia;
- subsequent disposal price of the REIT Properties;
- dependence on key tenants;
- term of tenancies;
- non-registration of the transfer of title for the REIT Properties;

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## 2. INFORMATION SUMMARY *(Cont'd)*

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- final title over HP Towers;
- no separate title to Menara HLA;
- strata title measurements for Menara HLA;
- amenities located in 3 KiaPeng;
- early termination of Master Tenancy in respect of Menara HLA;
- Tower REIT's financial performance and property values will be affected by the office sector market condition; and
- losses or liabilities from latent building or equipment defects may materially and adversely affect earnings and cash flow.

### *Risks Relating to Investing in Real Estate*

- general risks relating to investments in real estate;
- adequacy of insurance coverage;
- compulsory acquisition by the relevant state authority; and
- illiquidity of investment in property.

### *Risks Relating to Investing in the Units*

- distributions to Unitholders will be subject to cash availability;
- no prior market for the Units;
- post Public Offering price;
- failure or delay in the Listing;
- taxation;
- no redemption of Units;
- delisting of Units on the Bursa Securities;
- profit forecast and projections;
- disposal of Units by GLM;
- dilution of the NAV per Unit;
- changes in accounting standards;
- forwarding-looking statements; and
- property yield on the Real Estate Investments is not equivalent to the yield on the Units.

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### **3. THE PUBLIC OFFERING**

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#### **3.1 Preliminary**

This Prospectus is dated 22 March 2006.

We have registered and lodged a copy of this Prospectus with the SC. The SC takes no responsibility for the contents of this Prospectus.

**Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Units as a prescribed security. Consequently, the Units will be deposited directly with Bursa Depository. Any dealings in the Units will be carried out in accordance with the Deed, the Securities Industry (Central Depositories) Act, 1991 and the Business Rules of Bursa Depository. We will not issue Unit certificates to successful applicants.**

**You should rely on your own evaluation to assess the merits and risks of the Public Offering and your investment in Tower REIT. In considering the investment, if you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.**

Pursuant to the Bursa Securities Listing Requirements, at least 25% of the total number of Units in issue must be held by a minimum of 1,000 public Unitholders holding not less than 100 Units each upon the completion of the Public Offering and at the point of Listing. We expect to achieve the public spread requirement at the point of Listing. If Tower REIT does not meet the above requirement, we may not be permitted to proceed with this Listing. In such case, we will return in full, without interest, monies paid in respect of all applications.

The minimum subscription amount to be raised from the Public Offering is approximately RM216.0 million. If we are unable to raise the minimum subscription amount from the Public Offering, we will return in full, without interest, monies paid in respect of all applications.

You should rely only on the information contained in this Prospectus. We, the Trustee and our advisers have not authorised anyone to give any information or to make any representation not contained in this Prospectus in relation to this Public Offering. The delivery of this Prospectus or any issue made in relation with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has not been any change in our affairs or in the affairs of Tower REIT since the date of this Prospectus.

The distribution of this Prospectus and the sale of the Public Offering Units are subject to Malaysian law. We and CIMB take no responsibility for the distribution of this Prospectus and/or sale of the Public Offering Units outside Malaysia which may be restricted by law in other jurisdictions. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation to buy any Public Offering Units in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

You may make an application only if you have a CDS account. If you do not presently have a CDS account, you must open a CDS account at an ADA listed in Section 17 of this Prospectus before making an application for the Public Offering Units. In the case of an application by way of Application Form, you should state your CDS account number in the space provided in the Application Form. If you apply by way of Electronic Application, you must have a CDS account and you shall furnish your CDS account number to the Participating Financial Institution by keying in your CDS account number if the instructions on the ATM screen at which you enter your Electronic Application require you to do so. A corporation or institution cannot apply by way of Electronic Application or Internet Application. For further details on the procedure for application, you may refer to Section 16 of this Prospectus.

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### 3. THE PUBLIC OFFERING *(Cont'd)*

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#### 3.2 Opening and Closing of Applications

Application for the Public Offering will open at 10.00 a.m. on 22 March 2006 and will remain open until 5.00 p.m. on 29 March 2006 or such other date as our Directors and the Underwriter, in their absolute discretion, may mutually decide.

**We will not accept any late applications.**

#### 3.3 Important Tentative Dates

The following events are intended to take place on the following tentative dates:

Event	Tentative Dates
Opening of the Public Offering	22 March 2006
Closing of the Public Offering	29 March 2006
Balloting of applications for the Public Offering Units	31 March 2006
Allotment of Public Offering Units to successful applicants	6 April 2006
Listing	12 April 2006

Our Directors and the Underwriter may mutually decide, in their absolute discretion, to extend the closing date and time for the Public Offering. We will announce any extension of the closing date in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia. If the closing date of the Public Offering is extended, the dates for the balloting, allotment of the Public Offering Units and the Listing will be extended accordingly.

#### 3.4 Particulars of the Public Offering

The Public Offering is subject to the terms and conditions of this Prospectus and we will allocate the Public Offering Units in the following manner:

**(i) Malaysian Public**

9,300,000 Public Offering Units will be made available to Malaysian citizens, companies, societies, co-operatives and institutions by way of balloting. At least 30% of these Public Offering Units will be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

**(ii) Eligible Directors and Employees of our Company, GLM, GLL and Subsidiaries and Associated Companies of GLM and GLL**

2,500,000 Public Offering Units have been reserved for eligible directors and employees of our Company, GLM, GLL and subsidiaries and associated companies of GLM and GLL.

The allocation to the directors and employees of our Company, GLM, GLL and subsidiaries and associated companies of GLM and GLL is based on seniority. A total of 72 directors and employees of our Company, GLM, GLL and subsidiaries and associated companies of GLM and GLL have been allocated Public Offering Units and the allocation is as follows:

	<-----Allocation----->	
	Public Offering Units	%
Our Directors and employees	321,000	12.8
Eligible Directors and employees of GLM and its subsidiaries and associated companies	1,679,000	67.2
Eligible employees of GLL and its subsidiaries	500,000	20.0
<b>Total</b>	<b>2,500,000</b>	<b>100.0</b>

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### 3. THE PUBLIC OFFERING (Cont'd)

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#### (iii) Private Placement

190,074,000 Public Offering Units have been reserved for private placement to investors.

Any Public Offering Unit that is not subscribed for under Section 3.4(ii) above will be made available for application by the Malaysian public of which at least 30% of these Public Offering Units will be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

All Public Offering Units under Sections 3.4(i) and 3.4(ii) have been fully underwritten by the Underwriter. For information on the salient terms of the Underwriting Agreement, you may refer to Section 3.8 of this Prospectus.

The Joint Placement Agents will procure investors to subscribe for the 190,074,000 Public Offering Units under Section 3.4(iii) above. Any such Public Offering Units which are not subscribed by the investors will be subscribed for by the Joint Placement Agents.

The minimum subscription amount to be raised from the Public Offering is approximately RM216.0 million, calculated based on all of the Public Offering Units at the Issue Price being fully subscribed. The minimum level of subscription has been determined based on the level of funds to be raised from the Public Offering of approximately RM216.0 million and the number of Units required to meet the minimum public unitholding spread.

#### 3.5 Objectives of the Public Offering

The objectives of the Public Offering are:

- to enable Tower REIT to raise proceeds to part finance the Acquisitions;
- to obtain a listing of and quotation for the Units on the Main Board of Bursa Securities;
- to provide an opportunity for members of the Malaysian public and institutions as well as eligible directors and employees of our Company, GLM, GLL and subsidiaries and associated companies of GLM and GLL to participate in the potential growth of the REIT Properties;
- to provide investors with an alternative investment vehicle for investing in large scale real estate. This investment vehicle requires minimal capital outlay and is more liquid as compared to a direct investment in real estate; and
- to enhance liquidity in the Malaysian real estate sector through the capital markets. Tower REIT facilitates indirect participation by retail and institutional investors in Malaysian real estate.

#### 3.6 Units

	No. of Units
<i>Fund size approved by the SC</i>	<u>237,500,000</u>
<i>Issued and fully paid-up</i>	
1,000 Units issued to us as Promoter Units	1,000
<i>Units to be issued pursuant to the HP Towers Acquisition</i>	
35,625,000 Units	35,625,000
<i>Public Offering Units to be issued pursuant to the Public Offering</i>	
201,874,000 Units	201,874,000
<b>Total Units in issue upon Listing</b>	<u><b>237,500,000</b></u>
Issue price per Public Offering Unit	RM1.07
Proforma NAV per Unit as at the Establishment Date <sup>(1)</sup>	RM1.04

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### **3. THE PUBLIC OFFERING (Cont'd)**

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*Note:*

*(1) Based on the enlarged Units in issue of 237,500,000 Units.*

On the Establishment Date, 1,000 Units were issued at an issue price of RM1.00 per Unit to our Company as Promoter Units for the purpose of constituting Tower REIT. We will dispose of all of these Promoter Units on the Market Day immediately following the Listing. Pursuant to the HP Towers Acquisition, PDSB will nominate HLP Equities Sdn Bhd, a wholly-owned subsidiary of GLM, to receive the part consideration of 35,625,000 Units.

There is only 1 class of Units in Tower REIT. The Public Offering Units will rank equally in all respects with the existing Units in issue, including voting rights and will be entitled to all distributions and/or allotments that may be declared, paid or made after the date of allotment and issuance of the Units.

At every Unitholders' meeting, each Unitholder shall be entitled to vote in person or by proxy. On a show of hands, each Unitholder present in person or by proxy shall have 1 vote. On a poll, each Unitholder present in person or by proxy shall have 1 vote for each fully paid Unit held. A proxy need not be a Unitholder.

However, we and any party related or associated to us shall not be entitled to vote at any Unitholders' meeting, unless otherwise permitted by the SC and/or by any relevant law.

For further information on the rights attached to the Units such as voting, distribution, liquidation and other rights as a Unitholder, you may refer to Section 15 of this Prospectus.

#### **3.7 Brokerage, Placement Fee and Underwriting Commissions**

Tower REIT will bear the brokerage fee for the Public Offering Units to the Malaysian public at the rate of 1.00% of the Issue Price in respect of successful applications which bear the stamp of CIMB, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association in Malaysia or the Issuing House.

Tower REIT will also bear:

- (i) the placement fee at the rate of 1.25% of the Issue Price per Public Offering Unit placed out by the respective Joint Placement Agents, payable to the respective Joint Placement Agents; and
- (ii) the underwriting commission at the rate of 1.25% of the Issue Price per Public Offering Unit underwritten by the Underwriter, payable to the Underwriter.

#### **3.8 Salient Terms of the Underwriting Agreement**

The salient terms of the Underwriting Agreement are summarised below:

- (i) The Underwriting Agreement was entered into between the Underwriter and our Company on 28 February 2006;
- (ii) Pursuant to the terms of the Underwriting Agreement, in consideration of the underwriting commission, calculated at the rate of 1.25% of the Issue Price per Public Offering Unit, the Underwriter shall underwrite 11,800,000 Public Offering Units ("Underwritten Units") at the Issue Price;
- (iii) We have made specific representations and warranties in respect of, amongst others, our due incorporation and the constitution of the Fund. The Underwriter made specific representations and warranties in respect of, amongst others, its power to enter into, exercise its rights, and perform and comply with its obligations under the Underwriting Agreement;

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### 3. THE PUBLIC OFFERING (Cont'd)

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- (iv) The Underwriting Agreement is conditional upon certain conditions, including, Bursa Securities having granted approval in-principle for the Listing and the Underwriter being satisfied that the Listing will be granted within such period as Bursa Securities may permit and there not having been any adverse change in the condition (financial or otherwise) of the Fund or our Company prior to the closing of the Public Offering. In the event any of the conditions are not satisfied on or before the closing date, the Underwriter may terminate the Underwriting Agreement by giving notice in writing to our Company and the parties shall be released and discharged from their respective obligations under the Underwriting Agreement;
- (v) The Underwriter shall be entitled to terminate the Underwriting Agreement upon the occurrence of any of the following on or before the closing of the Public Offering:
  - (a) any breach of our Company's representations, warranties, covenants and undertakings set out in the Underwriting Agreement or any withholding of information which, in the opinion of the Underwriter, materially and adversely affects the Public Offering;
  - (b) the imposition of a moratorium, suspension or material restriction on trading in securities generally on Bursa Securities due to exceptional financial circumstances or otherwise which would materially and adversely affect the success of the Listing;
  - (c) any change in national or international financial, political or economic conditions or taxation or exchange controls as would, in the reasonable opinion of the Underwriter, likely to prejudice materially the consummation of underwriting of the Underwritten Units;
  - (d) any adverse change in the financial position of the Fund or our Company which, in the opinion of the Underwriter, would materially and adversely affect the success of the Listing;
  - (e) a *force majeure* event which has or is likely to make the Underwriting Agreement or any part thereof incapable of performance or likely to have a material adverse effect on the success of the Public Offering or the sale of any Underwritten Unit; or
  - (f) the Listing is withdrawn or not procured by our Company.

#### 3.9 Basis of Arriving at the Issue Price

All applicants for the Public Offering Units will pay the Issue Price upon application. Our Adviser, the Underwriter and our Company have determined and agreed upon the Issue Price after taking into consideration the following factors:

- (i) the financial history and conditions of the REIT Properties;
- (ii) the future prospect of Tower REIT;
- (iii) the forecast and projected distribution yields of Tower REIT;
- (iv) the prevailing capital and property market conditions and sentiments; and
- (v) the proforma NAV per Unit as at the Establishment Date of RM1.04.

**You should also note that the market price of the Units upon the Listing is subject to the vagaries of market forces and other uncertainties. These factors may affect the price of the Units. You are reminded to consider carefully the risk factors as set out in Section 4 of this Prospectus.**



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### 3. THE PUBLIC OFFERING *(Cont'd)*

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#### 3.10 Utilisation of Proceeds

The total indicative gross proceeds to Tower REIT arising from the issue of 201,874,000 Public Offering Units at the Issue Price is approximately RM216.0 million. These proceeds will be utilised as follows:

	RM million
Part finance the Acquisitions	209.9
Working capital	1.2
Estimated listing expenses <sup>(1)</sup>	4.9
Total gross proceeds	<u>216.0</u>

*Note:*

<sup>(1)</sup> The details of the estimated listing expenses are set out in Section 3.11 of this Prospectus.

The Trustee (on behalf of the Fund) shall be responsible, and shall pay for all expenses of the Public Offering. This includes the underwriting commissions, brokerage, placement fee, registration fees and other expenses and fees incidental to the issue and sale of the Public Offering Units. The proceeds for financing the Acquisitions and listing expenses are expected to be utilised within 5 Market Days after the date of the Listing. The proceeds allocated as working capital are expected to be utilised within 18 months from the date of the Listing.

#### 3.11 Estimated Listing Expenses

The listing expenses are estimated to be RM4.9 million. The breakdown of the estimated listing expenses is set out below:

	RM million
Professional fees <sup>(1)</sup>	0.8
Regulatory fees	0.1
Brokerage, placement fee and underwriting commissions	2.8
Advertising, printing and marketing expenses	0.8
Miscellaneous fees and contingencies	0.4
	<u>4.9</u>

*Note:*

<sup>(1)</sup> Professional fees include fees to Adviser, legal advisers, Reporting Accountants, independent property consultant, Tax Consultant and Valuer.

#### 3.12 Units To Be Issued Pursuant to the HP Towers Acquisition

The HP Towers Acquisition will involve the acquisition of HP Towers by Tower REIT for a consideration of RM130,000,000. The acquisition will be satisfied by the issuance of 35,625,000 Units at an issue price of RM1.00 per Unit to HLP Equities Sdn Bhd, a wholly-owned subsidiary of GLM, and the balance for a cash consideration of RM94,375,000. Pursuant to the HP Towers Acquisition, HLP Equities Sdn Bhd will own 15.0% of the Units in issue of Tower REIT upon Listing.

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## **4. RISK FACTORS**

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**YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS, ALONG WITH THE OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN THE UNITS. THE RISK FACTORS SET OUT BELOW, WHICH MAY NOT BE EXHAUSTIVE, MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE OPERATIONS AND PERFORMANCE OF TOWER REIT. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY IN THE FUTURE HAVE A MATERIAL ADVERSE EFFECT ON TOWER REIT OR THE PRICE OF THE UNITS.**

**AS AN INVESTMENT IN A COLLECTIVE INVESTMENT SCHEME IS MEANT TO PRODUCE RETURNS OVER THE LONG-TERM, YOU SHOULD NOT EXPECT TO OBTAIN SHORT-TERM GAINS.**

**YOU SHOULD BE AWARE THAT THE PRICE OF THE UNITS MAY FALL OR RISE. YOU SHOULD ALSO NOTE THAT YOU MAY NOT GET BACK YOUR ORIGINAL INVESTMENT AND THAT YOU MAY NOT RECEIVE ANY DISTRIBUTIONS.**

### **4.1 Risks Relating to Tower REIT's Operations**

#### **4.1.1 Potential conflict of interests relating to the Acquisitions**

The Vendors and our Company have common directors and major shareholders. Based on the OMV of the REIT Properties of RM363.0 million, the Trustee, on behalf of Tower REIT will acquire the REIT Properties for a consideration of RM351.0 million. This represents an overall discount of approximately 3.3% to the OMV of the REIT Properties.

As disclosed in Section 14.2 of this Prospectus, there are certain related-party transactions between Tower REIT, and the Vendors, our Company and related parties of the Vendors or our Company. In addition, some of the directors and/or substantial shareholders of GLM have interests in similar businesses as Tower REIT. In this respect, the strategies and activities of Tower REIT may be influenced by the overall interest of GLM including acquisition of properties and competition for clientele.

Apart from the REIT Properties, we may acquire other assets from the Vendors, GLM or other parties related to them in the future. Accordingly, potential conflict of interests may arise from such acquisitions. In mitigating any potential conflict of interest, we intend to continue to obtain appraisals from independent professional parties and comply with all other requirements applicable to such transactions as set out in the Deed, the Bursa Securities Listing Requirements, the requirements set out in the SC Guidelines on REIT as well as our policy in dealing with conflict of interest as set out in Section 8.1.12 of this Prospectus.

#### **4.1.2 Potential conflict of interests between Tower REIT and GLM Group**

GLM Group, including the Vendors, are engaged in, amongst others, investment in, and the development and management of, other commercial properties in Malaysia. GLM may exercise its influence over the activities of Tower REIT through us as we are GLM's wholly-owned subsidiary. As a result, GLM may influence the strategies and activities of Tower REIT. In addition, GLM Group could also in future, sponsor, manage or invest in other REITs or other vehicles which may compete directly with Tower REIT. There can be no assurance that conflicts of interest will not arise between Tower REIT and GLM Group in the future, or that Tower REIT's interest may not be subordinated to those of GLM Group, whether in relation to future acquisitions of commercial properties or property-related investments, or in relation to competition for commercial tenants, in particular within Klang Valley. For further information and disclosure on the existing and proposed related-party transactions and conflict of interests between Tower REIT and GLM Group, you may refer to Section 14.2 of this Prospectus.

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#### **4. RISK FACTORS (Cont'd)**

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However, the Deed provides that prior approval of the Trustee shall be obtained where Tower REIT proposes to acquire investments in which we or any of our officers have a financial interest, or from which any of our officers or we shall derive a benefit. The prior approval of the Trustee is similarly required for proposals involving the acquisition or disposal of any real estate or shares in a company whose principal assets are real estate from or to our related parties or associated persons. If such a proposed acquisition or disposal shall exceed the prescribed price limits and materiality threshold set out in the Deed, the Trustee is obliged to obtain the approval of the Unitholders by ordinary resolution in a meeting held specifically to approve such acquisition or disposal. At such meeting of the Unitholders, we, our related parties and associated persons are not entitled to vote on the resolution. A "related party" means a related corporation as defined in Section 6 of the Act and "associated persons" has the meaning ascribed to it in Section 3 of the Securities Industry Act, 1983.

##### **4.1.3 Risks in relation to Tower REIT's debt facilities**

Tower REIT has in place the debt facilities as described in Section 6.6 of this Prospectus. The term loan of RM105.5 million to part finance the Menara HLA Acquisition represents 29.3% of Tower REIT's Gross Asset Value upon Listing.

Tower REIT may, from time to time, obtain additional debt facilities to achieve its investment strategies. This is, however, subject always to the provisions of the SC Guidelines on REIT. Tower REIT's level of gearing may be higher as compared to other types of unit trusts, such as non-specialised collective investment schemes which may invest in equities and/or fixed income instruments.

Tower REIT will be subject to risks relating to its debt facilities. For instance, Tower REIT may have insufficient cashflow to meet its obligations under such facilities. This could in turn adversely affect the distributions to the Unitholders.

The debt facilities will be secured against a lienholders' caveat over the HLA Land (as further described in Section 6.6 of this Prospectus). If Tower REIT is unable to meet its financial obligations under the debt facilities, the Lender may enforce the security granted to it. This could result in loss of income and diminution in the asset value of the Fund.

Tower REIT will also be subject to refinancing risks. It may not be able to refinance its existing borrowings or the terms of such refinancing may not be as favourable as the terms of its existing borrowings. Tower REIT may also be subject to certain covenants in connection with any future borrowings that may limit or otherwise affect its operations and ability to make distributions to Unitholders. Such covenants may restrict the ability of Tower REIT to acquire new properties, undertake capital expenditures or upkeep the properties. Furthermore, future interest rate hikes could adversely affect the refinancing terms, resulting in a possible rise in future interest expense. This would, in turn, adversely affect Tower REIT's cash flow and the amount available for distribution to Unitholders.

##### **4.1.4 Borrowing limits**

Pursuant to Section 10.08 (2) of the SC Guidelines on REIT, unless otherwise approved by the Trustee and the SC, Tower REIT may only borrow up to 35% of the Gross Asset Value of the Fund. As set out in Section 4.1.3 above, the existing borrowings represent 29.3% of Tower REIT's Gross Asset Value upon Listing. Based on a maximum gearing of 35%, Tower REIT has the capacity to increase its borrowings by an amount of RM20.6 million. This could be utilised to fund capital expenditure and working capital and/or to part finance future acquisitions by Tower REIT. However, a diminution in the value of Tower REIT's gross assets may restrict Tower REIT's ability to obtain further borrowings.

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#### **4. RISK FACTORS (Cont'd)**

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Limitation on borrowings may have the following consequences on Tower REIT:

- (i) inability to fund capital expenditure requirements in relation to Tower REIT's existing portfolio or in relation to future acquisition of properties by Tower REIT; and
- (ii) cash flow shortages which Tower REIT might otherwise be able to resolve through borrowings.

Notwithstanding the above, we may consider other means of funding such as internally generated funds or through the issuance of new Units.

##### **4.1.5 Limited operating history**

Tower REIT was constituted on 21 February 2006 and we were incorporated on 13 July 2004. Neither Tower REIT nor our Company has the relevant track record by which Tower REIT's and our performance could be evaluated by investors to assess Tower REIT's and our likely future performance.

However, our Board and management team have been involved in the management of the REIT Properties and other similar commercial properties. Mr Tan Ming Huat, our Chief Executive Officer and Mr Chan Wan Leong, our Chief Financial Officer, individually has more than 19 years experience in the real estate industry in Malaysia.

##### **4.1.6 Dependence on key personnel**

Tower REIT's success depends, in part upon the continued service and performance of our Board and senior management team. These key personnel may, in future, leave our Company or compete with Tower REIT and our Company. The loss of any of these individuals or our other key employees may have an adverse effect on Tower REIT's financial performance and operations.

##### **4.1.7 Changes in investment policies of Tower REIT**

Depending on the risk factors (including those highlighted in this section of the Prospectus and subject to the provisions of the Deed, the Bursa Securities Listing Requirements and the SC Guidelines on REIT), we may change the investment policies of the Fund in future. There is no assurance that the new investment policies will yield a better distribution to Unitholders and result in the capital growth of Tower REIT.

##### **4.1.8 Competition may affect the implementation of the investment strategies of Tower REIT**

One of our investment strategies is to grow Tower REIT's portfolio of properties. There is no assurance that we can implement our investment strategies successfully or that Tower REIT's portfolio of properties could expand to a desired size within a specific time frame. In addition, we may not be able to identify quality buildings to acquire or make acquisitions or investments on favourable terms or within a desired time frame.

There could be significant competition in future for investment opportunities from property investors, other REITs and private investments funds. There can be no certainty that Tower REIT can compete effectively in the future.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.1.9 Our operations are subject to regulations**

We are required to be approved by the SC for the regulated activity of asset management. If approval for our Company to act as manager is revoked by the SC, Tower REIT will appoint another manager. The appointment of another manager may materially and adversely affect the performance and operations of Tower REIT. If no other manager is found, Tower REIT may be terminated.

Notwithstanding the above, we will endeavour to comply with all regulations at all times and ensure that Tower REIT will be managed in a professional manner.

##### **4.1.10 Certain regulations that apply to other securities and investments in Malaysia do not apply to the Units and Tower REIT**

The rights of Unitholders are not identical to those granted to shareholders of companies incorporated in Malaysia. For example, Part II of the Malaysian Code on Take-over and Mergers, 1998 does not apply to the acquisition of Units. A person may acquire the Units without having the obligation to undertake a mandatory general offer for the remaining Units he or she does not hold. In such an event, Unitholders may not benefit from a possible premium over the then prevailing market price of the Units.

In addition, whilst the Bursa Securities Listing Requirements set out detailed provisions regulating transactions involving a listed issuer or its subsidiaries acquiring or disposing of business or assets and related party transactions which serve to protect the interest of shareholders, such provisions do not apply to REITs.

##### **4.1.11 Changes in the laws, regulations and guidelines in Malaysia**

Tower REIT may be affected by the introduction of new or revised legislations, regulations or guidelines in Malaysia. Such changes may have a material adverse effect on our ability to carry out Tower REIT's investment strategies or on the operations or financial performance of Tower REIT.

#### **4.2 Risks Relating to the REIT Properties**

##### **4.2.1 Risks relating to the property market, economic, political and regulatory conditions in Malaysia**

The REIT Properties are located in Kuala Lumpur, Malaysia and as such Tower REIT is exposed to the performance of the property industry and to a larger extent, the economic performance of Malaysia. Tower REIT's operations and future growth could be adversely affected by a deterioration in the economic condition in Malaysia. Additionally, any adverse development in the political and regulatory conditions in Malaysia may also materially and adversely affect the financial performance of Tower REIT. Such political and economic uncertainties include the risks of war, changes in general economic, business and credit conditions, changes in the Government's policies and the introduction of new regulations affecting the industry, inflation, interest rates, taxation, fluctuation in foreign exchange rates and political or social development in Malaysia.

The performance of Tower REIT may also be affected by factors affecting the property cycle in Malaysia, including oversupply and decrease in demand for commercial office space.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.2.2 Subsequent disposal price of the REIT Properties**

The purchase consideration of the REIT Properties is less than their OMV as set out in Section 7 of this Prospectus.

The OMV of the REIT Properties as determined by the Valuer does not amount to a guarantee that the REIT Properties can be sold at their OMV in future. The price at which Tower REIT may sell any part or the whole of the REIT Properties in the future may also be lower than their purchase price.

##### **4.2.3 Dependence on key tenants**

Each of the REIT Properties has a few tenants that occupy 10.0% or more of the net lettable area of the respective REIT Properties. As a result, the rental income from these major tenants constitute a significant percentage of the total rental income of Tower REIT. The winding-up, insolvency or downturn in the business of its key tenants may adversely affect Tower REIT's financial condition and operational results and its ability to make distributions. The decision by a key tenant not to renew its tenancy or to terminate its tenancy before it expires may also have similar adverse effects.

The loss of key tenants could result in periods of vacancy, which could adversely affect Tower REIT's rental income. In addition, substitute tenants may not be found in a timely manner. The rental rate and terms of such tenancy renewals and new tenancies may also be less favourable than the current tenancies.

Notwithstanding the above, the tenant mix of the REIT Properties comprises tenants from diversified sectors such as finance/insurance, services, information technology, manufacturing/trading, property/construction and embassy. Such diversification may enhance the Fund's ability to provide Unitholders with stable distributions.

##### **4.2.4 Term of tenancies**

A large number of tenancies of the REIT Properties are for periods of up to 3 years, some with options to extend for a further term of between 1 and 3 years. Such tenancy terms are common in the Malaysian commercial property market. As such, the REIT Properties will experience cycles in which a substantial number of the tenancies expire each year. Non-renewal of certain tenancies may result in a decline in the occupancy rate of the REIT Properties. This, in turn, may reduce Tower REIT's income, particularly if there is a high concentration of expiration in the term of the tenancies within a particular year.

##### **4.2.5 Non-registration of the transfer of title for the REIT Properties**

A private caveat was entered on the qualified title relating to HP Towers by a financial institution for bank borrowings granted to PDSB. The withdrawal of caveat together with the statutory instrument of transfer, will be presented for registration at the relevant land office/land registry prior to the Listing.

The HLA Land is subject to a first party first legal charge and third parties' second legal charges entered by financial institutions for bank borrowings granted to KDSB and GLM. The discharge of the charges together with the statutory instrument of transfer, will be presented for registration at the relevant land office/land registry prior to the Listing.

The Trustee will only become the registered and legal owner of the REIT Properties upon the endorsement of the name of the Trustee as the registered owner on the titles to the REIT Properties.

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#### **4. RISK FACTORS (Cont'd)**

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The Trustee has taken all necessary action to ensure that the instruments of transfer are in a registrable form. This includes conducting searches at the relevant land office/land registry to ascertain the absence of caveats or encumbrances which would prevent the registration of the Trustee as the registered owner of each of the REIT Properties prior to the presentation of the instruments of transfer and other necessary transfer documents at the relevant land office/land registry. The instruments of transfer for the REIT Properties will be presented for registration prior to the Listing.

Given the current practices of the land offices/land registries in Malaysia, it is not uncommon that the period between the date of presentation of instruments relating to a dealing in land and the registration thereof could take several months. Nonetheless, upon registration, the date of registration will be the date of presentation of the instruments of dealing. The potential delay and therefore, uncertainty, in the registration of the Trustee as the registered owner of each of the REIT Properties is not unique.

The HP Towers SPA and the Menara HLA SPA respectively provide that if the transfer of the respective REIT Properties to the Trustee cannot be registered for any reason whatsoever, the respective Vendors shall hold the property as bare legal trustee for and on behalf of the Trustee. The respective Vendors shall also grant to the Trustee an irrevocable power of attorney to enable the Trustee to do all acts and things and to exercise all rights, title and interest in the respective REIT Properties consistent with its beneficial ownership of the REIT Properties.

##### **4.2.6 Final title over HP Towers**

The issue document of title over HP Towers is currently a qualified title, pending issuance of the final title. The qualified title states that the land area of HP Towers is approximately 7,878.57 square metres. Upon issuance of the final title, there is a possibility that the final land area may be higher or lower than that stated in the qualified title.

Prior to the date of this Prospectus, the application for the final title has been submitted on the basis of a land area larger than 7,878.57 square metres.

##### **4.2.7 No separate title to Menara HLA**

Pursuant to the Menara HLA SPA, KDSB will transfer the legal title to the HLA Land, including such part of the land on which 3 KiaPeng is situated, to the Trustee (acting on behalf of Tower REIT). However, pursuant to the Menara HLA SPA, the legal title to the HLA Land is being transferred to the Trustee as a means of conveying legal and beneficial title only to Menara HLA and the Trustee shall disclaim all rights, title and interest to the parcels of properties in 3 KiaPeng.

There is currently no separate individual strata title to Menara HLA and 3 KiaPeng. Both properties are situated on the HLA Land which is registered in the name of, and owned by, KDSB. KDSB had on 30 September 2005 submitted an application for the issuance of separate individual strata titles for Menara HLA and each of the other parcels of properties in 3 KiaPeng. Under the Menara HLA SPA, the Trustee (acting on behalf of Tower REIT) undertakes that it shall upon the issuance of the separate individual strata titles, transfer such titles to the relevant parties. In this regard, KDSB shall render all necessary assistance to the Trustee and shall indemnify the Trustee against the costs for such transfers.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.2.8 Strata title measurements for Menara HLA**

Under the Menara HLA SPA, Menara HLA is sold to the Trustee based on the floor plan, storey plan, site plan and car park plan of Menara HLA, which are annexed to the Menara HLA SPA. Whilst KDSB will take all necessary action to ensure that the measurements and dimensions in the strata title correspond to the description and plans in the Menara HLA SPA, there can be no assurance that when issued, the strata title will correspond exactly to such dimensions and plans.

##### **4.2.9 Amenities located in 3 KiaPeng**

There are certain facilities, plant and equipment ("Facilities") supplying amenities and services to Menara HLA which are located on the HLA Land, and does not form part of Menara HLA.

Under the Menara HLA SPA, the legal title to the HLA Land is being transferred to the Trustee as a means of conveying legal and beneficial title only to Menara HLA. The Trustee shall disclaim all rights, title and interest to the parcels of properties in 3 KiaPeng. The Facilities not located in Menara HLA will not be acquired by the Trustee, and prior to the issuance of the separate strata titles for Menara HLA and the parcels of properties in 3 KiaPeng, ownership in the Facilities will continue to remain with KDSB.

However, in the application for the separate strata titles for Menara HLA and the parcels of properties in 3 KiaPeng, all the Facilities required for the amenities and services to Menara HLA forms either an accessory parcel to the strata title of Menara HLA or part of the common property of 3 KiaPeng and Menara HLA. Accordingly, if the strata title plans are approved in the manner applied for, following the issuance of the strata title to Menara HLA to the Trustee, the Trustee will be able to have access to the services and amenities provided by the Facilities.

Further, under the terms of the Menara HLA SPA, upon completion of the Menara HLA SPA, KDSB and the Trustee shall execute a deed of mutual covenants. Pursuant to the deed of mutual covenants, the Trustee can use the Facilities on the HLA Land and the Facilities shall be maintained and managed by KDSB for a fee.

Upon issuance of the separate strata titles, a management corporation shall be established and the Facilities forming part of the accessory parcel shall belong to the Trustee and the Facilities located on 3 KiaPeng shall form part of the common property of 3 KiaPeng on the HLA Land. This common property shall vest in and be held by the management corporation for the benefit of all strata title holders. Following the establishment of a management corporation, the restrictions and limitations inherent in the Strata Titles Act, 1985 and any of its by-laws may hinder the Trustee's ability to deal with the Facilities (which are not located on an accessory parcel). Subject to such restrictions and limitations, the Trustee would only be able to exert its influence or control over its interest in the Facilities (which are not located on an accessory parcel) by participating in the general meetings of the management corporation and the elected council of the management corporation.

For certain key matters, the management corporation's powers to deal with the Facilities (which are not located on an accessory parcel) may only be exercised on the authority of the parcel proprietors' special resolution or unanimous resolution. However, we are of the opinion that the performance/management of Tower REIT will not be compromised arising from the above as the situations which may arise and require either a unanimous resolution or special resolution has a relatively low probability of occurring unless there are extenuating circumstances giving rise to them. In addition, there is no reason for us to believe that the necessary resolution will not be passed if it is in the interest of the parcel proprietors, including Tower REIT.



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#### **4. RISK FACTORS (Cont'd)**

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##### **4.2.10 Early termination of Master Tenancy in respect of Menara HLA**

Under the Master Tenancy Agreement, Tower REIT shall let to KDSB a pre-identified total net lettable area of 373,011 sq. ft., representing 94% of the total net lettable area of Menara HLA, for a fixed term of 2 years commencing from the date of the completion of the Menara HLA SPA. Both parties further agree to KDSB sub-letting the tenanted area to other third parties.

Whilst the parties shall endeavour to fulfil their obligations under the Master Tenancy Agreement, there is no assurance that the Master Tenancy Agreement will not be terminated prior to the expiration of the term of the Master Tenancy. The Master Tenancy Agreement allows the Trustee (as the landlord), at its sole discretion, to terminate the Master Tenancy Agreement upon the occurrence of certain events of default by KDSB. If the Master Tenancy Agreement is terminated prior to the expiry of the term of the tenancy, KDSB shall novate its rights, interests, benefits, liabilities and obligations in, to and under the sub-tenancy agreements between KDSB and its sub-tenants to Tower REIT. The rental rate that Tower REIT can impose on the tenants of Menara HLA following the expiry or early termination of the Master Tenancy Agreement may be lower than that enjoyed by Tower REIT under the Master Tenancy Agreement.

Further, following the expiry or early termination of the Master Tenancy Agreement, the occupancy rate of Menara HLA may be lower than that of 94% of Menara HLA's total net lettable area.

##### **4.2.11 Tower REIT's financial performance and property values will be affected by the office sector market condition**

Upon Listing, Tower REIT's initial investment will only comprise of HP Towers and Menara HLA. As such, the financial performance and value of Tower REIT may be adversely affected by the local office sector market condition, such as oversupply, the performance of other competing office buildings or reduced demand for office space. Our ability to maintain or increase rental revenue of the REIT Properties will also be dependent on the office sector market condition at the time of tenancy renewal or rent review and the availability of office space and rental terms of other comparable office buildings. Nevertheless, each of the REIT Properties has gained certain competitive advantages over other properties in its vicinity by virtue of its strategic location and its integrated approach towards meeting tenants' requirements. In addition, the REIT Properties are occupied by tenants that operate in diverse trade sectors including prominent multinational and local corporations and not more than 24.2% of the total portfolio's revenue for the 7 month period ended 31 January 2006 was generated from tenants in any one trade sector.

##### **4.2.12 Losses or liabilities from latent building or equipment defects may materially and adversely affect earnings and cash flow**

If the REIT Properties have design, construction or other latent property or equipment defects, these defects may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties, other than those disclosed in this Prospectus. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Tower REIT's earnings and cash flows.

#### **4.3 Risks Relating to Investing in Real Estate**

##### **4.3.1 General risks relating to investments in real estate**

Investments in real estate are subject to various risks, including:

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#### 4. RISK FACTORS *(Cont'd)*

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- adverse changes in national or economic conditions or real estate market conditions;
- the financial conditions of tenants;
- changes in interest rates and other operating expenses;
- changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;
- changes in energy prices;
- changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given location;
- competition among property owners for tenants;
- insufficiency of insurance coverage;
- inability of the property manager to provide or procure the provision of adequate maintenance and other services;
- illiquidity of real estate investments;
- considerable dependence on cash flow for the maintenance of, and improvements to, the properties;
- risks and operating problems arising from the presence of certain construction materials; and
- acts of God, uninsurable losses and other factors.

These factors may result in fluctuations in occupancy rates, rental rates or property operating expenses, causing a negative effect on the value of real estate and income derived from real estate.

Whilst we will continue to take effective measures such as financial management and efficient operating procedures, there is no assurance that any adverse development in the real estate industry will not materially affect Tower REIT.

In addition, the Real Estate Investments may be subject to increases in property operating expenses and other operating expenses. This, in turn, will adversely affect Tower REIT's ability to make distributions to Unitholders if there is no corresponding increase in the Fund's revenue. Some of the factors that could increase property operating expenses and other operating expenses include:

- increases in sub-contracted service costs;
- increases in property management and REIT management fee;
- increases in property taxes and other statutory charges;
- increases in the rate of inflation;
- increases in insurance premiums;
- increases in utility charges;
- changes in statutory laws, regulations or government policies, which may increase compliance cost; and
- damages or defects affecting the Real Estate Investments, which need to be rectified, thereby giving rise to unforeseen capital expenditure.

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#### **4. RISK FACTORS (Cont'd)**

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We intend to minimise Tower REIT's property operating expenses and other operating expenses by amongst others, adopting cost control policies and integrating resources to achieve economies of scale.

##### **4.3.2 Adequacy of insurance coverage**

Currently, the REIT Properties, as is consistent with industry practice in Malaysia, are insured against fire and public liability and the loss of rent resulting from such events. However, there is no assurance that insurance against some or all of these risks will in future continue to be available, or be available in amounts that are equal to the full market value or replacement cost of the insured assets. In addition, there can be no assurance that the particular risks which are currently insured will continue to be insurable on an economically feasible basis or at all.

We will review and procure adequate coverage for the Real Estate Investments on a continuous basis to ensure that such risks are reduced.

##### **4.3.3 Compulsory acquisition by the relevant state authority**

Under the Land Acquisition Act, 1960, the relevant state authority has the power to compulsorily acquire any land in Malaysia for certain purposes.

In the event of any compulsory acquisition of property in Malaysia, the amount of compensation to be awarded is based on the fair market value of a property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. If any of the Real Estate Investments are compulsorily acquired by the relevant state authority at a point in time when the fair market value of the Real Estate Investments has decreased, the price of the Units may be adversely affected if the level of compensation paid to Tower REIT is less than the price which Tower REIT paid for such Real Estate Investments.

##### **4.3.4 Illiquidity of investment in property**

Investing in property, in particular large scale real estate, is relatively illiquid. Such illiquidity may limit the ability of Tower REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic, property market or other conditions. These would include situations where Tower REIT is unable to dispose of its assets on short notice or it may be forced to give a substantial discount in the disposal price in order to ensure a quick sale.

These factors may have a negative effect on the financial results of Tower REIT, which may in turn adversely affect Tower REIT's ability to deliver expected distributions to Unitholders.

#### **4.4 Risks Relating to Investing in the Units**

##### **4.4.1 Distributions to Unitholders will be subject to cash availability**

The income from Tower REIT's investments depends on, amongst other factors, the amount of rental income received, property operating expenses and other operating expenses incurred. If the Real Estate Investments do not generate sufficient income and cash flow, the Fund's ability to make distributions will be adversely affected. No assurance can be given as to Tower REIT's ability to pay or maintain distributions.

Neither can there be any assurance that the level of distributions will be maintained or increased over time. There is also no guarantee that there will be contractual increases in rent under the tenancies of the REIT Properties or that the receipt of rental income in connection with expansion of the REIT Properties or future acquisitions of properties will increase Tower REIT's cash available for distribution to Unitholders.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.4.2 No prior market for the Units**

There is currently no prior trading market for the Units within or outside Malaysia. The prices at which the Units would trade on the Main Board of Bursa Securities upon Listing may be influenced by the factors as set out in Section 4.4.3 below. As such, the Units could trade at prices that may be lower than the Issue Price. There can be no assurance that the Issue Price will correspond to the price at which the Units will trade on the Main Board of the Bursa Securities either upon or subsequent to its Listing. Neither can there be any assurance that an active market for the Units will develop upon Listing or, if developed, that such market can be sustained.

##### **4.4.3 Post Public Offering price**

The Issue Price may not be indicative of the market price of the Units after the completion of the Public Offering. The market price of the Units after the Public Offering may trade at prices below the Issue Price.

The trading price of the Units after the Public Offering will depend on many factors including:

- the perceived prospects of Tower REIT's business and investments and Malaysia's commercial real estate market;
- differences between Tower REIT's actual financial results and those set out in Section 10 of this Prospectus;
- analysts' recommendations or projections;
- perceived attractiveness of the Units compared to other alternative equity investment instruments, including those not related to the property sector;
- any changes to the regulatory system, including the tax system, both generally and specifically relating to Malaysian REITs;
- broad market sentiment, including weakness in the local or regional equity market;
- increases in local or regional interest rates;
- market value of Tower REIT's assets;
- the future size of Tower REIT;
- liquidity of the market; and
- Tower REIT's ability to successfully implement its investment and growth strategies.

For these reasons, among others, Units may trade at prices that are higher or lower than the NAV per Unit. Retained profits, while increasing the NAV of the Fund, may not correspondingly increase the market price of the Units. Failure by Tower REIT to meet market expectations on future earnings and distributions may also adversely affect the market price for the Units.

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#### **4. RISK FACTORS (Cont'd)**

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In addition, the Units are not capital guaranteed products and there is no assurance that Unitholders can recoup the amount invested on eventual sale of the Units. If Tower REIT is terminated or liquidated, it is possible that investors may lose all or part of their investments in the Units.

##### **4.4.4 Failure or delay in the Listing**

The occurrence of certain events, including the following, may cause a delay in or cancellation of the Listing:

- (i) gross proceeds of less than RM216.0 million being raised; or
- (ii) the Underwriter, exercising its rights pursuant to the Underwriting Agreement, discharges itself from its obligations thereunder; or
- (iii) the Fund being unable to meet the public spread requirement, as determined by Bursa Securities, that at least 25% of the total number of Units in issue must be held by a minimum of 1,000 public Unitholders holding not less than 100 Units each upon the completion of the Public Offering and at the point of the Listing; or
- (iv) the approvals of Bursa Securities, SC or any other relevant authorities for the Listing are revoked, withdrawn or cancelled.

Although our Board will endeavour to ensure the timeliness and success of the Public Offering and Listing, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the Listing.

##### **4.4.5 Taxation**

Pursuant to the Income Tax Act, 1967, a REIT is exempted from tax on income distributed to unitholders in the same basis period. The tax treatment granted allows Malaysian tax resident individuals or Malaysian tax resident companies to receive their distributions free of tax deducted at source. However, they will be taxed subsequently at their prevailing income tax rates on such income. For non-resident unitholders, the REIT will withhold the tax, which is payable at 28%.

However, the relevant sections in the Income Tax Act, 1967 applicable to REITs, either in part or in whole, may be revoked or amended in future. If these sections are either revoked or amended, a REIT may be subject to tax on its distributable income, whereby distributions to unitholders will be made after tax is deducted at source.

##### **4.4.6 No redemption of Units**

Unitholders have no right to redeem their Units while the Units are listed on Bursa Securities. Accordingly, Unitholders may only be able to dispose of their Units through a sale of such Units to third parties on the secondary market.

##### **4.4.7 Delisting of Units on the Bursa Securities**

Bursa Securities imposes certain requirements for the continued listing of securities, including the Units, on Bursa Securities. There is no assurance that Tower REIT will continue to meet these requirements in order to maintain its listing status or that Bursa Securities will not amend the Bursa Securities Listing Requirements. Tower REIT may be terminated if the Units are delisted from Bursa Securities.

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#### **4. RISK FACTORS (Cont'd)**

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##### **4.4.8 Profit forecast and projections**

This Prospectus contains profit forecast and projections in respect of Tower REIT that have been prepared based on assumptions that are subject to uncertainties and contingencies but which our Board believes to be reasonable. For example, the profit forecast and projections assume that the REIT Properties are able to achieve a certain level of occupancy and average rental rates, which are higher than the existing occupancies and average rental rates. Given the inherent uncertainties underlying the profit forecast and projections of Tower REIT, there can be no assurance that the profit forecast and projections of Tower REIT contained in this Prospectus will be achieved. The actual results may be materially different from the profit forecast and projections of Tower REIT. You are deemed to have read and understood the assumptions and uncertainties underlying the profit forecast and projections of Tower REIT.

##### **4.4.9 Disposal of Units by GLM**

GLM's wholly-owned subsidiary, HLP Equities Sdn Bhd, will hold 35,625,000 Units after the completion of the HP Towers Acquisition. This represents 15.0% of the Units in issue upon Listing.

At this point in time, GLM has no intention of disposing these Units. However, if GLM disposes a substantial amount of these Units in the future, the market price of the Units may be adversely affected.

##### **4.4.10 Dilution of the NAV per Unit**

Pursuant to the Deed, new Units, which subscription price may be above, at or below the then current NAV per Unit, may be issued. Where the subscription price of such new Units is less than the NAV per Unit, the NAV of each existing Unit may be diluted. Nevertheless, all issue of Units must comply with the relevant provisions of the Deed, the SCA, the SC Guidelines on REIT, the Bursa Securities Listing Requirements and any other applicable regulatory requirements.

##### **4.4.11 Changes in accounting standards**

The audited financial statements of Tower REIT will be prepared in compliance with the provisions of the Deed, SC Guidelines on REIT, the SCA and applicable approved accounting standards in Malaysia. The MASB, as part of its programme to fully converge with international financial reporting standards, has introduced a number of Malaysian Financial Reporting Standards or revised MASB Standards ("FRS"), which are effective for accounting periods beginning on or after 1 January 2006.

The above changes as well as any further changes to MASB Standards may result in significant changes in the preparation and presentation of Tower REIT's results in future. In Section 6.3 of this Prospectus, Distributable Income has been defined to address the significant proposed changes so far which may potentially impact Tower REIT's results. However, there can be no assurance that future changes to accounting standards will not affect the ability of Tower REIT to make distributions to Unitholders or that such distributions will be in line with the forecast and projected distributions of Tower REIT as set out in Section 10 of this Prospectus.

##### **4.4.12 Forward-looking statements**

Certain statements in this Prospectus are based on historical data which may not be reflective of future results, and others are forward-looking in nature which are subject to uncertainties and contingencies.

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**4. RISK FACTORS (Cont'd)**

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All forward-looking statements are based on forecast, projections and assumptions made by us, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, amongst others, general economic and business conditions, competition, the impact of new laws and regulations affecting Tower REIT and the real estate industry, changes in interest rates and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by our advisers or us that the plans and objectives of Tower REIT will be achieved.

Given the risks and uncertainties that may cause Tower REIT's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. We are not warranting or representing to you that Tower REIT's actual future results, performance or achievements will be as stated in those statements.

**4.4.13 Property yield on the Real Estate Investments is not equivalent to the yield on the Units**

Property yield depends on the amount of net property income (calculated as the amount of revenue generated by the properties concerned, less the expenses incurred in maintaining, operating, managing and leasing the properties) compared against the current value of the properties. Yield on the Units, however, depends on the distributions payable on the Units as compared with the purchase price of the Units. While there may be some correlation between these two yields, they are not the same and will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the Issue Price.

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## 5. INTRODUCTION TO REITS

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### 5.1 What is a REIT?

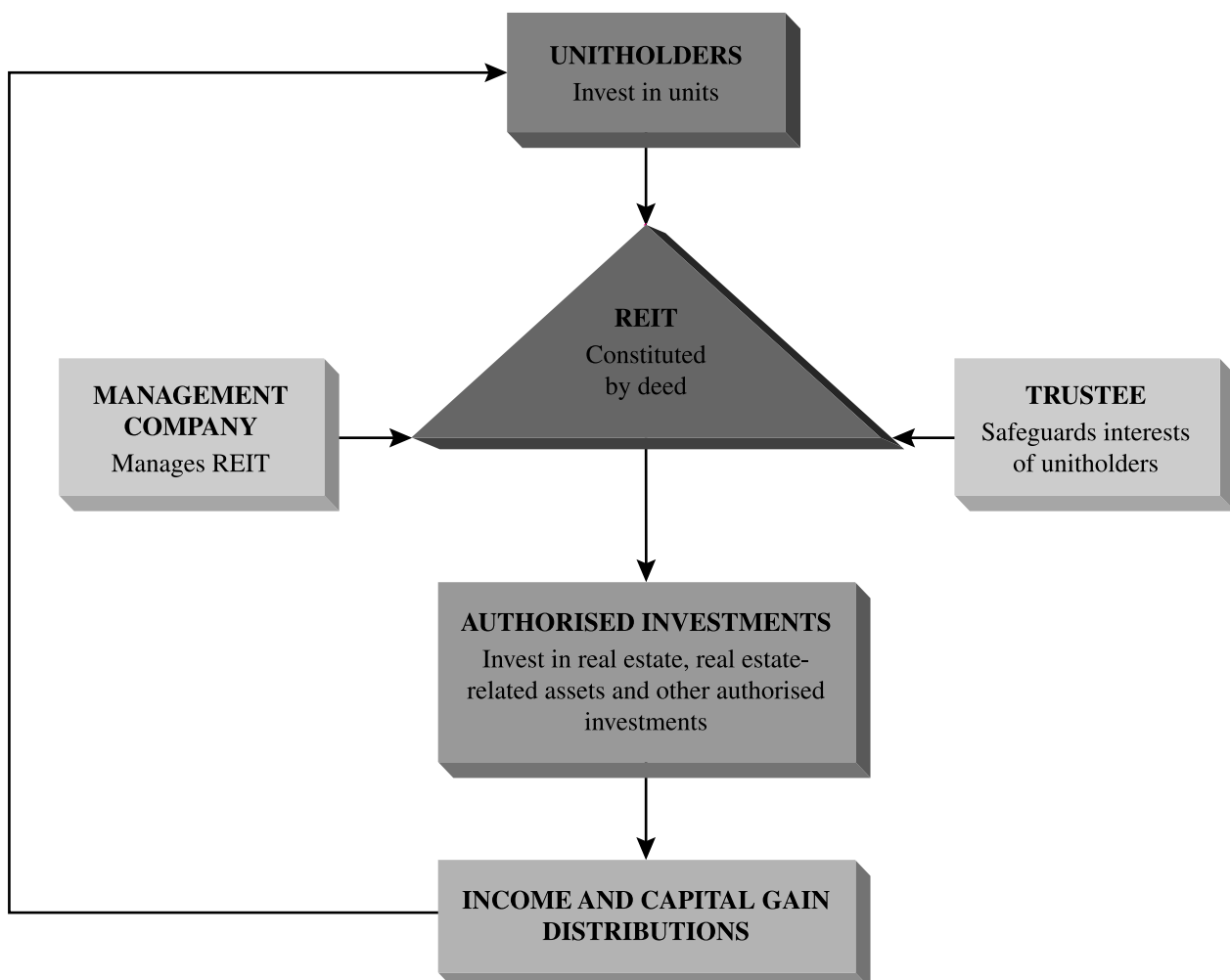
A REIT is a collective investment vehicle which pools funds from investors to invest primarily in a portfolio of income generating real estate and real estate related-assets.

A REIT is structured in the form of a unit trust, with an independent trustee and a management company. It is constituted by a deed entered into between the trustee and the manager of the REIT. The deed, which must be registered with the SC, sets out:

- (i) the rights, duties and obligations of the management company, trustee and the unitholders; and
- (ii) the terms and conditions for the management and administration of the REIT.

REITs aim to provide investors or unitholders with regular returns derived from the income and any capital appreciation from its real estate, real estate-related investments and other authorised investments.

The basic structure of a REIT is illustrated below:





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## **5. INTRODUCTION TO REITS *(Cont'd)***

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### **5.2 Key Parties in a REIT**

The key parties in a REIT are:

**(i) The trustee**

The trustee must be a trust company registered under the Trust Companies Act, 1949. The trustee is appointed under the deed. Its primary responsibilities are to safeguard the interests of the unitholders at all times and to act as custodian of the assets of the REIT. The trustee must actively supervise, monitor and review the administration of the REIT by the management company to ensure compliance with the investment objectives of the REIT and the terms of the deed.

The trustee must be independent of the management company and the REIT. It must act with due care, skill, diligence, vigilance and in accordance with the deed, the SC Guidelines on REIT, the SCA and all applicable laws in carrying out its duties and responsibilities.

**(ii) The management company**

The management company is responsible for the management and administration of the REIT in accordance with the investment strategies and objectives of the REIT. It will set the strategic direction and risk management policies of the REIT and manage the assets of the REIT in accordance with the deed, the SC Guidelines on REIT, the SCA and other applicable laws.

The management company must observe high standards of integrity and fair dealing and act in a proper, diligent and efficient manner in managing the fund and effectively employ the resources and procedures necessary for the proper performance of the fund.

**(iii) The unitholders**

Each unit in the REIT represents an undivided interest in the REIT. A unitholder is entitled to receive distributions from the REIT and to such other rights and interests as set out in the deed. However, a unitholder has no equitable or proprietary interest in the underlying assets of the REIT.

### **5.3 REITs Regulatory Framework**

The SC is responsible for regulating REITs in Malaysia and in ensuring compliance with all applicable legislation, regulation and guidelines within the purview of the SC. The SC has issued the SC Guidelines on REIT, which contain detailed provisions governing the operation, management and administration of REITs in Malaysia and which aims to protect the interest of the unitholders. The trustee and the management company of a REIT must comply with the SCA, the SC Guidelines on REIT and all other relevant laws and requirements.

Under the SCA and the SC Guidelines on REIT, certain proposals, such as the following, require the approval of the SC:

- (i) the establishment of a REIT;
- (ii) the appointment of the trustee and management company (including appointment of the chief executive officer and directors of the management company); and
- (iii) the issuance of new units for an existing REIT.

A REIT is also governed by the deed, which incorporates the covenants required under the SCA and the SC Guidelines on REIT. The deed must also be registered with the SC.

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## 5. INTRODUCTION TO REITS *(Cont'd)*

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### 5.4 General Benefits of Investing in REITs

The following are some of the general benefits of investing in REITs:

- **Stable and predictable income**

REITs generally provide investors with a stable and predictable income stream. This is because most of the REIT's income is derived from investment grade real estate assets which generate recurring cash flows through tenancies and leases for specific durations which usually range from 1 to 5 years.

- **Potential for capital appreciation**

Investments in REITs also offer investors the potential for moderate to long-term capital appreciation in the unit price of the REIT. This is because increases in the asset value and anticipated income growth of the assets of the REIT are generally reflected in the price of the units in a REIT.

- **Diversification**

REITs enable investors to diversify their investments by providing them the opportunity to pool their resources for the purchase of a diversified portfolio of real estate and real estate-related assets. Further, investors in a REIT can usually access a broader range of real estate than if they were to invest on their own.

- **Professional fund and asset management**

REITs provide investors the opportunity to invest in a portfolio of real estate managed by an experienced and professional management company. The management company is expected to create future capital growth through active property and portfolio management.

- **Affordability and ability to participate in properties of significant value**

REITs represent an indirect form of ownership in real property. It is more flexible and less capital intensive compared to direct investments in real property. As such, it allows retail investors to participate in returns from properties of significant value with only a small investment outlay by investing in the REIT.

- **Liquidity**

Investments in units of a listed REIT are highly liquid and can be easily bought or sold through the stock exchange like shares of other public listed companies. Accordingly, investments in REITs, especially listed REITs, are more liquid than investments in physical properties.

- **Protection from inflation**

The values of real estate and rental rates are generally expected to increase during periods of inflation. Therefore, investments in REITs are, to an extent, safeguarded against the long-term effects of inflation.

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## 5. INTRODUCTION TO REITS *(Cont'd)*

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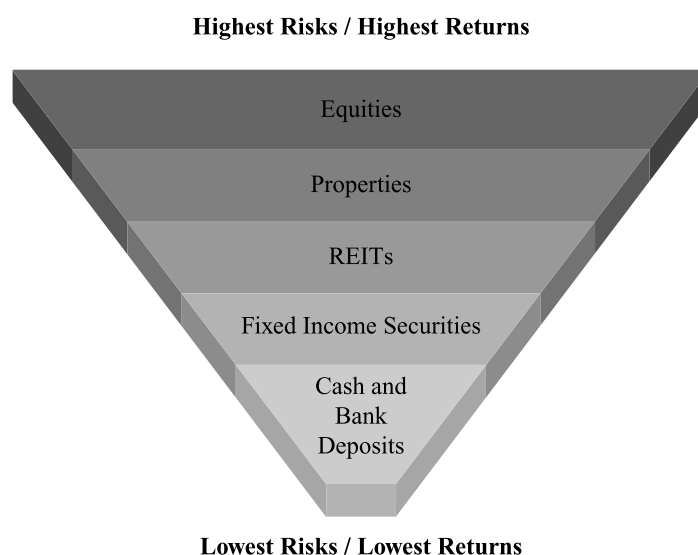
- **Transparent operating and management policies**

The management company is required to adhere to the investment objectives and strategies prescribed in the deed. Most REITs operate along a straightforward and easily understandable business model. By increasing rents or occupancy rates, higher levels of income may be generated. In addition, an independent trustee will safeguard the interest of the unitholders by monitoring and supervising the management company in the management and administration of the REIT. Therefore, investments in REITs generally offer greater earnings transparency and better corporate governance as compared to investments in equities.

Apart from the general benefits disclosed above, you should also note that investing in REITs is subject to certain risks as described in Section 4 of this Prospectus.

### 5.5 Comparison with Other Forms of Investment

Investments in different asset classes are subject to different risks and returns. The general risk-return profiles for each asset class is illustrated below:



- **Investments in cash and bank deposits**

Investments in cash and bank deposits with licensed institutions are considered to be relatively risk free while the underlying risks of investing in REITs are generally higher in comparison. However, investments in REITs could potentially benefit from a moderately higher rate of return as compared to investments in bank deposits, especially in a low interest rate environment. Additionally, investments in bank deposits will not yield capital gains. As such, at times of high inflation, such investments may not provide a positive real return.

- **Investments in fixed income securities**

Fixed income securities include bonds, loan stocks, commercial papers, medium-term notes and other debt securities. Fixed income securities can provide stable interest income and are generally less risky than investment in equities or shares but are riskier than cash and bank deposits. Changes in interest rates will cause the capital value of fixed income securities to fluctuate, thereby giving rise to capital gains and losses. Fixed income securities are also subject to the credit risk of the issuer.

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## 5. INTRODUCTION TO REITS (Cont'd)

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- **Investments in properties**

Although the risks of a direct investment in property are generally lower than for equities or shares, there are still risks involved. These include the cyclical movement of property prices, changes in interest rates, weakness in demand for particular properties, fluctuation in the overall property market and the economy and site-specific factors which may affect the demand for properties within the vicinity. Compared to an investment in REITs, a direct investment in property requires a large capital outlay and therefore the ability to diversify investments is more limited. A direct investment in property is also less liquid and thus more difficult to dispose compared to investments in marketable shares, bonds or listed REITs.

- **Investments in equities**

Investments in equities or shares can deliver higher returns than most other asset classes over the long-term. However, the price of a share is generally more volatile than other asset classes. The share price may fall for many reasons such as general market and economic conditions, risks associated with specific businesses or company specific risks. Company specific risks are inherent in a particular company's performance due to factors that are related to that company. Hence, a company's returns may differ from that of the market. Additionally, investments in shares may not provide regular distributions as compared to investments in REITs.

### 5.6 Who will invest in REITs?

REITs are generally promoted as a long-term investment instrument. Investments in REITs carry a relatively lower risk-return profile as compared to investments in equities or shares and direct investments in property. It also represents an indirect mechanism for participating in large scale yield accretive properties.

Therefore, a REIT is best suited to an investor who:

- understands the risks related to the real estate industry and REITs;
- has long-term investment objectives and moderate risk appetites; and
- seeks regular distribution of income and long-term capital appreciation.

### 5.7 Fees, Charges and MER

An investor or unitholder may incur the following fees and charges upon the purchase, sale and holding of his investment in REITs (so long as the units are listed).

- **Payable Directly by Unitholders**

**Charges**

Bursa Securities clearing fee .....	0.04% of the transaction value, subject to a maximum of RM500.00 per transaction.
Brokerage .....	A percentage of the transaction value as prescribed by the ADAs subject to a minimum of RM12.00 per transaction.
Stamp duty .....	0.1% of the transaction value as stated in the contract notes, subject to a maximum of RM200.00 per transaction.

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**5. INTRODUCTION TO REITS (Cont'd)**

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- **Payable Indirectly by Unitholders**

In addition to the costs of maintaining and operating properties and other income producing assets and the costs of administration of the REIT, the REIT shall incur the following costs:

**Charges**

Management fee .....	The REIT manager receives this fee for managing the REIT.
Property management fee.....	The property manager receives this fee for managing the REIT's properties. This fee is based on a certain graduated scale as provided in the VAEA.
Trustee fee.....	The trustee receives this fee for acting as trustee and custodian of the assets and for safeguarding the interests of the unitholders.
Other fund expenses.....	The REIT will bear all property operating expenses, including auditors' fees and expenses, fees for the valuation of any investments, taxation, advisers' fees and expenses as well as administration expenses. Administration expenses include costs incurred for the convening of any unitholders' meeting, as well as the preparation of the deed and any report pertaining to the REIT to the unitholders. A listed REIT also bears all expenses relating to the listing exercise, which includes the underwriting commissions, placement fees, brokerage, stamp duty (if any) and registration fees in respect of units issued pursuant to the public offering.

**FOR DETAILS ON THE FEES AND CHARGES APPLICABLE TO TOWER REIT, YOU MAY REFER TO SECTIONS 2.7, 8.1.7, 8.2.5, 8.4.5 AND 15 OF THIS PROSPECTUS. YOU ARE ADVISED TO CONSIDER THE FEES AND CHARGES BEFORE INVESTING IN THE FUND.**

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## 5. INTRODUCTION TO REITS *(Cont'd)*

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### 5.8 REIT Performance Indicators and Benchmarks

There are various methods for measuring the performance of a REIT. Some of the more commonly used methods are:

- **MER**
  - the MER of a REIT is the total of all the fees (including the annual management fee, the annual trustee fee, the auditor's fees and other professional fees) and administration expenses of the REIT incurred in a financial year and deducted directly from that REIT's income expressed as a percentage of the average net asset value of the REIT. The lower the MER, the more beneficial it is to the investor. Hence, MER allows you to make comparisons on the expenses incurred by other REITs in assessing whether such expenses of a particular REIT are excessive.
- **Distribution yield**
  - the ratio of the distribution paid to unitholders to the price paid for the units of the REIT or the prevailing market price of the units of the REIT, as the case may be.
- **Average annual return**
  - the percentage change in a REIT unit's price (adjusted for distributions payout) for the period to the number of years under review. This indicator allows a comparison between the annualised return of a REIT with other forms of investment which are expressed as a specific return per annum.
- **Net asset value**
  - the market value of a trust's assets, after subtracting all its liabilities.
- **Benchmarks**
  - the benchmark of a fund should ideally be representative of the investment universe of the fund. Where it is not possible, returns from a directly competing investment product may be used. A REIT's performance may be domestically benchmarked against any existing REIT listed on the Main Board of Bursa Securities.
  - other common domestic benchmarks that can be used as a guide when assessing the performance of a REIT are:
    - the Kuala Lumpur Composite Index (commonly used for equity funds and listed equity securities); and
    - the Properties Index and the EMAS Index (commonly used for listed property companies and companies on the Main Board of Bursa Securities).
  - to obtain the latest information on the said indices, an investor may refer to the Bursa Securities website, [www.bursamalaysia.com](http://www.bursamalaysia.com) under the Market Information Section. Other pertinent information such as daily stocks performance by sectors and individual counter can also be obtained from this website.