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## OFFICE MARKET OVERVIEW

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**1.0 TERMS OF REFERENCE**

Jones Lang Wootton (JLW) has been appointed by GLM REIT Management Sdn Bhd (formerly known as Premiumview Development Sdn Bhd) as Manager of Tower Real Estate Investment Trust (Tower REIT) to provide a market overview of the Klang Valley (KV) office market for inclusion in the prospectus to be issued in connection with the public offering and listing of Tower REIT on the Main Board of Bursa Malaysia Securities Berhad. The market review will incorporate the following:

- A brief overview of the Malaysian economy, including economic indicators such as Gross Domestic Product (GDP) and employment and factors influencing office demand.
- A review of Menara HLA and HP Towers in terms of key strengths, rental and occupancy rate. (Note : JLW has not undertaken any studies on technical and structural aspects of these properties. JLW has assumed that the necessary due diligence would have been undertaken by the client to ensure that these buildings are in a good state of repair and well managed ensuring their sustainability. The information on these buildings are provided to us by the client).
- Market overview of the KV office market (purpose built above 5 storey). The data is provided as at second quarter 2005.
- Demand and rental projection from 2006 to 2010 for the office market.
- Benchmarking analysis which includes a micro analysis on the supply trend, rental and occupancy levels of offices in the Golden Triangle (GT) and Damansara Heights (DH).
- Outlook for Menara HLA and HP Towers in terms of opportunities, improvements and future rental levels.

Having made the necessary investigations and analysis we are pleased to submit our report.




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*Office Market Overview*


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## 2.0 THE MALAYSIAN ECONOMY AND FACTORS INFLUENCING OFFICE DEMAND

### 2.1 GROSS DOMESTIC PRODUCT (GDP)

Malaysia's economic growth in 2004 was recorded at 7.1% compared with 5.4% in 2003. The manufacturing and services sectors recorded the highest growth in 2004. Table 2.1 shows the growth of the country's economy in 2003, 2004 and first quarter of 2005 by sector.

**TABLE 2.1**

**ECONOMIC GROWTH BY SECTOR (Y.O.Y)**

SECTORS	(% CHANGE)		
	2003	2004	1Q 2005
Manufacturing	8.4	9.8	5.6
Agriculture	5.6	5.0	6.0
Mining	5.8	3.9	3.3
Construction	1.5	-1.5	-2.4
Services	4.5	6.8	6.0
<b>GDP</b>	<b>5.4</b>	<b>7.1</b>	<b>5.7</b>

Source: Bank Negara Malaysia and Department of Statistics

Bank Negara Malaysia forecasted that Malaysia's economic growth in 2005 would be between 5% and 6%. The International Monetary Fund (IMF) and World Bank forecasted that Malaysia's economic growth in 2005 would be 6% and 5.2% respectively while the Malaysia Institute of Economic Research (MIER) forecasts that Malaysia's economic growth for 2005 will be 5.4%.

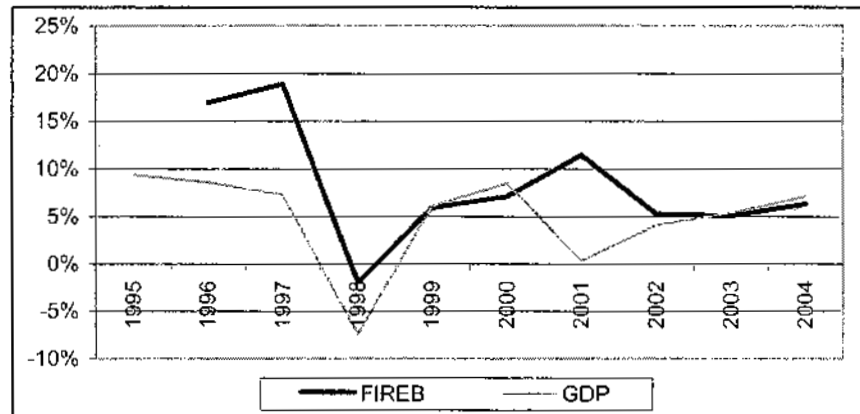
The services sector has been recording favourable growth, in most circumstances the growth in the Finance, Insurance, Real Estate and Business Services sector (FIREB) forming part of the services sector has been experiencing higher growth than the growth in the economy, indicating an upside in the employment in the services sector. This continued trend will result in more office space being required to accommodate the increasing number of office workers.



Office Market Overview

GRAPH 2.1

GDP AND THE FIREB SECTOR



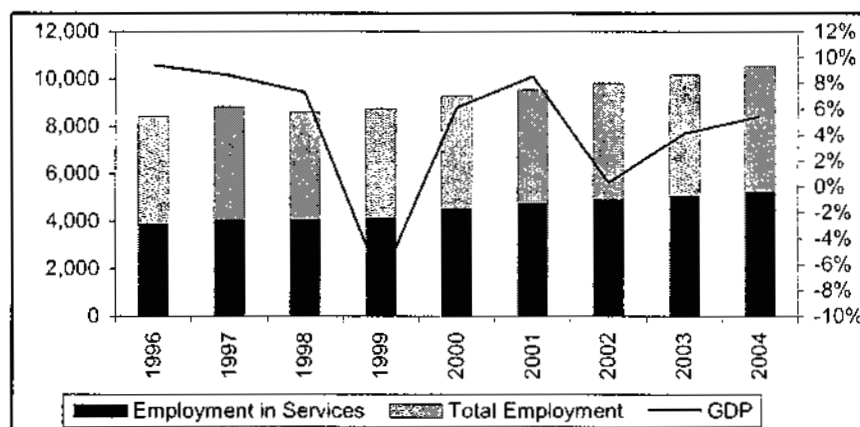
Source: Economic Report 2004

2.2 EMPLOYMENT

There is a correlation between the GDP and employment, with employment generally being on the uptrend when positive economic growth is registered by the country. Employment in the services sector has a direct relationship with demand for office accommodation. The increasing number of workers in the service sector will result in more office space required to accommodate the office workers. The number of employment in the services sector has been growing and at the end of 2004, those employed in the services sector represented about 50% of the total employment.

GRAPH 2.2

EMPLOYMENT AND GDP



Source: Economic Reports 2000/2001 & 2004/2005, EPU & Ministry of Human Resource, Malaysia

*Office Market Overview*

The unemployment rates for 2003 and 2004 are as shown in Table 2.2. The unemployment rate for 2004 marginally reduced from 2003 and is expected to remain at 3.5% in 2005.

**TABLE 2.2**  
**UNEMPLOYMENT RATES IN 4Q03 TO 4Q04 AND YEARS 2003 AND 2004**

	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05
Unemployment Rate	3.2%	3.6%	3.8%	3.7%	3.4%	3.3%	3.5%	3.5%

Source: Department of Statistics

**2.3 FACTORS INFLUENCING OFFICE DEMAND**

(i) Operational Headquarters

The Government has been promoting the country as a location for operational headquarters (OHQ) to multinational companies, as the country has all the positive attributes to become a centre for OHQ. In the budget 2003, the Government has decided to give a 100% income tax exemption for 10 years, to attract foreign multinational companies to set up their OHQ in Malaysia. With the introduction of the tax exemption coupled with low operational and living costs, excellent infrastructure network, political stability, free from natural disasters and easy availability of English speaking workers, the country, particularly Kuala Lumpur, would be in a position to attract more multinational companies.

(ii) Banking Liberalisation

The liberalisation of Malaysia's banking industry by allowing more foreign banks to operate in the country as well as existing foreign banks to widen their branch networks will be favourable especially for the KV's office market as more office space would be required to meet the increase in demand.

(iii) Liberalisation of the Capital Market

The decision of the Government to open up the industry to five foreign stock broking houses at the end of 2004 will also enhance demand for office accommodation. Not only will there be new players in the market, existing foreign stock broking companies would also require additional space to cater to the increasing number of workers due to their expansion in their operations, which will have a direct impact on the demand for office space. Moreover due to the nature of business, the type of space required is prime quality office accommodation in the city centre primarily the GT area.



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*Office Market Overview*

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**3.0 OFFICE MARKET**

**3.1 OFFICE MARKET OVERVIEW**

The KV office stock is divided into two areas, namely Kuala Lumpur City (KLC) and outside Kuala Lumpur City (OKLC).

The assessment of the office market will comprise purpose built office accommodation either within stand alone (5 storeys and more and non-government buildings) buildings or integrated within mixed commercial developments.

***Defined Study Area***

Within the KLC, the office supply is geographically categorised under five locations:

1. The GT Area stretches along Jalan Ampang, Jalan Sultan Ismail, Jalan Bukit Bintang and the Kuala Lumpur City Centre (KLCC) site. This prime office location is where most of the prestigious buildings are situated and it supersedes the Central Business District.
2. The Central Business District (CBD) is the older commercial area at the heart of the city (also known as the Central Planning Area as defined in the Federal Territory Kuala Lumpur Comprehensive Development Plan No. 1040).
3. The Decentralised Area (DA) Area is not one concentrated area and is located around the fringes of Kuala Lumpur i.e. about 5km radius from the city centre. The main commercial areas include, Sungei Besi, Cheras, Kampung Pandan, 5th - 7th kilometre post Jalan Ampang, 5th - 8th kilometer post Jalan Ipoh, Segambut and Duta/Bukit Tunku area.
4. Damansara Heights (DH) is an established high end residential and commercial area located about 10 km to the west of the city centre. Multinationals are well represented in this area.
5. The Bangsar/Pantai (B/P) locality, located about 10km southwest of the city centre, is adjacent to DH and is rapidly becoming an emerging office location.



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*Office Market Overview*

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Within OKLC, the office supply is categorized under six locations. The offices are usually located within commercial town centres.

1. Petaling Jaya (PJ) comprises the majority of commercial accommodation in areas OKLC. PJ is a popular location amongst occupiers, which do not need to be in the centre of Kuala Lumpur and is home to many large industrial related companies.
2. Subang Jaya (SJ) is a self sustained and one of the oldest and established suburban residential area, situated between PJ and Shah Alam.
3. Shah Alam (SA) is the capital administrative city of Selangor Darul Ehsan.
4. Klang Town (KLG) is the main commercial hub situated close to Port Klang.
5. Other Areas include office accommodation in locations such as The Mines Business Park in Sungei Besi, Selangor Darul Ehsan, Pandan Indah in the Cheras locality and Putrajaya.
6. Cyberjaya (CYB) is being monitored due to its relatively rapid growth over the last 3 years and the demand it has attracted, particularly foreign and local IT (information technology) corporations.

The office buildings within the KV have been further subdivided into prime and secondary office buildings, which are further defined as:

- Super Prime – buildings with advanced ‘Building Automation System’, high level computerised M&E and the ‘state-of-the-art’ telecommunication.
- Prime A grade – generally new office buildings of less than 10 years of age and provide excellent overall office accommodation.
- Prime B grade – existing buildings, whether new (less than 10 years of age) or old buildings (but well maintained) and provide good overall office accommodation.
- Secondary A grade – buildings which are generally more than 10 years of age and provide average office accommodation.
- Secondary B grade – buildings which are more than 10 years and provide very basic office accommodation.





Office Market Overview

3.2 SUPPLY

3.2.1 EXISTING SUPPLY

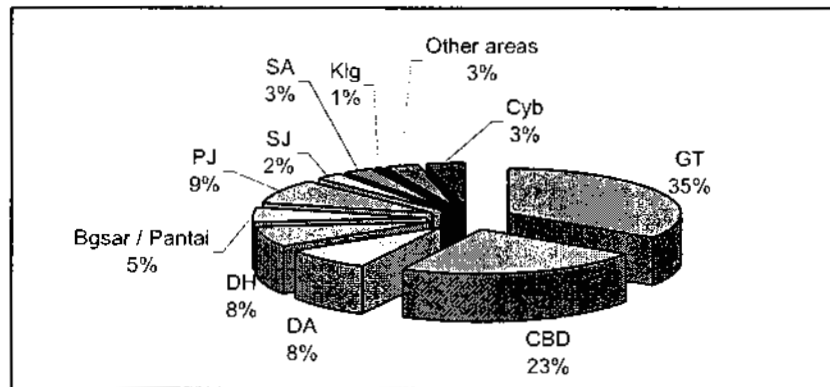
Total stock in the KV as at the end of the second quarter of 2005 is 67.279 million sq. ft., of which 79% are situated in the KLC and the remaining 21% are located in the OKLC.

Prime offices make up 54% of the total office stock in the KV, while the remaining 46% is secondary office space. The bulk of the prime office space is located in the GT (45%) followed by DH (7%).

The distribution of office accommodation by location is presented in Graph 3.1.

GRAPH 3.1

KV OFFICES – BY LOCATION



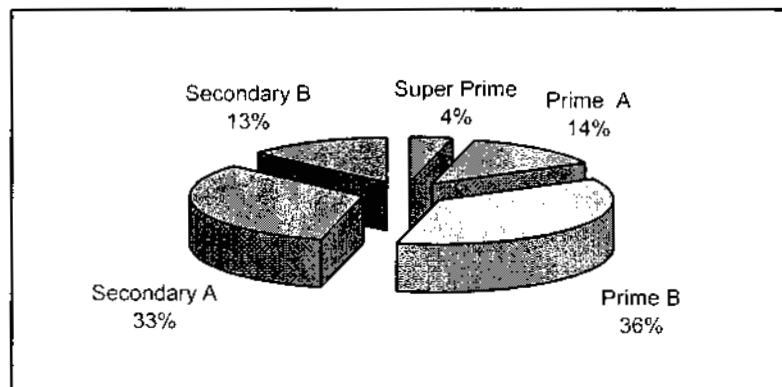
Source: JMW Research

*Office Market Overview*

The distribution of office accommodation by grade is presented in Graph 3.2.

**GRAPH 3.2**

**KV OFFICES - BY GRADE**



Source: JLW Research

**3.2.2 FUTURE SUPPLY (JULY 2005-2007)**

The freeze on office developments in Kuala Lumpur that was introduced in the mid 1990s by the City Hall Kuala Lumpur (DBKL) has yet to be lifted. Since the late 1990s, only office developments with pre commitments from the occupiers and tenants would be granted planning approvals by DBKL.

Currently, an additional 5.884 million sq. ft. of office space is expected to be completed in the KV between July 2005 and the end of 2007. Just over half of this future supply (55%) is located in the KLC and the remaining 45% is located in the OKLC.

The majority of the future office space identified has been classified as prime (66%). Most of the future office space identified between July 2005 and 2007 will be completed in year 2007 (49%).

13. INDEPENDENT OFFICE MARKET OVERVIEW REPORT (Cont'd)



*Office Market Overview*

Among the major office buildings that would be completed between 2005 and 2007 in KLC are as follows:

Expected Year of Completion	Project/Location	Grade*	Estimated Net Floor Areas (sq. ft.)
2005	Menara See Hoy Chan, Jln Tun Razak (GT)	Prime B	388,081
2005	Menara LTAT Jln Conlay (GT)	Prime B	330,353
2005	Marinara Jalan Tun Razak (DA)	Prime B	223,000
2005	Wisma Perintis Jalan Dungun (DH)	Prime B	74,000
2006	Plaza Sentral Blk 1A, KL Sentral, Jln Tun Sambanthan (B/P)	Prime B	144,204
2006	Plaza Sentral Blk 2B, KL Sentral Jln Tun Sambanthan (B/P)	Prime B	171,790
2006	Plaza Sentral Blk 1B, KL Sentral Jln. Tun Sambanthan (B/P)	Prime B	154,700
2006	Plaza Sentral Blk 2A, KL Sentral, Jln. Tun Sambanthan (B/P)	Prime B	163,167
2006	Plaza Cygal – Tower 2 Jalan Pantai Bahru (B/P)	Prime B	300,000
2006	Menara TSH Jalan Semantan (DH)	Prime B	125,196
2007	Plaza Sentral – Lot N Off Jalan Tun Sambanthan (B/P)	Prime B	350,000

\* based on JLW's grading

Source: JLW Research

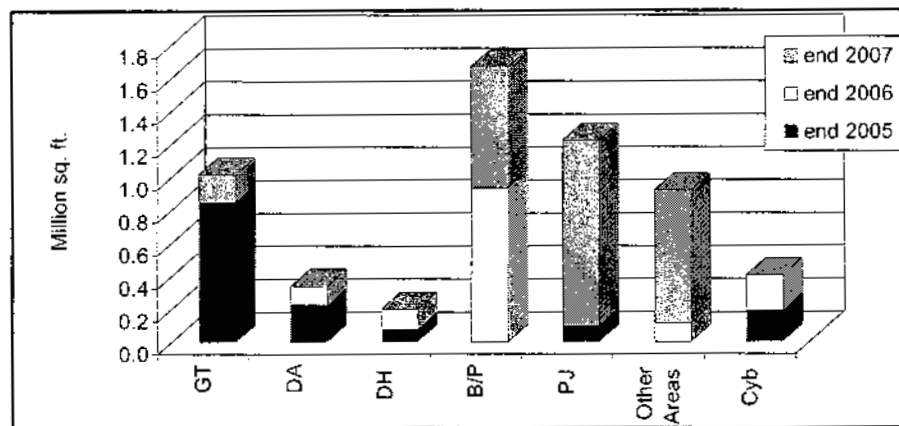


Office Market Overview

Graph 3.3 shows the geographical distribution of the future office buildings identified in the KV.

GRAPH 3.3

KV OFFICE - FUTURE SUPPLY (2H2005 – 2007)



Note:  
 GT - Golden Triangle  
 DA - Decentralised area  
 DH - Damansara Heights  
 B/P - Bangsar /Pantai  
 PJ - Petaling Jaya  
 Cyb - Cyberjaya

Source: JLW Research

JLW has also identified another 2.204 million sq. ft. of office space that could be completed in 2008 in the KV. Among the few committed developments due for completion in 2008 include Menara Commerce at Lorong Gombak/Jalan Raja Laut (in the CBD) and the new Headquarters for UEM at KL Sentral (in B/P).

3.3 DEMAND

3.3.1 OCCUPANCY RATE & TAKE UP

The average occupancy rate of offices in the KV as at the end of the second quarter of 2005 was 82%. The offices in the KLC recorded an average occupancy rate of 83% and the average occupancy rate of offices in the OKLC was marginally lower, at 82%, for the same period.

*Office Market Overview*

Table 3.1 provides the office occupancy rate of each location in the KV.

**TABLE 3.1**

**AVERAGE OCCUPANCY RATE OF KV OFFICES BY LOCATION AS AT  
2<sup>ND</sup> QUARTER 2005**

LOCATION	OCCUPANCY RATE (%)
<b>KLANG VALLEY</b>	<b>82</b>
<b>KUALA LUMPUR CITY (KLC)</b>	<b>83</b>
Golden Triangle	84
Central Business District	81
Decentralised Areas	79
Damansara Heights	84
Bangsar/Pantai	86
<b>OUTSIDE KUALA LUMPUR CITY (OKLC)</b>	<b>82</b>
Petaling Jaya	83
Subang Jaya	92
Shah Alam	82
Klang	97
Other Areas	59
Cyberjaya	88

Source: JLW Research

Demand for office accommodation has been improving since the beginning of 2004, with active genuine requirements for office space, especially in the city centre. The demand is mainly from financial institutions, educational institutions, insurance companies and financial services companies.

The total take up of office space in the KV for 2004 was 2.02 million sq. ft. and in the first half of 2005 the take up was 0.56 million sq. ft.



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The expansion by a few Government departments has also been a major contributor to the positive take up of offices, especially in the KLC. Among the major office movements that took place in 2004 and the first half of 2005 are as follows:

- The expansion of the Public Works Department (JKR) and Kementerian Wanita and Jabatan Kebajikan Masyarakat resulted in these departments setting up branches of their offices in Menara TIMA, in the CBD.
- Relocation and expansion of Khazanah Holdings to Tower 2, Petronas Twin Towers (GT) from an old office building in the CBD.
- Relocation and expansion of Standard Chartered Bank to Menara Standard Chartered (formerly known as Menara Prime) in the GT, from an old office building in the CBD.
- Relocation of Bank of Tokyo from Wisma Hamzah Kwong Hing in the CBD to Menara IMC, one of the newer prime office buildings in the GT.
- Relocation of companies which were previously occupying shopoffices to their own headquarters, such as Maju group, IOI group and Zelan.
- Increase number of “new users” to office buildings such as medical centres, college/universities.

**3.3.2 PROFILE OF TENANTS**

The demand profile for office space in the KV is as follows:

**TABLE 3.2**

**GENERAL SOURCE OF DEMAND**

LOCATION	SOURCE OF DEMAND
Golden Triangle	Local and multinational companies, financial institutions, insurance companies, financial services, public listed companies, professional firms
Central Business District	Mainly local companies, Government departments, financial institutions, insurance companies, public listed companies, professional firms
Decentralised Areas	Local companies i.e. telecommunications, Government departments, small companies
Damansara Heights	Multinational and local companies, small companies, Government departments, education institutions
Bangsar/Pantai	Local and multinational companies – financial institutions, telecommunications, small companies



*Office Market Overview*

LOCATION	SOURCE OF DEMAND
Petaling Jaya	Local and multinational companies, large manufacturing companies, financial institutions, insurance companies, professional firms.
Subang Jaya	Local and multinational companies, large manufacturing companies.
Shah Alam	Local and multinational companies, large manufacturing companies, Government departments.
Klang	Local companies, insurance companies
Other Areas	Local companies, small companies
Cyberjaya	Local and multinational companies with MSC status

Source: JLW Research

**3.4 MARKET RENTAL AND PRICES**

*Market Rentals*

Office rents in the KV have been relatively stable during the last three years.

Landlords of selected prime office buildings in the GT increased the rental rates between 5% to 10% in early 2004. These increases were recorded by buildings with good occupancy rates.

The estimated gross rentals of all classes and locations of offices in the KV range between RM1.50 per sq. ft. per month (for secondary buildings in Other Areas) to RM8.50 per sq. ft. per month (for super prime office buildings in the GT), depending on the type of office accommodation, location, quality of management and floor size occupied.

*Office Market Overview*

**TABLE 3.3**

**MARKET RENTALS OF KV OFFICES – 2<sup>ND</sup> QUARTER 2005**

LOCALITY	RM PER SQ. FT./MONTH
<b>KLC</b>	
Super Prime	8.00 – 8.50
Prime A	3.50 – 6.50
Prime B	3.00 – 4.00
Secondary A	2.00 – 3.00
Secondary B	1.50 – 2.50
<b>OKLC</b>	
Prime B	2.50 – 4.00
Secondary A	2.00 – 2.50

Source: JLW Research

**Market Prices**

The market price refers to the price of offices on an enbloc basis. The market price of offices in the KV is estimated to range between RM150 per sq. ft. for secondary offices to more than RM800 per sq. ft. for prime offices in city centre.

**TABLE 3.4**

**ESTIMATED MARKET PRICE (ON ENBLOC) OF OFFICE – 2<sup>ND</sup> QUARTER 2005**

LOCALITY	RM PER SQ. FT.
<b>KLC</b>	
Super Prime	> 800
Prime A	500 - 600
Prime B	300 - 500
Secondary A	200 - 300
Secondary B	180 - 300
<b>OKLC</b>	
Prime B	250 – 400
Secondary A	150 - 250

Source: JLW Research



13. INDEPENDENT OFFICE MARKET OVERVIEW REPORT (Cont'd)



*Office Market Overview*

Several office buildings were sold in 2004 and 2005 and they are:

Building	Grade	Net Lettable Area (sq. ft.)	Transacted Price (RM)	Price Per sq. ft. (RM)	Year Transacted
Lot N KL Sentral (B/P)	Prime B	350,000	161 million	461	1Q2004
Corporate Headquarters of Commerce Asset Holdings Berhad (CAHB) Jalan Raja Laut (CBD)	Prime A	630,000	375 million	595	1Q2004
Wisma KFC Jalan Sultan Ismail (GT)	Prime B	175,439	90 million	513	2Q2004
Wisma Cyclecarri Jalan Raja Laut (CBD)	Prime B	397,945	140 million	351	2Q2004
Sime Bank Building Jalan Sultan Sulaiman (CBD)	Secondary A	393,508	114 million	290	4Q2004
Vision City / Bandar Wawasan Tower 3 Jalan Sultan Ismail (GT)	Prime B	218,869	105 million	480	1Q2005
Plaza Cygal (Tower 1) No 1 Lengkok Pantai Baru (B/P)	Prime B	188,122	65.8 million	350	1Q2005

Source: JLW Research



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*Office Market Overview*

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### 3.5 MARKET PROSPECTS

A larger amount of office accommodation is being built in DA locations than in KLC, based on the supply of future office space expected to be completed in the next two and a half years.

Demand for offices will continue to be locally driven, with the expansion of financial institutions, local government agencies and educational institutions.

There is a growing interest for office accommodation from multinationals for call centres and foreign broking houses, as the country is capable of offering attractive features and facilities for foreigners, such as political stability, English speaking population, free from natural calamities and an excellent infrastructure and transportation network.

Despite improvement in demand, office rentals are generally expected to remain stable in the short term, except for quality grade buildings with limited vacant space in selected localities, where rental increases of up to 10% are possible during the next two years.



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*Office Market Overview*

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#### 4.0 DEMAND AND RENTAL PROJECTION

##### *Demand Projection*

In projecting demand for office accommodation, the following assumptions have been made:

- a total future supply of about 13.3 million sq. ft. is expected to be completed between 2005 and 2010. For projects that are under construction, the completion dates of the projects are in line with the target completion date by the developer. For projects that are at planning stage, assumptions were made by JLW as to their completion dates.
- historical trend shows that the average annual supply of office for the 5 year period of between 1999 and 2004 was 2.7 million sq. ft., which was a result from the spillover from projects that were built during the period of healthy economy, prior to the 1997/98 economic crisis. The 13.3 million sq. ft. of new offices to be completed in the next 6 years, will result in a slightly lower average annual supply i.e. 2.20 million sq. ft. The historical annual supply trend of offices between 1994 to 2004 was recorded at 3.20 million sq. ft.
- the country's economy will continue to grow, although at a slower pace than 2004, averaging at 6% per annum between 2005 and 2010. The historical trend of GDP growth rates from peak to peak, trough to trough and since 1980 have indicated an average growth of about 6% per annum. The average annual growth of the GDP in the last 3 years (2002 to 2004) was 5.5%.
- the GDP of the services sector will also continue to increase at an average of 5.8%, as experienced in the period of 2000 to 2004.
- there is no global recession and the performance of the US and ASEAN economies are to remain favourable until year 2010.
- unemployment rate will be maintained at 3.5% in 2005 onwards and that employment in the services sector will continue to be around 50% of total employment.
- inflation rate remains at between 2% to 3%.
- the historical office take up in the last 10 year period of between 1994 and 2004 was 2.16 million sq. ft. while the annual take up in the last 5 years of 1999 and 2004 was 1.66 million sq. ft.



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- an average annual take up of 2.11 million sq. ft. has been adopted for the 6 year period of between 2005 and 2010. The annual take up adopted in the projection ranges from 1.4 million sq. ft. in 2005 and increase to 2.5 million sq. ft. in 2010.

A higher take up has been adopted due to the expected expansion of local and multinational companies and government agencies. Moreover, with the liberalization in the financial sector, more international financial institutions would be setting up their offices in Kuala Lumpur.

Based on the above, it is estimated that the average occupancy rate of offices in the KV would be around 81% to 83% for the period 2005 to 2010, depending on the projected supply entering the market in the respective years. The forecasted average occupancy rate for offices in the KV is summarized below.

**TABLE 4.1**

**FORCASTED AVERAGE OCCUPANCY RATE FOR OFFICES  
IN THE KLANG VALLEY**

Year	Supply (million sq. ft.)	Annual new supply (million sq. ft.)	Average Occupancy
Dec 2005f	68.71	1.43	81%
Dec 2006f	70.34	1.63	81%
Dec 2007f	73.17	2.83	81%
Dec 2008f	75.37	2.20	82%
Dec 2009f	77.45	2.08	83%
Dec 2010f	80.51	3.06	83%

Source: JLW Research

The above forecasted occupancy rate is based on the overall occupancy rate of all private office buildings which takes into account secondary offices. If some of the secondary offices are removed from the stock due to the dilapidation in the quality, higher average occupancy rates of more than 85% could be achieved. Moreover, if some of the buildings in the DA locations are excluded, occupancy could be higher than 90%.

#### *Rental Projection*

The rental rate of office buildings depends significantly on the market condition, i.e. demand and supply situation. Rental trend of office buildings evolves cyclically, in line with the country's economic performance.

Currently, the office market cycle is improving in terms of occupancy rate due to improved demand. As there is a general lack of quality office space available, rental of prime offices have been inching up in the last one year. With enhanced demand, more new office projects have been earmarked for development which results in the relatively large supply of office space in the next 6 years (2005 to 2010).



### *Office Market Overview*

Although the market sentiment is that demand for office is on the uptrend, due to the large availability of choices and the emerging of new office precincts in DA locations, office rentals would have to remain competitive and attractive, in order to secure demand.

Historical data shows that the growth of rentals of prime offices in the city centre i.e. the GT and CBD for the period of between 1981 and 2004 has been nominal at 1.4% per annum. During the post recessionary period of 1999 to 2004, an average annual increase of 1.5% per annum over the 5 year period was recorded. The improvement in the rental rates was marginal during the period, due to the slow take up due to "sluggish demand" and a relatively large supply.

In projecting the rental for offices in the next 6 years (i.e. for period of between 2005 and 2010), we have benchmarked with rentals of the GT and CBD and adopted an average annual growth of 2% per annum, taking into consideration the better quality offices that would be built. This resulted in rentals for prime offices in the city centre, to increase from an average of RM4.10 per sq. ft. per month in 2005 to RM4.55 per sq. ft. per month in 2010, with the details of the forecasted rentals presented below:

**TABLE 4.2  
FORECASTED RENTALS FOR PRIME OFFICES IN THE CITY CENTRE**

Year	Gross Monthly Rentals (RM per sq. ft.)
Dec 2004	4.00
Dec 2005f	4.10
Dec 2006f	4.20
Dec 2007f	4.30
Dec 2008f	4.35
Dec 2009f	4.45
Dec 2010f	4.55

Source: JLW Research

The above rental rates exclude the rentals of the Petronas Twin Towers which command the highest rental of about RM8.00 to RM8.50 per sq. ft. per month. Due to the attractiveness of the building and its status, including the rental rates into the basket would distort the figures.

Rentals for prime offices in the DA, depending on their locations, demand and incoming supply, would be marginally lower if not at par with city centre rentals.

*Office Market Overview*

**5.0 BENCHMARKING ANALYSIS**

**5.1 GOLDEN TRIANGLE (GT)**

**5.1.1 SUPPLY**

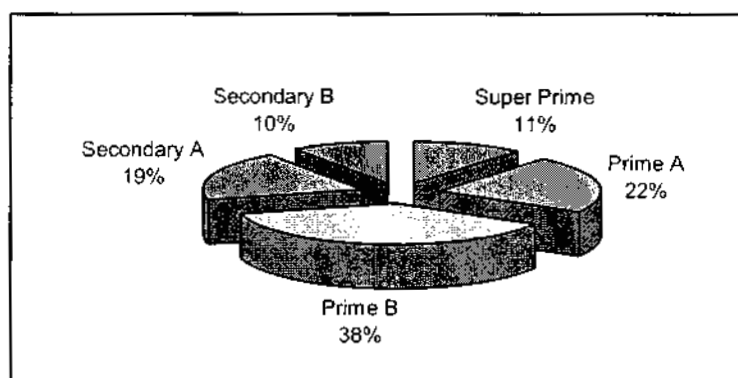
*Existing Supply*

Total stock of office space in the GT as at the end of second quarter of 2005 is 23.029 million sq. ft. The GT has the most supply of office space in the KV.

Most of the offices in the GT are prime office buildings and Graph 5.1 shows the distribution of the office space in the GT by grade.

**GRAPH 5.1**

**OFFICES - BY GRADE**



Source: JLW Research

There is only one super prime office building in the KV i.e. the Petronas Twin Towers which is located in the GT. Prime A buildings in the GT include Wisma Hong Leong, Menara HLA, Menara Maxis, Menara IMC and Menara Dion while an example of a few Prime B offices include Menara KFC, Menara TAI, Menara Weld and Menara Yayasan Tun Razak.



*Office Market Overview*

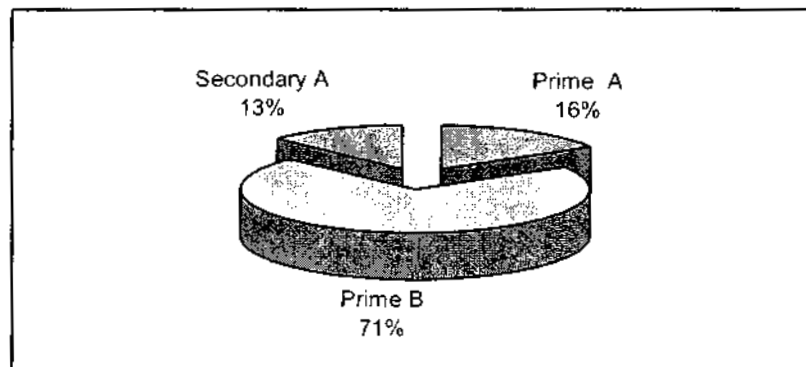
***Future Supply : July 2005-2007***

The GT is forecasted to have an additional 1.015 million sq ft of office space by the end of 2007. Most of this new office space will be completed in 2005 (i.e. 84% of the total future supply identified in the GT) and the remaining 16% will be completed in 2007.

Most of the new offices currently being built in the GT have been categorized as prime offices, due to the quality of the buildings. However, in terms of location, the buildings are within less prominent office locations in the GT. Among the main developments that are to be completed by the end of 2007 in the GT are Menara See Hoy Chan and Menara LTAT. The details of these projects were mentioned earlier in part 3.0 of this report.

Graph 5.2 shows the breakdown of the future office in the GT by grade.

**GRAPH 5.2  
FUTURE SUPPLY OF OFFICE BY GRADE (2H2005 - 2007)**



Source: JLW Research

Although JLW has identified a number of office buildings to be completed after 2008, none of these projects are committed for completion, as most of the developments are still at preliminary planning stage. Among the major office developments planned in the GT after year 2007 are the office developments at Lot C, KLCC and the proposed office development at Jalan Pinang.




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*Office Market Overview*


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**5.1.2 DEMAND***Occupancy Rate & Take up*

The average occupancy rate of offices in the GT as at the end of second quarter of 2005 is 84%, which is slightly above the average occupancy rate of offices in the KV for the same period. Prime offices in the GT recorded above average occupancy rate while the secondary offices in the GT recorded below average occupancy rate.

Table 5.1 provides the average office occupancy rate of the offices in the GT by grade, as at the end of second quarter of 2005.

**TABLE 5.1**

**AVERAGE OCCUPANCY RATE OF GT OFFICES BY GRADE**  
– 2<sup>ND</sup> QUARTER 2005

LOCATION	OCCUPANCY RATE (%)
KLANG VALLEY	82
KUALA LUMPUR	83
<b>Golden Triangle</b>	<b>84</b>
Super Prime	89
Prime A	88
Prime B	84
Secondary A	84
Secondary B	71

Source: JLW Research

Demand for office in the GT has been improving since the beginning of 2004, with active genuine requirements for office space, especially in the city centre. The demand is from financial institutions, educational institutions, insurance companies and financial services companies.

There have also been a number of relocations of international office users from old offices in the CBD to the GT. The reasons for the relocation were (i) newer offices in the GT that offer better quality offices (ii) to improve the image of the company by being situated in the GT, which is the main commercial hub of Kuala Lumpur (iii) offices in the GT are well complemented by a large range of modern facilities and amenities, especially the public transportation system, retail centres, food and beverage outlets and hotels.





*Office Market Overview*

For the whole year of 2004, offices in the GT recorded a total take up of 0.394 million sq. ft. which is about 20% of the total take up recorded in the KV in 2004. In the first half of 2005, GT recorded a net take up of 0.314 million sq. ft. which is 56% of the total take up in the KV for the first six months of 2005.

**5.1.3 MARKET INDICATORS**

*Market Rentals*

Since the beginning of 2004, office rents in the GT have seen some slight increase in rental rates. As demand was strong but supply is limited, landlords of selected prime office buildings in the GT increased their rental rates by between 5% to 10% in early 2004. These increases were recorded by buildings with good occupancy rates.

Offices in the GT generally command higher rental rates than office rentals in other locations, ranging between RM2.00 per sq. ft. per month for secondary offices to RM8.00 per sq ft per month for the super prime office.

*Market Prices*

The market price of offices in the GT on an enbloc basis is estimated to be between RM235 per sq. ft. for secondary offices to more than RM800 per sq. ft. for prime offices.

Table 5.2 lists the market rentals and estimated market prices of offices in the GT by grade.

**TABLE 5.2**

**MARKET RENTALS AND PRICES (ENBLOC) OF OFFICES**  
**- 2<sup>ND</sup> QUARTER 2005**

LOCATION	RENTALS - RM PER SQ. FT./ MONTH	PRICE - RM PER SQ. FT.
Super Prime	8.00 - 8.50	800 ++
Prime A	4.50 - 6.50	500 - 600
Prime B	3.50 - 4.00	400 - 500
Secondary A	2.50 - 3.00	335 - 400
Secondary B	2.00 - 2.50	235 - 300

Source: JLW Research



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*Office Market Overview*

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#### **5.1.4 MARKET PROSPECTS**

Despite the rapid decentralization trend of offices in other locations in the KV, offices in the GT will continue to be highly demanded due to its prominent address.

Demand for offices in the GT will be from both the local and foreign companies. Several new foreign financial institutions and financial services companies which have been granted license to operate in Malaysia, will look for offices in the GT as their priority.

Although a relatively large supply of new offices is being built in the GT, they are situated at the fringe of the main commercial precinct of the GT.

However, despite strong demand, the availability of choices, due to the large supply of offices in the GT will result in office rentals in the GT to remain relatively stable, except for those offices situated in strategic locations and have limited vacancy.

#### **5.2 DAMANSARA HEIGHTS (DH)**

##### **5.2.1 SUPPLY**

###### *Existing Supply*

Total stock of office space in the DH as at the second quarter of 2005 is 5.197 million sq. ft.

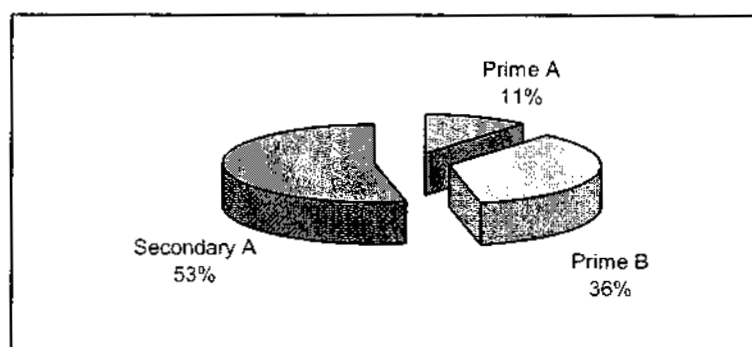
There are slightly more secondary offices in the DH when compared with the prime offices. Several of the office buildings in DH are old, having been completed in the 1980s. The location of the offices in DH is also scattered, with some of the offices located away from the main commercial centre in DH.

*Office Market Overview*

Graph 5.3 shows the distribution of the office space in DH by grade.

**GRAPH 5.3**

**OFFICES - BY GRADE**



Source: JLW Research

There is only one Prime A office building in DH, i.e. Menara Milenium while Prime B buildings in DH include Menara John Hancock, HP Towers, Wisma Amanah Raya, Bangunan CIMB and Wisma Avenue (previously known as Bangunan THB Satu).

***Future Supply : July 2005-2007***

DH is forecasted to have another 0.199 million sq. ft. of office space by the end of 2007. Most of this new office space, contributed by Menara TSH, will be completed in 2006 (i.e. 63% of the total future supply identified in the DH) and the balance 27% of the space will be from another project, i.e. Wisma Perintis, which will be completed in 2005. The details of these projects are mentioned earlier in Section 3.0 of this report. Both these projects have been classified as prime.

No projects have been committed for completion in 2008 in DH, although several projects have been identified as future developments.

**5.2.2 DEMAND**

***Occupancy Rate & Take up***

The average occupancy rate of offices in the DH as at the second quarter of 2005 is 84%, which is above the average occupancy rate of offices in the KV for the same period. Prime offices in the DH recorded average occupancy rate of more than 90% while secondary offices recorded below average occupancy rate.




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*Office Market Overview*


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Table 5.3 provides the average office occupancy rate of the offices in DH by grade, as at the second quarter of 2005.

**TABLE 5.3**

**AVERAGE OCCUPANCY RATE OF DH OFFICES BY GRADE**  
– 2<sup>ND</sup> QUARTER 2005

LOCATION	OCCUPANCY RATE (%)
<b>KLANG VALLEY</b>	<b>82</b>
<b>KLC</b>	<b>83</b>
<b>Damansara Heights</b>	<b>84</b>
Prime A	97
Prime B	96
Secondary A	73

Source: JLW Research

Demand for offices in DH has been consistent and the offices have been recording higher than KV's average occupancy rate. A few of the offices in the DH are wholly owner occupied (such as Bangunan CIMB and Menara Southern Bank) while a large number of the offices are partly owner occupied.

Prime offices have generally maintained their occupancy rates at favourable levels mainly due to their limited stock.

A relatively large number of Federal Government offices were also located in DH and with the relocation of the Federal Government departments to Putrajaya, a number of the offices in DH have experienced a drastic reduction in their average occupancy rates. However, such trend occurred mainly within secondary offices.

DH has been found to be popular among office users due to (i) its mid point location between KLC and PJ (ii) the first and an established "suburban" office precinct within a high end residential area (iii) a location (in its early days) with less traffic congestion when compared with KLC.

For the whole year of 2004, offices in DH recorded a total take up of 0.096 million sq. ft. which is about 5% of the total take up recorded in the KV in 2004. The relatively small take up was a result of the continuous relocations of several Federal Government departments to Putrajaya. The limited availability of prime office space in DH has deterred new major office users to relocate into this area. In the first half of 2005, offices in DH recorded negative take up as more office space was vacated by the Federal Government departments who moved to their own offices in Putrajaya.



*Office Market Overview*

**5.2.3 MARKET INDICATORS**

*Market Rentals*

Office rentals in DH has remained relatively stable over the last few years, with steady supply and stable demand, with rentals ranging between RM2.80 per sq. ft. per month for secondary offices to RM4.50 per sq. ft. for prime office space. However, the high rental rate is for one of the newest office building in DH which is almost fully tenanted.

*Market Prices*

The market price of offices in DH on an enbloc basis is estimated to be between RM280 per sq. ft. for secondary offices to about RM450 per sq. ft. for prime offices.

Table 5.4 lists the market rentals and estimated market prices of offices in the DH by grade.

**TABLE 5.4**  
**MARKET RENTALS AND PRICES (ENBLOC) OF OFFICES –**  
**2<sup>ND</sup> QUARTER 2005**

LOCATION	RENTALS - RM PER SQ. FT./ MONTH	PRICE – RM PER SQ. FT.
Prime A	4.00 - 4.50	400 – 450
Prime B	3.00 – 3.50	300 – 350
Secondary A	2.80 – 3.00	280 - 300

Source: JLW Research

**5.2.4 MARKET PROSPECTS**

There is a potential for investment in newer offices in DH, to replace most of the old offices in this area due to the steady demand for good quality offices in this area. This is one of the oldest and most established suburban office precincts, strategically and conveniently located between the city centre and the suburbs.

The existing offices in this locality lack the integration between office and retail uses and is also deprived of modern (rail) public transportation, thus those offices which provide ample / sufficient car parking facilities and retailing facilities (food & beverage outlets) would be in greater demand.



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*Office Market Overview*

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Moreover, offices in DH is also faced with a possible threat from newer offices which are being built in the B/P locality, particularly those being built within the KL Sentral project. The offices within KL Sentral benefit from the integration with various modern public transportation and are also supported by various public amenities such as hotel and retail outlets.



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*Office Market Overview*

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**6.0 REVIEW AND OUTLOOK OF MENARA HLA**

The subject property is known as Menara HLA and is a purpose built 32 storey high-rise office building with a 4 level basement car park situated within the Kia Peng Commercial Development which also comprises a 28 storey high end apartment block known as 3 Kia Peng.

***Location and Accessibility***

It is located off Jalan Kia Peng and enjoys a very good location within Kuala Lumpur's GT which is the most sought after office location. It is accessible from Jalan Ampang, Jalan Sultan Ismail and Jalan Tun Razak.

It is equidistant from the KLCC development and retail/hotel belt of Jalan Bukit Bintang and Jalan Sultan Ismail which provides ample supplementary amenities such as a wide variety of restaurants, convenient shops, banking facilities, etc. In general the building has good ingress and egress but it is located within a central one-way system, resulting in "minor diversions" from certain directions.

Its immediate surrounding development comprises primarily commercial developments i.e. Wisma UOA, Kuala Lumpur Convention Centre, Traders Hotel and residential development such as Menara Pinang.

***The Building***

Menara HLA was completed six years ago and comprises 32 levels of office space and four levels of basement car park. The total gross and net lettable area of the building is 506,427 sq. ft. and 396,820 sq. ft. respectively excluding car park. This equates to an efficiency ratio of about 78% which is higher than the market norm of about 75%. The average floor plate range between 12,000 to 13,000 sq. ft. which is preferred by major tenants. The number of car park bays allocated is 723 in the basement levels, which is in compliance with conditions set by the authorities i.e. one bay to 500 sq. ft. of net area.

The finishes and specifications of Menara HLA provides occupiers with functional, quality office accommodation now demanded by the corporate sector with more sophisticated technical expectations. Moreover, the positioning of the columns at the sides create column free space, thereby increasing efficiency in the usage. The external wall of the building is of quality granite whilst the entrance lobby on the ground floor and all the office lift lobbies are of polished granite slabs. It also has a 3 level high main entrance lobby with glass panels further creating an aura of grandeur.

Due to the quality specifications and good location of the subject property, JLV classify the subject property as a Prime A office building.



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*Office Market Overview*

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***Tenancy Profile***

Tenants within Menara HLA comprise finance, management, embassy, oil and gas and professional based companies. Some of the major tenants in the building include MIMOS Berhad, Vsource Asia Berhad, the South African Embassy and Kvaerner Petrominco Engineering Sdn Bhd. About 31% of the total net lettable area is occupied by companies related to the owner (Hong Leong Assurance Berhad and HLG Capital Berhad).

***Occupancy and Rental Rates***

The current occupancy rate of Menara HLA is 76%. The occupancy rate will increase to 84% when some pre-committed tenants physically take up the office accommodation in the third quarter of 2005. Some of these pre-committed tenants are from the oil and gas industry and expansion of space by existing tenants.

The average rental rate achievable is RM3.86 per sq. ft. per month. The ground floor rental rate is RM5.50 per sq. ft. per month whilst the upper floor rental rates range between RM3.50 to RM4.50 per sq. ft. per month.

***Outlook for Menara HLA***

With the pre-committed space, the occupancy for Menara HLA is 84%. This occupancy however is lower than the market average for Prime A office accommodation in the GT which is 88% as at second quarter 2005. This could be due to the fact that it is an integrated development comprising a condominium block. Nevertheless, due to the limited supply of prime office accommodation in the city centre and taking into consideration the quality of the building, the attractive rental rate and the acceptance of the location as a prominent commercial location (with the completion of the Kuala Lumpur Convention Centre), office occupiers are willing to take up space within Menara HLA. This is supported by the fact that about 24% of the total take up in the GT (161,400 sq. ft.) in the second quarter of 2005 was attributed to space taken up in Menara HLA based on JLW's monitoring of take up.

With no new Prime A quality office accommodation being completed in the short term, there is an opportunity for Menara HLA to improve its occupancy level to near full occupancy in the short term. Moreover it is also important that the building is properly managed and maintained to ensure that the building remains physically competitive in the market.





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*Office Market Overview*

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The current average rental rate achieved by Menara HLA of RM3.86 per sq. ft. per month is also below the market average for Prime A office accommodation of about RM4.50 per sq. ft. per month. Based on current market conditions and that the current economy is foreseen to continue positively with a minimum GDP of at least 6%, it is expected that there will be an opportunity for rental growth. Continued escalation in the demand with limited supply of new prime office buildings is expected to push the rentals to as high as RM4.20 per sq. ft. per month in 2007. Subsequently, new supply is expected to enter the market to match the demand, thus stabilizing the rental rate at this level up to 2010.

This is also on the assumption that there is no global recession and that the performance of the US and ASEAN economies maintain favourable growth until year 2010.



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*Office Market Overview*

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## 7.0 REVIEW AND OUTLOOK OF HP TOWERS

The subject property is known as HP Towers and comprises two 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.

### *Location and Accessibility*

It is located off Jalan Gelenggang and Lorong Gelenggang and is located within DH, an exclusive residential suburb of Kuala Lumpur and sited approximately 8 kilometres (5 miles) west of the Kuala Lumpur city centre. Due to its close proximity to the city centre and exclusivity, DH has benefited from the spill-over of office developments in the Kuala Lumpur city centre. Since early 1990s, many office buildings were built in DH, the more prominent ones are located along Jalan Semantan and Jalan Damansara. This location is now established as one of the most popular decentralized office precinct.

In general the building has good ingress and egress and is easily accessible to SPRINT highway, which is linked to other major roads, such as the North Klang Valley Expressway (NKVE), Federal Highway, Damansara-Puchong Highway (LDP) and North South Expressway (NSE). The extensive road networks developed in the vicinity has reduced the traveling time to Kuala Lumpur city centre and Petaling Jaya.

Its immediate surrounding development comprises primarily commercial development i.e. Wisma KPMG, Bangunan Setia 1, Bangunan Malaysia RE and Wisma John Hancock amongst others.

This location however lacks public transportation such as LRT, PRT and Komuter and in recent years this has undermined the attractiveness of this locality compared to other new growth areas such as B/P. Moreover the developments of mega projects like KL Sentral and Mid Valley in the B/P locality, which is now considered a new decentralized location, poses a possible threat to the DH location.



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*Office Market Overview*

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***The Building***

HP Towers comprises two 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. The total gross and net lettable area of both the blocks is 493,351 sq. ft. and 350,056 sq. ft. respectively excluding car park. This equates to an efficiency ratio of about 71% which is lower than the market norm of about 75%. The average floor plate range between 11,000 sq. ft. to 12,000 sq. ft. which is preferred by major tenants. The number of car park bays allocated is 22 surface and 545 basement, slightly short (22%) of the requirements by the authority i.e. one bay to 500 sq. ft. of net area.

The finishes and specifications of HP Towers provide occupiers with functional, quality office accommodation demanded by the corporate sector. The external wall of the building is clad with alucobond curtain walling whilst the entrance lobby on the ground floor and all the office lift lobbies are of polished granite slabs. It also has a 3 level high main entrance lobby further creating an aura of grandeur.

Due to the quality specifications, age of the building and location of the subject property, JLW classify the subject property as a Prime B office building.

***Tenancy Profile***

Tenants within HP Towers comprise public listed companies, business services, telecommunication and professional based companies. The major tenant, Hewlett-Packard (M) Sdn Bhd is currently occupying 33% of the total net lettable area and has also the naming rights to the building. Other major tenants in the building include Dagang Net Technologies Sdn Bhd, MMC Corporation Berhad and Carat Media (M) Sdn Bhd.

***Occupancy and Rental Rates***

The current occupancy rate of HP Towers is 85%. About 18 months ago when two major occupiers relocated, one to their own building and the other to another building located in a new growth area i.e. B/P, occupancy drastically dropped to below 50%. However the owner's managed to fill the space with new tenants. Thus, it is very important that the building is properly managed and refurbished to ensure that the building remains physically competitive in the market to enjoy high occupancy levels.

The average rental rate achievable is RM2.87 per sq. ft. per month. The ground floor rental rate is RM5.50 per sq. ft. per month whilst the upper floor rental rates range between RM2.50 to RM3.80 per sq. ft. per month.



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*Office Market Overview*

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*Outlook for HP Towers*

The current occupancy rate for HP Towers is 85%. This occupancy, however, is lower than the market average for Prime B office accommodation in the DH area which is 96% as at second quarter 2005. The reason could be that two major occupiers evacuated a substantial amount of space in 2003 when demand for office accommodation was poor. However, due to the location of the building and that there was a substantial space which was available, it attracted a major tenant to take up space within the building. Attractive rental rate and naming rights given to the tenant were also factors which drew the tenant to this building.

With no new prime quality office accommodation being completed in the short term except for two office buildings which are pre-committed, there is an opportunity for HP Towers to improve its occupancy level to near full occupancy in the short term.

The current average rental rate achieved by HP Towers of RM2.87 per sq. ft. per month is also below the market average for Prime B office accommodation of about RM3.30 per sq. ft. per month. Based on current market conditions and that the current economy is foreseen to continue positively with a minimum GDP of at least 6%, it is expected that there is opportunity for rental growth. Continued escalation in the demand with limited supply of new prime office buildings is expected to push the rentals to RM3.30 per sq. ft. per month in 2007. Subsequently, new supply is expected to enter the market to match the demand, thus stabilizing the rental rate at this level up to 2010.

This is also on the assumption that there is no global recession and that the performance of the US and ASEAN economies maintain favourable growth until year 2010.



### LIMITING CONDITIONS

1. This report is confidential to the party to whom it is addressed for the specific purpose to which it refers and no responsibility is accepted to any third party. The whole of the report, or any part or reference thereto must not be published in any document, statement, circular or in any communication with third parties, without our prior written approval of the form and context in which it will appear.
2. We stress that the estimation of future demand, business trends, property prices, rentals and projected take up rates is a challenging exercise which at best should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forward projections of such key elements involves assumptions respecting a considerable number of variables, which are acutely sensitive to changing conditions, variations in any one of which may significantly affect the outcome.
3. The report has used and relied upon information from third party sources generally regarded as authoritative and reliable. This information has not necessarily been independently verified by Jones Lang Wootton.
4. This report does not constitute a valuation or opinion of value of any property or property interest. The advice, findings or recommendations contained herein cannot be construed as a valuation.

A handwritten signature in black ink, appearing to read "Malathi Thevendran".

**MALATHI THEVENDRAN  
JONES LANG WOOTTON**

Our Reference : CON/10/2005  
Date : 6 AUGUST 2005

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## 14. ADDITIONAL INFORMATION

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### 14.1 General

- (i) Tower REIT will not allot or issue any Units on the basis of this Prospectus later than 12 months after the date of this Prospectus.
- (ii) Tower REIT is newly established. Hence, save for the Promoter Units, there are no Units issued prior to the completion of the Public Offering.
- (iii) In addition to the information in respect of the tenancy agreements as set out in Section 7 of this Prospectus, none of the tenancy agreements in relation to the REIT Properties restricts the Vendors from selling or transferring the REIT Properties to the Trustee. The Vendors are entitled to transfer all their rights and obligations under the tenancy agreements to any party that they deem fit. The respective tenants have consented to and agreed to be bound by such transfer under their respective tenancy agreements.
- (iv) A Unitholder may sell some or all of his Units in Tower REIT to another investor through the CDS by placing his orders through ADAs as listed in Section 17 of this Prospectus. All transfers of Units must be effected in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Business Rules of Bursa Depository including the procedure manual referred to in the said rules.
- (v) Unitholders are able to keep track of the market price per Unit through the website of Bursa Securities and daily Malaysian newspapers (in English and Bahasa Malaysia).

Under the SC Guidelines on REIT and the Deed, we are required to carry out a valuation of Tower REIT's investments in real estate-related assets and non-real estate assets and announce the NAV of the Fund to Bursa Securities on a weekly basis.

- (vi) Unitholders can keep track of developments of Tower REIT through annual reports, interim reports and announcements made to Bursa Securities.

We must also provide Bursa Securities with an interim report of the Fund for public release within 2 months after the end of each period to which it relates. In addition, we shall issue an annual report of the Fund to the Unitholders and give the annual report to Bursa Securities within 2 months from the close of each financial year of the Fund. We shall also give the annual audited accounts together with the auditors' and directors' reports to Bursa Securities for public release within 2 months from the close of each financial year of the Fund.

- (vii) Unitholders will receive distributions paid in respect of Units by a non-negotiable cheque sent to the Unitholder's address or such other mode as may be determined by our Company.

Any moneys payable to a Unitholder pursuant to his entitlement of the Fund's distribution which remain unclaimed after a period of 1 year shall be accumulated in a special account and lodged with the Registrar of Unclaimed Moneys by the Trustee. The Trustee shall maintain a record of all unclaimed moneys at its principal place of business in accordance with the provisions of the Unclaimed Moneys Act, 1965.

- (viii) Other than the Acquisitions, there are no other transactions, directly or indirectly, relating to any Real Estate Investments purchased or to be purchased out of proceeds of the Public Offering within the preceding 2 years from the date of this Prospectus.

- (ix) Unitholders Services Centre

If you require any assistance on Tower REIT, you may contact us at:

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**14. ADDITIONAL INFORMATION (Cont'd)**

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GLM REIT Management Sdn Bhd  
c/o Hong Leong Share Registration Services Sdn Bhd  
Level 5, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur  
Tel. No. : 03-2164 1818

**14.2 Related-party Transactions and Conflict of Interest****14.2.1 Related-party Transactions**

As at the Latest Practicable Date, save as disclosed below, there is no existing or proposed transaction between (i) the Tower REIT; and (ii) the Vendors, our Company, a related party of the Vendors or our Company, or the tenants of the REIT Properties who are related parties of our Company or the Vendors:

- (i) HP Towers SPA dated 23 February 2006 entered into between PDSB and the Trustee (on behalf of Tower REIT) whereby the Trustee agreed to purchase HP Towers for a total purchase consideration of RM130.0 million, to be satisfied through the issuance of 35,625,000 Units at RM1.00 each and cash payment amounting to RM94,375,000. Salient terms of the HP Towers SPA are set out in Section 7.3.1 of this Prospectus;
- (ii) Menara HLA SPA dated 23 February 2006 entered into between KDSB and the Trustee (on behalf of Tower REIT) whereby the Trustee agreed to purchase Menara HLA for a total cash consideration of RM221.0 million. Salient terms of the Menara HLA SPA are set out in Section 7.3.2 of this Prospectus;
- (iii) Master Tenancy Agreement to be entered into between KDSB (as the tenant) and the Trustee (on behalf of Tower REIT as the landlord) for the Master Tenancy in respect of a pre-identified total net lettable area of 373,011 sq. ft., representing 94% of the net lettable area of Menara HLA, at a gross rental rate of RM3.85 per sq. ft. per month, for a fixed term of 2 years commencing from the date of the completion of the Menara HLA SPA. Details of the Master Tenancy Agreement are set out in Section 7.2.6 of this Prospectus;
- (iv) Appointment of our Company as the Manager pursuant to the Deed dated 17 February 2006 entered into between our Company and the Trustee to constitute Tower REIT. Salient terms of the Deed are set out in Section 15 of this Prospectus;
- (v) Letter of Offer from the Registrar dated 18 January 2006 and accepted by our Company on the same date, for the appointment of the Registrar by our Company to maintain the register of Unitholders and the provision of certain ancillary services related thereto as detailed in Section 8.3 of this Prospectus;
- (vi) Placement Agreement dated 8 March 2006 between HLG Securities Sdn Bhd and our Company, whereby HLG Securities Sdn Bhd, as Joint Placement Agent, agreed to place 149,699,000 Public Offering Units to identified investors by way of private placement at a placement fee of 1.25% of the value of the Public Offering Units placed;

**14. ADDITIONAL INFORMATION (Cont'd)**

(vii) The following tenancy agreements:

Related party	Nature of transactions	Relationship
HLG Capital Berhad	Pursuant to the Master Tenancy Agreement, KDSB, as the tenant, has sub-let the following units in Menara HLA to HLG Capital Berhad: (i) Lot No. 5-01 (2,876 sq. ft.); (ii) Level 6 (13,005 sq. ft.); (iii) Lot No. 7-01 (8,823 sq. ft.); and (iv) Lot No. 7-02 and Level 8 (15,905 sq. ft.).	HLG Capital Berhad is an indirect subsidiary of Hong Leong Company (Malaysia) Berhad, a deemed substantial shareholder of GLM.
Hong Leong Assurance Bhd	Pursuant to the Master Tenancy Agreement, KDSB, as the tenant, has sub-let Lot No. 23-01, Level 23A and Levels 26-32 (80,880 sq. ft.) in Menara HLA to Hong Leong Assurance Bhd.	Hong Leong Assurance Bhd is an indirect subsidiary of Hong Leong Company (Malaysia) Berhad, a deemed substantial shareholder of GLM.

(viii) There are several existing contracts involving Tower REIT and related parties of our Company for the provision of services for the operation, maintenance, security, insurance and other amenities of the REIT Properties as described below, all of which were negotiated on an arm's length basis and based on commercial terms:

Related party	Nature of transactions	Relationship
Hong Leong Assurance Bhd	Provision of insurance for the REIT Properties	Hong Leong Assurance Bhd is an indirect subsidiary of Hong Leong Company (Malaysia) Berhad, a deemed substantial shareholder of GLM.
Guardian Security Consultants Sdn Bhd	Provision of security services	Guardian Security Consultants Sdn Bhd is an associate company of Hong Leong Company (Malaysia) Berhad, a deemed substantial shareholder of GLM.
York (Malaysia) Sales & Service Sdn Bhd	Preventive service and maintenance for air-conditioning equipment in Menara HLA	York (Malaysia) Sales & Service Sdn Bhd is a subsidiary O.Y.L Industries Bhd. O.Y.L Industries Bhd is an associate company of Hong Leong Company (Malaysia) Berhad, a deemed substantial shareholder of GLM.



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**14. ADDITIONAL INFORMATION (Cont'd)**

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**14.2.2 Potential Conflict of Interest**

As at the Latest Practicable Date, save as disclosed below, there is no actual or potential conflict between the interests of (i) the Tower REIT; and (ii) that of the Vendors, our Company, a related party of the Vendors or our Company, or the tenants of the REIT Properties who are related parties of the Vendors or our Company:

- (i) The following property owned by Hong Leong Assurance Bhd may compete for tenants in the same location as Menara HLA:

<b>Location / description of property</b>	<b>REIT Property most likely to be affected</b>	<b>Owner</b>	<b>Nature of existing use</b>
Wisma Hong Leong, a 11-storey office building with a 4 level basement car park with a net lettable area of approximately 333,000 sq. ft. situated at 18, Jalan Perak, 50450 Kuala Lumpur	Menara HLA	Hong Leong Assurance Bhd	Office building

**14.3 Material Contracts**

Save as disclosed below, the Trustee and our Company have not entered into any other contracts in relation to Tower REIT which are material, not being entered into in the ordinary course of business within the past 2 years preceding the date of this Prospectus:

- (i) Deed dated 17 February 2006 entered into between our Company and the Trustee to constitute Tower REIT. Salient terms of the Deed are set out in Section 15 of this Prospectus;
- (ii) HP Towers SPA dated 23 February 2006 entered into between PDSB and the Trustee (on behalf of Tower REIT) whereby the Trustee agreed to purchase HP Towers for a total purchase consideration of RM130.0 million, to be satisfied through the issuance of 35,625,000 Units at RM1.00 each and cash payment amounting to RM94,375,000. Salient terms of the HP Towers SPA are set out in Section 7.3.1 of this Prospectus;
- (iii) Menara HLA SPA dated 23 February 2006 entered into between KDSB and the Trustee (on behalf of Tower REIT) whereby the Trustee agreed to purchase Menara HLA for a total cash consideration of RM221.0 million. Salient terms of the Menara HLA SPA are set out in Section 7.3.2 of this Prospectus;
- (iv) Property Management Agreement entered into between the Property Manager and our Company by way of a letter of offer dated 9 November 2005 from the Property Manager, which was accepted by our Company on 20 February 2006, for the provision of certain property management services for the REIT Properties and at a fee as detailed in Section 8.2.5 of this Prospectus;

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## 14. ADDITIONAL INFORMATION (Cont'd)

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- (v) Underwriting Agreement dated 28 February 2006 entered into between the Underwriter and our Company whereby the Underwriter agreed to underwrite 11,800,000 Public Offering Units in consideration of the underwriting commission, calculated at the rate of 1.25% of the Issue Price per Public Offering Unit. Salient terms of the Underwriting Agreement are set out in Section 3.8 of this Prospectus;
- (vi) Placement Agreement dated 8 March 2006 between CIMB and our Company, whereby CIMB, as Joint Placement Agent, agreed to place 40,375,000 Public Offering Units to identified investors by way of private placement at a placement fee of 1.25% of the value of the Public Offering Units placed; and
- (vii) Placement Agreement dated 8 March 2006 between HLG Securities Sdn Bhd and our Company, whereby HLG Securities Sdn Bhd, as Joint Placement Agent, agreed to place 149,699,000 Public Offering Units to identified investors by way of private placement at a placement fee of 1.25% of the value of the Public Offering Units placed.

### 14.4 Material Litigation

As at 31 January 2006:

- (i) We are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which may materially and adversely affect our position or business.
- (ii) Save for the following, the Trustee is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on its financial position, and its Directors are not aware of any other proceedings pending or threatened or of any fact likely to give rise to any proceedings which may materially and adversely affect their position or business:  
  
On 22 December 2005, the solicitors acting for Meridian Asset Management Sdn Bhd ("Meridian") served a writ and statement of claim dated 12 December 2005 against the Trustee. The claim by Meridian is for alleged loss and damage amounting to RM27,606,169.65 together with interest and costs arising from the provision of custodian services by the Trustee to Meridian. Defence to the statement of claim was filed on 26 January 2006. No hearing date has been fixed. Based on legal advice obtained, the Directors of the Trustee are of the opinion that the Trustee has a good defence in respect of the claim.
- (iii) The Registrar is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on its financial position, and its Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which may materially and adversely affect its position or business.

### 14.5 Consents

- (i) The Adviser, Underwriter, Lead Manager, Joint Placement Agents, Trustee, Legal Advisers, Registrar, Issuing House, Principal Bankers and company secretaries have, before the registration of this Prospectus, given and not subsequently withdrawn their written consents to the inclusion in this Prospectus of their names in the form and context in which such names appear.

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## 14. ADDITIONAL INFORMATION *(Cont'd)*

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- (ii) The Reporting Accountants have, before the registration of this Prospectus, given and not subsequently withdrawn their written consents to the inclusion in this Prospectus of their names and letters relating to the profit forecast and projections from the Establishment Date to 31 December 2006 and the 2 financial years ending 31 December 2008 and the proforma balance sheets in the form and context as contained in this Prospectus.
- (iii) The Tax Consultant has, before the registration of this Prospectus, given and not subsequently withdrawn its written consent to the inclusion in this Prospectus of its name and the letter on taxation of Tower REIT in the form and context as contained in this Prospectus.
- (iv) The Valuer has, before the registration of this Prospectus, given and not subsequently withdrawn its written consent to the inclusion in this Prospectus of its name and the Valuation Certificate in the form and context as contained in this Prospectus.
- (v) JLW has, before the registration of this Prospectus, given and not subsequently withdrawn its written consent to the inclusion in this Prospectus of its name and the JLW Report in the form and context as contained in this Prospectus.

### 14.6 Documents for Inspection

Copies of the following documents may be inspected, without charge, at our registered office and/or the Trustee's registered office during normal business hours for a period of 12 months from the date of this Prospectus:

- (i) the Deed;
- (ii) the Reporting Accountants' letters relating to the profit forecast from the Establishment Date to 31 December 2006 and profit projections for the 2 financial years ending 31 December 2008 and the proforma balance sheets as included in Section 10 of this Prospectus;
- (iii) the material contracts referred to in Section 14.3 of this Prospectus;
- (iv) the court documents relating to the material litigation referred to in Section 14.4 of this Prospectus;
- (v) the letters of consent referred to in Section 14.5 of this Prospectus;
- (vi) the valuation reports prepared by the Valuer on HP Towers and Menara HLA, dated 10 June 2005 and 15 June 2005 respectively;
- (vii) the letter prepared by the Tax Consultant, referred to in Section 11 of this Prospectus;
- (viii) the Valuation Certificate prepared by the Valuer, referred to in Section 12 of this Prospectus; and
- (ix) the JLW Report, referred to in Section 13 of this Prospectus.

### 14.7 Responsibility Statements

- (i) This Prospectus has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of all information contained in this Prospectus and confirm, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Prospectus misleading. Our Directors accept full responsibility for the profit forecast and projections included in this Prospectus and confirm that the profit forecast and projections have been prepared based on the assumptions made.

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**14. ADDITIONAL INFORMATION (Cont'd)**

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- (ii) The information pertaining to the Trustee, the Property Manager and the Registrar was extracted from information provided by their respective management. Our Directors' responsibility is therefore restricted to the accurate reproduction of such relevant information as included in this Prospectus.

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## 15. SALIENT TERMS OF THE DEED

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*The following information is a summary of the provisions of the Deed. A copy of the Deed can be inspected at our registered office during normal business hours. The provisions of the SCA, the SC Guidelines on REIT, the SC Guidelines on Unit Trust Funds and the Securities Industry (Central Depositories) Act, 1991, the Rules of Bursa Depository and the Securities Industry (Central Depositories) (Foreign Ownership) Regulations while the Units are deposited at the Bursa Depository pursuant to the Securities Industry (Central Depositories) Act, 1991 and the Bursa Securities Listing Requirements while the Units are listed on Bursa Securities, as amended from time to time, except to the extent of any express written exemption or waiver (together, the "REIT Regulatory Regime"), affect the terms of the Deed and the rights and obligations of the Trustee, our Company and the Unitholders.*

*Units which are listed on Bursa Securities will be deposited with Bursa Depository or any other computerised or electronic system of transfer or registration in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991. For so long as the Units have been prescribed as a **prescribed security** and are deposited with Bursa Depository pursuant to the Securities Industry (Central Depositories) Act, 1991, a depositor whose name appears in the record of depositors maintained by the Bursa Depository shall be deemed to be a Unitholder and shall, subject to the Securities Industry (Central Depositories) Act, 1991 and regulations thereunder, be entitled to the number of Units stated in the record of depositors and all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Units.*

*The Deed is a complex document and you should refer to the Deed and the REIT Regulatory Regime themselves for a detailed understanding of Tower REIT.*

### 15.1 The Deed

The Tower REIT is a real estate investment trust constituted by the Deed, as entered into between our Company and the Trustee on 17 February 2006. The Deed came into effect on 21 February 2006 when it was registered with the SC.

The terms and conditions of the Deed and any supplemental Deed are binding on each Unitholder (and persons claiming through or under such Unitholder) as if such Unitholder had been a party to and had executed the Deed and any supplemental Deed and had thereby covenanted for such Unitholder and for all such persons to observe and be bound by the provisions of the Deed and had thereby authorised and required the Trustee and the Manager, respectively, to do all such acts and things as the Deed may require or authorise the Manager and the Trustee, respectively, to do.

The Deed is governed by the laws of Malaysia.

Tower REIT is a real estate investment trust. Each asset of Tower REIT is vested in, and held by or on behalf of, the Trustee on trust in accordance with the terms of the Deed. The rights of the Unitholders under the Deed are divided into Units.

### 15.2 Rights of Unitholders

- (i) A Unitholder has no equitable or proprietary interest in the assets of Tower REIT. As such, he is not entitled to the transfer to him of the assets of Tower REIT or any part of the assets of Tower REIT, or of any estate or interest in the assets of Tower REIT.
- (ii) The right of a Unitholder in the assets of Tower REIT and under the Deed is limited to the right to require the due administration of the Fund in accordance with the Deed including, without limitation, by suit against the Trustee or our Company. A Unitholder is not entitled to interfere with the powers, authorities or discretions conferred on the Manager or the Trustee by the Deed.
- (iii) Without limiting the generality of the foregoing, each Unitholder acknowledges and agrees that:

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**15. SALIENT TERMS OF THE DEED (Cont'd)**

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- (a) he will not commence or pursue any action against the Trustee or our Company seeking an order for specific performance or for injunctive relief in respect of any asset of Tower REIT. He also waives any right he may otherwise have to such relief;
  - (b) if the Trustee or our Company breaches or threatens to breach our duties or obligations to a Unitholder under the Deed, that Unitholder's recourse against the Trustee or our Company is limited to a right to recover damages or compensation from the Trustee or our Company in a court of competent jurisdiction; and
  - (c) damages or compensation is an adequate remedy for such breach or threatened breach.
- (iv) Subject to the terms of the Deed, the rights of Unitholders include the right to:
- receive income and other distributions attributable to Units held;
  - transfer Units;
  - receive the annual report and interim fund reports;
  - convene, attend and vote at meetings of Unitholders; and
  - participate in the winding up of Tower REIT.

**15.3 Liability of Unitholders**

The Deed contains provisions which are designed to limit the liability of a Unitholder up to the amount of the Unitholder's investment in Tower REIT. Accordingly, and provided that the Issue Price of relevant Units has been fully paid, no Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or the Manager or any creditor of either or both of them in the event that the liabilities of the Trust exceed the assets of Tower REIT. For the purpose of this paragraph, "Issue Price" in relation to a Unit means the RM value of that Unit determined as at the date of issue of that Unit in accordance with the provisions of the Deed.

**15.4 Trustee's Lien for Amounts Owing**

The Trustee has a lien for all amounts owing to the Trustee or the Manager in respect of Units registered in the name of a Unitholder and for amounts the Manager or Trustee may be called upon by law to pay and has paid in respect of such Units. The lien extends to distributions from time to time declared in respect of Units.

**15.5 Creation of Units**

A person who wishes to apply for Units must complete and lodge with the Manager a completed application for Units and the application money. The Manager may, in its absolute discretion, accept or refuse, in whole or in part, any application for Units and if it accepts an application, the application money or property must be paid or transferred to the Trustee.

A Unit is regarded as issued or granted to the person entitled to it if and when the person's name is recorded in the register of Unitholders maintained by the Manager. For so long as the Units have been prescribed as a prescribed security and are deposited with the Bursa Depository pursuant to the Securities Industry (Central Depositories) Act, 1991, a depositor whose name appears in the record of depositors maintained by Bursa Depository shall be deemed to be a Unitholder. No rights whatsoever attach to a Unit until it is issued. If it is not contrary to the SC Guidelines on REIT, the Manager may determine not to issue a certificate for a Unit.

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## **15. SALIENT TERMS OF THE DEED (Cont'd)**

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### **15.6 Issue of Units**

The following is a summary of the provisions of the Deed relating to the issue of the Units.

An initial 1,000 Units have been issued to the Manager for the purpose of establishing the Tower REIT. The Manager will hold the initial Promoter Units only until the date of the Listing and these Units shall be disposed of on the Market Day immediately following the date of the Listing.

The Manager has the exclusive right to issue Units for the account of Tower REIT. The offer of Units for the purpose of the Public Offering shall be at the Issue Price.

In relation to the initial issue of Units by Tower REIT, the Manager is not bound to accept an initial application for less than one Unit. No fraction of a Unit shall be issued and the Manager shall in respect of each Unitholder's entitlement to Units round down to the nearest whole Unit and any balance arising from such rounding down shall be retained as part of the Assets.

The Manager may issue further Units by any method permitted under the SC Guidelines on REIT and upon such terms as determined by the Manager, in accordance with the provisions of the SCA, the SC Guidelines on REIT, the Bursa Securities Listing Requirements and any other applicable regulatory requirements. Subject to the provisions of the SC Guidelines on REIT, the SCA and any applicable laws, the Manager shall determine the issue price for new Units on market-based principles, taking into account the best interests of Tower REIT and the Unitholders.

Units, when listed on the Bursa Securities, may be traded on the Bursa Securities and settled through the Bursa Depository.

### **15.7 Redemption of Units**

Unitholders have no right to request the Manager to repurchase or redeem their 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. However, under the Deed, the Manager may decide to make an offer to redeem Units (in which case the redemption price shall be the Market Price or an amount greater or less than the Market Price as determined by the Manager, in each case "Market Price" being the Market Price on the Market Day prior to the day the redemption offer is announced by the Manager). In the event, the Manager decides to make such an offer, the redemption must comply with the SC Guidelines on REIT and the Listing Requirements. Any offer of redemption shall be offered on a pro rata basis to all Unitholders.

### **15.8 Suspension**

The Manager or the Trustee may, with the prior written approval of the other and subject to the Bursa Securities Listing Requirements, on or after the Units are admitted to the Official List, suspend the issue of Units during any of the following events:

- any period when Bursa Securities or any other relevant stock exchange is closed (otherwise than for public holidays) or during which dealings are restricted or suspended;
- the existence of any state of affairs which, in the opinion of the Manager or (as the case may be) the Trustee, might seriously prejudice the interests of the Unitholders as a whole or of the Assets;
- any breakdown in the means of communication normally employed in determining the price of any Asset or (if relevant) the current price thereof on Bursa Securities or any other relevant stock exchange or when, for any reason, the prices of any of such Assets or assets being considered for acquisition ("Potential Assets") cannot be promptly and accurately ascertained;

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**15. SALIENT TERMS OF THE DEED (Cont'd)**

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- any period when remittance of money which will or may be involved in the realisation of Assets or Potential Assets or in the payment for any Assets or Potential Assets cannot, in the opinion of the Manager, be carried out at normal rates of exchange;
- any period where the issuance of Units is suspended pursuant to any order or direction issued by SC or Bursa Securities; or
- when the business operations of the Manager or the Trustee in relation to the operation of the Fund are substantially interrupted or closed as a result of, or arising from, pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

**15.9 The Manager**

The Manager must carry on and conduct its business in a proper, diligent and efficient manner and ensure that Tower REIT is carried on and conducted in a proper, diligent and efficient manner and in accordance with acceptable and efficacious business practices in the real estate investment trust industry in Malaysia.

Subject to the provisions of the Deed, the Manager is responsible for managing Tower REIT. The Manager has full and complete powers of management and must manage the Tower REIT (including all assets and liabilities of Tower REIT) for the benefit of the Unitholders.

**15.10 Management of the Fund**

The Manager must cause all assets of Tower REIT of an insurable nature and which in the opinion of the Manager are in the normal course of business usually insured to be adequately insured.

A Unitholder may not:

- interfere or seek to interfere with or question the rights, powers, authority or discretion of the Manager or the Trustee;
- claim or exercise any right in respect of any asset or lodge any caveat or other notice affecting any asset; and
- require that any asset be transferred to a Unitholder.

**15.11 Investment by the Fund**

Subject to the requirements of the SC Guidelines on REIT, the Manager has absolute discretion as to the entering into and performance of any transaction or contract, the investment of any part of the assets of Tower REIT (including without limitation, whether to reinvest or distribute the proceeds arising from any disposal of Assets) the purchase, design, construction, repair, maintenance, financing, yielding up, commissioning, building, ownership, leasing, planning, carrying out of works, sale, transfer, exchange, alteration, surrender, abandonment, operation or utilisation of any of the Assets and the procurement of any of those things. Except to the extent that the Manager and the Trustee otherwise agree in respect of the investment in or sale of Assets other than real estate and unlisted companies whose principal assets comprise real estate, the Manager must submit any investment proposal to the Trustee.

Subject to compliance with the requirements of the SC Guidelines on REIT (if any) and the provisions of the Deed, the Trustee must exercise its powers in accordance with proposals of the Manager, except where there are insufficient Assets to give effect to the Manager's proposal.



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**15. SALIENT TERMS OF THE DEED (Cont'd)**

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Under the SC Guidelines on REIT, any material change in investment objectives of Tower REIT must be approved by a resolution of not less than two-thirds of all Unitholders voting at a Unitholders' meeting duly held and convened in accordance with the Deed.

Under the SC Guidelines on REIT, the Trustee and the Manager must ensure that the total borrowings and liabilities under any financial accommodation (other than for fees and expenses) of the Fund do not exceed 35% of the total Gross Asset Value of the Fund at the time the borrowings are incurred or such other level as may be permitted by the SC Guidelines on REIT.

**15.12 Valuation of Investments**

The Trustee may and must upon the request of the Manager, cause the valuation of any real estate by a qualified valuer. Further, the Trustee must cause and the Manager must direct the Trustee to cause an independent valuation of any real estate of Tower REIT if the Trustee, the Manager or the auditor of Tower REIT reasonably believes there has been a significant change in the value of that real estate.

Subject to the SC Guidelines on REIT, the Assets are to be valued at market value, except where the Manager certifies to the Trustee that there is either no market for the relevant Assets or the market value does not represent fair value. In these circumstances, the method of valuation to be adopted is to be determined by the Manager. Any valuer is to be appointed by the Trustee.

**15.13 The Trustee**

Subject to the Deed, the Trustee has all the powers of a natural person acting in his or her personal capacity. Subject to the SC Guidelines on REIT, the Trustee may, with the consent of the Manager, appoint a person who is not an associate of the Manager as its agent, custodian or other person to acquire, hold title to, dispose of or otherwise deal with any asset on behalf of the Trustee and perform any incidental or ancillary action.

**15.14 Trustee's and Manager's Responsibilities and Indemnities**

The Trustee, the Manager and each director and officer of the Trustee and the Manager are not personally liable to a Unitholder or any other person in connection with their office except for their own fraud, negligence, breach of contractual duty or breach of trust or their contravention of any provision of the SCA.

Otherwise, each of the Trustee and Manager is not liable to any Unitholder beyond the extent to which it is entitled to be and is in fact reimbursed out of the Assets actually vested in the Trustee.

Unless otherwise provided by the SC Guidelines on REIT, the Manager or an officer or employee or associate of Manager (including any related corporation (as defined in the SCA) or associate (as defined in the Securities Industries Act 1983)) may:

- deal with any related party;
- have an interest in or enter into a contract or transaction with any Unitholder or any other person (including one whose shares or other securities form an Asset); or
- hold or deal in or have any other interest in an asset

and may retain and is not required to account for any benefit derived by doing so. The doing of any act or acting in any such capacity is not a breach of any of the obligations arising out of the fiduciary relationships between the Trustee, the Manager and the Unitholders.

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15. SALIENT TERMS OF THE DEED (Cont'd)

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Subject to the Deed, a related corporation (as defined in the SCA) or associate (as defined in the Securities Industries Act 1983) of the Manager or an officer or employee of the Manager may be a Unitholder.

Without prejudice to any indemnity given by law to the Trustee or the Manager (if any) but subject to the Deed:

- the Trustee and Manager are each entitled to be reimbursed out of the Assets against any amount incurred in prosecuting or defending any action, suit, arbitration or other dispute resolution procedure in respect of the Fund except to the extent that such expense or liability arises out of its contravention of any provision of the SCA or its own fraud, negligence, breach of duty or breach of trust;
- neither the Trustee nor the Manager is responsible for:
  - any amount incurred by any contravention of the SCA or any fraud, negligence, breach of duty or breach of obligation under the Deed by the other or any agent or delegate of the other;
  - any amount incurred by relying on any notice, resolution, information, documents, forms or lists unless it reasonably believes such item not to be genuine or not to have been passed, executed or signed by the proper parties;
  - any amounts if a person fails to carry out an agreement with the Trustee or Manager (except where that person is a delegate of the Trustee or the Manager, in which case the Trustee or Manager, as the case may be, will be responsible for such amount); or
  - any amounts by reason of any matter or thing done or submitted or omitted to be done in good faith, and acting reasonably;

except to the extent that such loss is attributable to its own contravention of the SCA or its own fraud, negligence, breach of duty or breach of trust;

- each of the Trustee and the Manager is entitled to rely on each other or any third party as to the validity and due authorisation of a document or communication except to the extent of its own contravention of the SCA or its own fraud, negligence, breach of duty or breach of trust;
- neither the Trustee nor the Manager will be liable to anyone in respect of any failure to perform or do any act or thing which by reason of:
  - any provision of any law or statute of Malaysia; or
  - of any decree, order or judgement of any competent court,

either the Trustee or the Manager is prevented, forbidden or hindered from doing or performing.

Each of the Trustee and the Manager may take and act upon the opinion or advice of counsel or solicitors and the opinion or information from any persons consulted by the Trustee or the Manager who are believed in good faith to be expert and they will not be liable for any reliance in good faith on such opinion, advice or information.

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**15. SALIENT TERMS OF THE DEED (Cont'd)**

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**15.15 Permitted Charges to Tower REIT**

Under the Deed, subject to the SC Guidelines on REIT, the Manager and Trustee are indemnified and entitled to be reimbursed for all costs, charges, fees, expenses, disbursements, and all amounts paid or payable in the course of their office, in the exercise of their powers, in fulfilling their obligations or in relation to the administration or management of the Fund, including as follows:

- the costs of acquisition of any Asset, such as property agent's fees, solicitors' fees, stamp duty expenses, valuation fees and expenses, costs related to conducting a search and presenting documents at the relevant land office and search fees;
- the preparation, approval, registration, execution, stamping, interpretation and enforcement of the Deed and any amending trust deeds;
- the cost in relation to the underwriting of any sales of Units;
- the preparation, registration, printing, promotion and distribution of any prospectus or marketing material issued by the Manager in respect of Units or the Fund and the preparation, registration, printing, promotion and distribution of any document required by law or the Deed to be prepared in respect of the Fund including financial statements;
- the investigation, negotiation, acquisition, development, registration, custody, holding, management, supervision, repair, maintenance, valuation, sale of or other dealing with an Asset (or attempting or proposing to do so) and the receipt, collection or distribution of income or other Assets;
- raising money or otherwise obtaining or terminating financial accommodation, including but not limited to, interest on borrowings and discounts and fees in respect of bill facilities and any taxes (excluding income tax) payable in respect of such raising of money or obtaining financial accommodation; and
- all like amounts or amounts incidental to the matters contemplated under the Deed.

The Trustee must ensure that the quantum of expenses charged to the Fund is not excessive or beyond standard commercial rates. The Trustee must exercise its discretion reasonably and appropriately in determining the legitimacy of an expense and whether or not to allow the expense (or the quantum of the expense) to be charged to the Fund.

**15.16 Register and Transfers**

The Manager will keep and maintain an up to date register in accordance with the SCA and other applicable regulations.

While the Units are prescribed securities (as defined in the rules of Bursa Depository), Bursa Depository or its nominee company will be registered as the sole Unitholder. A Unitholder whose name appears in the record of depositors maintained by Bursa Depository will be deemed to be and treated as the absolute owner of the relevant Units as if it were a person included in the register instead of Bursa Depository (or its nominee company) in whose name the Units are registered. A copy of record of depositors maintained by Bursa Depository must be provided by the Manager within 5 Market Days or such other reasonable period of time of a request to the Trustee.

While the Units are prescribed securities, any transfer of the Units will be in accordance with the rules of Bursa Depository.

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## 15. SALIENT TERMS OF THE DEED *(Cont'd)*

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### 15.17 Amendment of the Deed

Save where an amendment to the Deed has been approved by a resolution of not less than two-thirds of all Unitholders present and validly voting at the relevant Meeting (as defined below), no amendment may be made to the provisions of the Deed unless:

- (i) the Trustee and the Manager reasonably consider that such amendment does not materially prejudice the interests of Unitholders taken as a whole and will not operate to release the Trustee or the Manager from any responsibility to the Unitholders; or
- (ii) the amendment or replacement:
  - (a) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law);
  - (b) is necessary to correct a manifest error or a proven error;
  - (c) removes or amends a provision or covenant required by the SCA, the SC Guidelines on REIT or the SC Guidelines on Unit Trust Funds issued by the SC where that provision or covenant is altered or deleted by the SC or if the SCA, the SC Guidelines on REIT or the SC Guidelines on Unit Trust Funds is amended; or
  - (d) removes or amends a provision required by statute or any relevant authority where such a provision is no longer required by statute or the relevant authority, including without limitation any provision specified in the SC Guidelines on REIT or the SC Guidelines on Unit Trust Funds.

### 15.18 Meetings of Unitholders

The Trustee or the Manager on behalf of the Trustee may at any time convene a meeting of Unitholders ("Meeting"). The Manager must, within 21 days after an application is delivered to the Manager at its registered office, being an application made by not fewer than 50 Unitholders or one-tenth in number of the Unitholders, whichever is less, convene a meeting of Unitholders.

The Manager may not exercise the voting rights in respect of the Units it or its nominees hold in any Meeting, regardless of the party who requested the Meeting and the matter or matters that are laid before the Meeting. Any related corporation (as defined in the SCA) of the Manager may not exercise the voting rights in respect of the Units it holds in any Meeting.

### 15.19 Term of Tower REIT

The term of Tower REIT ends on the earlier of:

- (i) the expiration of a period of 21 years after the death of the last survivor of the issue now living of his majesty, the current Yang di-Pertuan Agung of Malaysia or until such further period as the law may permit;
- (ii) the date on which Tower REIT is terminated under the Deed or by law; and
- (iii) the date on which Tower REIT is terminated by the Manager as provided below.

Tower REIT may be terminated by the Manager in its absolute discretion by giving notice to all Unitholders and the Trustee not less than 3 months in advance in any of the following circumstances:

- (i) if any law is passed which renders it illegal to continue Tower REIT; or

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**15. SALIENT TERMS OF THE DEED (Cont'd)**

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- (ii) if, the Manager, after consulting the Trustee, is of the opinion that it is impracticable or inadvisable to continue Tower REIT, taking into account factors such as changes in economic climate or taxation law which have caused or are likely to cause Unitholders to be detrimentally affected, and the Manager requests the Trustee to summon a Meeting and in that Meeting, the Manager sets out the action they recommend and a resolution of Unitholders by a majority not less than 75% of the votes cast by Unitholders present and validly voting at the Meeting is passed to terminate Tower REIT.

If at any time after the date of Listing, the Units are unconditionally suspended from the Official List and not readmitted for a continuous period of 90 Market Days after such suspension, Tower REIT will, notwithstanding any rights, powers or duties of the Manager or the Trustee and directions given by or resolutions of Unitholders, immediately determine and its winding up will immediately commence upon the end of such 90 Market Days.

If at any time Tower REIT is removed from the Official List, Tower REIT will, notwithstanding any rights, powers or duties of the Manager or the Trustee and any directions given by or resolutions of Unitholders, immediately determine and its winding up will immediately commence upon such removal.

If any exemption granted by the SC in respect of repurchase of Units is varied or revoked and the Manager determines that the likelihood of the Manager's obligation to satisfy a repurchase request is increased, Tower REIT will, notwithstanding any rights, powers or duties of the Manager or the Trustee and any directions given by or resolutions of Unitholders, immediately determine and its winding up will immediately commence.

**15.20 Procedure on Winding Up of Tower REIT**

In winding up Tower REIT in circumstances described in the paragraph above, the Trustee must:

- (i) send a notice to the Unitholders and if deemed appropriate by the Manager, publish an advertisement in a national language newspaper published daily and circulating generally throughout Malaysia giving notice of the commencement of the winding up;
- (ii) the financial statements of Tower REIT must be audited by the auditor of Tower REIT prior to winding up of Tower REIT;
- (iii) realise all realisable Assets;
- (iv) pay any amount due to it and the Manager under the Deed;
- (v) pay all costs of the Trustee in its capacity as Trustee of Tower REIT including, but not limited to, liabilities owed to any Unitholder who is a creditor of Tower REIT; and
- (vi) subject to any special rights or restrictions attached to any Unit or the direction in writing of all Unitholders, distribute the net proceeds of realisation among the Unitholders pro rata in accordance with the number of Units held by each Unitholder.

The Trustee must not distribute an Asset to a Unitholder in specie.