
6. TOWER REIT

6.1 Formation and Structure of Tower REIT

Tower REIT is constituted by the Deed. Tower REIT is principally regulated by the SC pursuant to the SCA, the SC Guidelines on REIT and the SC Guidelines on Unit Trust Funds. The diagram on the structure of Tower REIT, is set out in Section 2.1 of this Prospectus.

AmTrustee Berhad, the trustee of Tower REIT, is responsible for safeguarding the rights and interests of the Unitholders. It also acts as the custodian of Tower REIT's Assets. For further information on the Trustee, please refer to Section 8.4 of this Prospectus.

We, the management company of Tower REIT, are responsible for the overall management and administration of Tower REIT. For further information on our Company, you may refer to Section 8.1 of this Prospectus. Tower REIT's property manager is Yap Burgess Rawson International (proprietor: Yap & Partners Sdn Bhd). The Property Manager will provide property management services to Tower REIT. For further information on the Property Manager, you may refer to Section 8.2 of this Prospectus.

Tower REIT will acquire HP Towers and Menara HLA as its initial investments. The Deed also allows Tower REIT to invest in certain permitted investments other than real estate as stipulated in the SC Guidelines on REIT.

The terms and conditions of the Deed are binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Deed and as if the Deed contains covenants by such Unitholder to observe and be bound by the provisions of the Deed. The Deed is also an authorisation by each Unitholder to our Company and/or the Trustee to do all such acts or things as required under the Deed.

For further information on the salient terms of the Deed, you may refer to Section 15 of this Prospectus.

6.2 Key Investment Objective and Strategies

The Fund's key investment objective is to invest primarily in a portfolio of quality office buildings and commercial properties in order to:

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

Material changes to the investment objectives of Tower REIT require the prior approval of the Unitholders by way of a resolution passed by not less than $\frac{2}{3}$ of all Unitholders present and validly voting (or such other majority as may be required under the SC Guidelines on REIT from time to time) at a meeting of Unitholders duly convened and held.

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

- (i) active asset management;
- (ii) acquisition growth; and
- (iii) optimisation of the capital structure.

6.2.1 Active Asset Management

Our strategy for organic growth is to actively manage the Real Estate Investments and develop strong relationships with the tenants by providing value-added property related services. We intend to pursue our objective of increasing the yields of the Real Estate Investments and correspondingly maximising returns to the Unitholders by improving rental income, maintaining high tenant retention levels and reducing vacancy levels as well as minimising the costs associated with the operation of the properties and marketing. We will apply the following key guidelines to operate the Real Estate Investments efficiently in order to maximise net property income:

(i) Improving financial performance of Tower REIT's Real Estate Investments

For the REIT Properties, we believe there is potential for upward adjustment of rental rates while maintaining high occupancy rates by leveraging on the demand for office space in the Damansara Heights and the Golden Triangle areas. For existing tenancies with rents which are below market rates, we intend to secure higher rent from such tenancies upon renewal. We believe there is room to improve the occupancy rate of the REIT Properties from the current level. We will endeavour to achieve this by proactively managing the renewal of tenancies and by sourcing for new tenants to minimise vacancy periods for the REIT Properties.

We plan to put in place the following initiatives to achieve high occupancy levels and improve profitability of the Real Estate Investments, including the REIT Properties:

- commence advance negotiations with tenants whose tenancies are about to expire;
- offer competitive rental packages to retain and attract tenants who occupy large office space;
- adopt an active marketing strategy to secure new tenants for any impending vacant space;
- pursue opportunities with real estate agents and/or through referrals;
- ensure good credit control to minimise default by tenants, thereby reducing bad debts;
- achieve a tenant mix which may enhance the value of the Real Estate Investments; and
- benchmark actual results from operations against prior years' results and budgets to ensure a focused, profit-oriented approach to the operation of the Real Estate Investments.

(ii) Diversifying tenant base

We will seek to diversify the tenant base of the Real Estate Investments to balance the Fund's exposure to certain sectors of the economy which are more susceptible to economic cycles.

(iii) Improving operating efficiencies and minimising property operating expenses

We believe that there is scope for improvement in the operational efficiency and for reduction in the operating cost of the Real Estate Investments to drive growth in rental income and profitability. We plan to achieve this through the following initiatives:

- minimise property operating expenses through stringent cost controls to achieve internal cost savings without compromising on the quality of services and facilities provided. For example, we will take advantage of the centralised negotiations of service contracts to keep expenses such as maintenance of common areas and property insurance low;
- manage property management costs and other outgoings based on market benchmarks;
- work closely with the Property Manager to constantly explore opportunities for further reduction of property operating expenses such as cleaning, security, electricity and maintenance expenses;
- leverage on the size of Tower REIT's portfolio to achieve economies of scale for cost savings through bulk purchases of services and supplies; and
- actively review the portfolio's overall energy needs, consumption patterns and the operational efficiency of equipment and the real estate with a view to implement measures to conserve energy without compromising the smooth operation of the real estate.

(iv) Exploring the expansion needs of existing tenants and delivering high quality services to tenants

We believe that the key to attracting and retaining tenants is the effectiveness and responsiveness of the management team in servicing the tenants' needs. We will have a management team that provides effective and responsive service to meet the needs of the tenants. We will seek to achieve a high level of tenant satisfaction by ensuring that maintenance issues are addressed efficiently with minimal disruption to the tenants' business activities. We will set high standards for the services to be provided by the Property Manager and will regularly evaluate the performance of the Property Manager.

(v) Proactive marketing plans

We will develop a marketing plan for the Real Estate Investments to highlight the competitive strength of the properties, maximise tenant interest and raise public profile. We will work closely with the Property Manager to promote the Real Estate Investments by capitalising on the following strengths of each building:

- strategic location of the buildings and the amenities in its vicinity;
- our strong brand name and experience in managing commercial buildings;
- good accessibility of the building as they are close to the light rail transit (LRT) network, monorail and major highways and access roads; and
- good technological infrastructure.

(vi) Asset enhancement

We will work with the Property Manager to constantly improve and maintain the quality and physical condition of the Real Estate Investments. In addition, smaller improvements will be undertaken to improve the quality and yield of the buildings. Such improvements include, but are not limited to, improvements to the interior and exterior signage, lighting, restroom facilities, cafeteria, security and parking bays.

Prior to undertaking any asset improvement work, we will conduct detailed technical, market and financial studies, to ensure the feasibility and commercial value of such improvements.

6.2.2 Acquisition Growth

We will continue to actively explore acquisition opportunities that would add value to Tower REIT's portfolio and improve returns to Unitholders. Our strategy is to acquire yield accretive assets or good quality properties with strong recurring rental income and potential for revenue and capital growth.

As part of the larger Hong Leong Group Malaysia, we stand to benefit from the established network of business relationships of Hong Leong Group Malaysia with major players in the property industry in Malaysia and overseas for the purpose of identifying acquisition opportunities. Also, being a wholly-owned subsidiary of GLM, we will be able to leverage on GLM's extensive expertise, experience and knowledge in the REIT Properties as well as GLM's proven track record in managing large scale commercial property assets.

The key criteria when evaluating acquisition opportunities are:

- properties which are consistent with Tower REIT's key investment objective and investment strategies;
- good quality properties with strong recurring rental income, accretive yield and potential for revenue and capital growth;
- properties with yields that are estimated to be higher than Tower REIT's cost of capital and which are expected to maintain/enhance returns to the Unitholders;
- the location, accessibility and convenience of public transportation and major roads to the target property;
- the tenure of the target property;
- the attractiveness of the target property's acquisition price in relation to its financial performance and potential for growth;
- the level of diversification of the tenants and tenant characteristics. Properties with strong existing rental rates or with the potential for higher rental and tenant retention rates are suitable targets for acquisition. In addition to strong credit evaluation criteria for tenants, other key considerations include rental and occupancy trends and the impact of an acquisition on the entire portfolio's tenant, business sector and tenancy expiry profile;
- the general economic conditions and property market outlook at the time of acquisition;
- the ability to exploit any synergistic values of the target property and to complement the existing Real Estate Investments;
- the building facilities and specifications of the target property;
- properties with opportunities to increase occupancy rates and enhance value through proactive asset management. The potential to add value through selective renovations or other enhancement works will also be assessed; and
- the physical condition of the target property, such as age, size and layout.

We intend to hold the Real Estate Investments on a medium to long-term basis. We may consider divesting the Real Estate Investments in future at the most opportune time. The proceeds from such divestment may, at our discretion, be used for alternative investments in properties that meet the Fund's investment criteria.

6.2.3 Optimisation of the Capital Structure

We will adopt an optimal combination of debt and equity to fund future acquisitions of the Fund. The proposed strategies are aimed at achieving the following objectives:

- maintain a strong balance sheet by adopting and maintaining an optimal gearing level;
- minimise the cost of debt financing;
- secure diversified funding sources from financial institutions and the capital market as Tower REIT grows in size; and
- manage the exposure arising from adverse market movements in interest rates.

We will consider diversifying the Fund's sources of debt financing in future by accessing the debt capital markets. Access to the debt capital markets will improve Tower REIT's ability to source debt financing for acquisitions, refurbishment of its properties and refinancing its existing loans. The debt capital market may also enable the Fund to secure longer term funding options in a more cost-effective manner.

We will also implement and actively adopt an interest rate management strategy to manage the risk of potential interest rate volatility. This may include putting in place interest rate hedges (through entering into interest rate swap contracts) over all or a portion of the Fund's borrowings to fix the rates for a number of years.

Tower REIT's distribution policy is set out in Section 6.3 of this Prospectus. The distribution of the Distributable Income at less than 100% provides the Fund with additional financial flexibility and enhance cash flow management for working capital purposes. This policy also allows the Fund to internally fund working capital requirements without the need to raise additional funds from the capital market. We will continually seek to maximise the Fund's payout ratio while ensuring that it retains sufficient cash for funding and operational requirements.

6.3 Distribution Policy

Barring any unforeseen circumstances, we will distribute 100% of the Distributable Income to Unitholders for the financial period from the Establishment Date to 31 December 2006 and the financial year ending 31 December 2007. Thereafter, we intend to distribute at least 90% of the Distributable Income for the relevant financial year or such other percentage and at such other intervals as determined by us at our discretion.

We intend to make semi-annual distributions to Unitholders with the amount calculated as at 30 June and 31 December each year. However, our Board may at its discretion change the frequency of distributions to be made to Unitholders.

Such distributions will be made in cash in RM and paid within 60 days from the Fund's book closure date. However, the first distribution will be for the financial period from the Establishment Date to 31 December 2006.

For these purposes, and under the terms of the Deed and in accordance with the applicable approved accounting standards, the Distributable Income will be:

6. TOWER REIT (Cont'd)

- (i) the interim unaudited net income after taxation of Tower REIT in respect of interim distributions; or
- (ii) the audited net income after taxation of Tower REIT, less the interim distributions, in respect of final distributions,

for the relevant period adjusted to eliminate the effects of the following applicable items which have been recorded in the income statement for the relevant financial period:

- (i) realised gains on disposal of the Assets;
- (ii) fair value gains on financial instruments;
- (iii) deferred tax charges or credits in respect of property valuation movements; and
- (iv) other non-cash gain,

in each case as recorded in the income statement for the relevant distribution period.

Our Company has the discretion to distribute any additional amounts (including capital gains) arising from any realised gains from disposal of the Real Estate Investments and financial instruments and any amount previously not distributed.

The amount of Distributable Income which we can distribute for any period is subject to the availability of funds and compliance with the borrowing limits prescribed by the SC Guidelines on REIT and any applicable borrowing covenants.

The above distribution policy is based on the current accounting policies applicable to Tower REIT. In the event of any change in accounting policy, we will review and may make changes to our distribution policy.

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.

6.4 Investment Policy and Compliance with the SC Guidelines on REIT

Tower REIT will comply with the SC Guidelines on REIT, including investment limits and restrictions set out therein and such other requirements as imposed by the SC from time to time. These guidelines and requirements include the following:

(i) Permitted investments and restrictions

Subject to the investment limits specified below, Tower REIT may invest in any of the following:

- (a) real estate, which means Land (as defined in the Deed) and any interest or option or other right in or over Land (other than a security interest arising under a mortgage, lien or other security) whether located in or outside Malaysia;
- (b) single-purpose companies, which means unlisted companies whose principal assets comprise real estate as described in Section 6.4(i)(a);

6. TOWER REIT (Cont'd)

- (c) real estate-related assets, which includes units of other REITs, listed securities of and issued by property companies, listed or unlisted debt securities of and issued by property companies, and mortgage-backed securities wherever the issuers, assets or securities are incorporated, located, issued or traded;
- (d) liquid assets, which means cash, deposits with licensed institutions and/or other institutions licensed or approved to accept deposits, and any other instrument capable of being converted into cash within 7 days as may be approved by the Trustee;
- (e) non-real estate-related assets, which means listed shares issued by non-property companies;
- (f) asset-backed securities (as defined in the Deed); and
- (g) any other investments specified in the SC Guidelines on REIT from time to time as permissible investments for a REIT or which the SC otherwise permits.

We will ensure that the investments made by Tower REIT will adhere to the investment policy set out above. Whilst ensuring that Tower REIT will strive to invest in yield accretive investments, we will also ensure that Tower REIT will not be involved in any of the following activities, as set out in the SC Guidelines on REIT, for any purpose:

- (a) extension of loans or any other credit facilities;
- (b) enter into forward purchases or forward sales of any currency or money including RM or any foreign exchange contracts of whatsoever nature unless Tower REIT owns foreign real estates in its portfolio and subject to compliance with the Exchange Control Act, 1953; and
- (c) property development, except in the case where the development is made with a view of purchasing the property upon its completion and having met the criteria set out in the SC Guidelines on REIT.

(ii) Investment limits and restrictions

Unless otherwise approved by the SC, Tower REIT must comply with the following investment limits:

- (a) at least 75% of the Gross Asset Value must be invested in real estate, single-purpose companies whose principal assets comprise real estate, real estate-related assets or liquid assets;
- (b) at least 50% of the Gross Asset Value must be invested in real estate or single-purpose companies whose principal assets comprise real estate; and
- (c) the remaining 25% may be invested in any other permitted investments

or such other limits as may be prescribed by the SC or the SC Guidelines on REIT.

Our principal investment policy in respect of the Fund is to invest in the authorised investments as described Section 6.4(i) above with a focus on real estate and single-purpose companies which are income producing. The investment strategy of the Fund will be determined by our Company from time to time at our absolute discretion.

Upon Listing, the initial investment portfolio of Tower REIT will only consist of the REIT Properties.

6. TOWER REIT (Cont'd)

In the event Tower REIT invests in real estate-related assets and non-real estate-related assets, such investments will be subject to the following limits:

- (a) spread of investments:
 - the value of Tower REIT's holdings of the securities of, and the securities relating to, any single issuer must not exceed 5% of the Gross Asset Value; and
 - the value of Tower REIT's holdings of the securities of, and the securities relating to, any group of companies must not exceed 10% of the Gross Asset Value.
- (b) concentration of investments:
 - Tower REIT's holdings of any class of security of any single issuer must not exceed 10% of the security issued.

In determining compliance with any limit or restriction, the holding of an investment and/or other instrument by Tower REIT may exclude any entitlement accruing on the investment and/or instrument held. However, the entitlement shall not be exercised if the exercise results in the breach of any limit or restriction under the SC Guidelines on REIT.

6.5 Valuation Policy

Tower REIT shall revalue its investments in real estate and single-purpose companies at least once every 3 years from the last valuation date or at such other times as required under the applicable approved accounting standards. The Trustee may request for additional revaluation in the interim period where the Trustee deems fit. All valuations must be approved by the SC before being incorporated into the accounts of Tower REIT. The valuations must also be conducted by an independent qualified valuer in accordance with the provisions of the Deed and guidelines on asset valuation issued by the SC.

Upon the completion of the Public Offering and Acquisitions, the assets of Tower REIT will consist of the REIT Properties and cash. If Tower REIT diversifies its investment portfolio into other permitted investments such as real estate-related assets and listed shares, the valuation of such assets shall be carried out on a weekly basis and in accordance with the provisions of the Deed and the SC Guidelines on REIT.

6.6 Gearing Level

In accordance with the Deed and the SC Guidelines on REIT, the total borrowings of Tower REIT shall not exceed 35% of the Gross Asset Value at the time the borrowings are incurred or such other level as may be permitted by the SC Guidelines on REIT. Tower REIT has in place the following facilities from the Lender:

6. TOWER REIT (Cont'd)

Facilities	Approved Limit	Purpose	Interest Rate	Tenure
Term loan ⁽¹⁾	RM105.5 million	To part finance the Menara HLA Acquisition	0.60% per annum above the Lender's cost of fund	5 years
Revolving credit	RM2.5 million	For working capital	0.60% per annum above the Lender's cost of fund	Repayable on demand and subject to periodic review
Bank guarantee	RM1.0 million	For issuance of financial guarantee for payment to utility companies	0.60% per annum subject to a minimum of RM50.00	Repayable on demand and subject to periodic review

Note:

⁽¹⁾ The term loan will be drawdown for the Menara HLA Acquisition prior to the Listing. As such, Tower REIT will have an initial gearing of 29.3% of its Gross Asset Value upon Listing.

Prior to the Listing, a lienholder's caveat will be lodged by the Lender that binds the whole of the HLA Land. However, the Lender has agreed that any enforcement of the security granted to it will exclude any part of the HLA Land which is not part of Menara HLA. Upon the issuance of a separate strata title for Menara HLA, the Lender shall substitute the lienholder's caveat which binds the whole HLA Land with a lienholder's caveat which binds only Menara HLA.

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7. THE REIT PROPERTIES

7.1 Description of the REIT Properties

Upon Listing, Tower REIT's property portfolio will consist of HP Towers and Menara HLA. The map showing the location of each of the REIT Properties is set out in the extended cover of this Prospectus.

7.1.1 HP Towers

HP Towers is situated within the commercial area of Damansara Heights, Kuala Lumpur and is easily accessible from Kuala Lumpur city centre and Petaling Jaya.

Details of HP Towers are as follows:

Vendor	:	PDSB
Title particulars	:	Lot No. PT 5748, Title No. HS (D) 100327, Mukim and Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Postal address	:	HP Towers, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur
Description	:	2 blocks of office buildings identified as Block A (9 storey) and Block B (21 storey) with a 3 level connecting podium and a 4 level basement car park
Amenities and services provided	:	<p>Building automation system</p> <ul style="list-style-type: none">- Centralised control for monitoring of mechanical and electrical services, air-conditioning, lifts and lighting <p>Air-conditioning system</p> <ul style="list-style-type: none">- Centralised water-cooled air-conditioning system via water-cooled packaged unit on each floor <p>Lifts</p> <ul style="list-style-type: none">- 8 high-speed lifts for Block B- 3 high-speed lifts for Block A- 3 car park lifts <p>Fire fighting</p> <ul style="list-style-type: none">- Advanced system including automatic sprinkler system, smoke detectors, wet and dry riser system, hose reel system, digital addressable fire alarm system, portable fire extinguishers, fireman intercom system, lighted 'Exit' signs, battery-backed emergency lighting and fire-rated doors <p>Security</p> <ul style="list-style-type: none">- Closed circuit television security cameras at strategic locations, including basement car park, lift lobbies and lift cabins <p>Others</p> <ul style="list-style-type: none">- Food court, convenience kiosk and cafe
No. of car parks	:	545 car parking bays

7. THE REIT PROPERTIES (Cont'd)

Location	:	HP Towers is situated within the commercial area of Damansara Heights. HP Towers is sited on the northern (right) side of Jalan Semantan (forming part of the SPRINT Highway), travelling from Kuala Lumpur city centre towards Petaling Jaya. HP Towers lies about 8 kilometres (5 miles) due west of the Kuala Lumpur city centre.
Accessibility	:	HP Towers can be accessed from Kuala Lumpur city centre via Jalan Kuching, Jalan Duta, Jalan Semantan, Jalan Dungun and Jalan Gelenggang.
Category of land use	:	Building
Existing use	:	Office building
Age of building	:	13 years
Gross built-up area	:	493,351 sq. ft. (office space) 163,374 sq. ft. (car park)
Net lettable area	:	350,056 sq. ft.
Tenure	:	Freehold
Purchase price	:	RM130,000,000
Appraised value	:	RM135,000,000
Date of valuation	:	31 May 2005. HP Towers shall be revalued at least once every 3 years, or at such other times as required under the applicable approved accounting standards.
Restrictions in interest	:	Nil
Registered interests and encumbrances	:	Nil ⁽¹⁾

Note:

⁽¹⁾ *A private caveat was entered on the qualified title relating to HP Towers by a financial institution for bank borrowings granted to PDSB. The withdrawal of the caveat will be presented for registration at the relevant land office/land registry prior to the Listing.*

7.1.2 Menara HLA

Menara HLA is located in the heart of the prestigious Golden Triangle of Kuala Lumpur, the city's main central business district accommodating prime office buildings, prime retail centres and prestigious international class hotels.

7. THE REIT PROPERTIES (Cont'd)

Details of Menara HLA are as follows:

Vendor	:	KDSB
Title particulars	:	Sited on part of the land held under Lot No. 1286, Seksyen 57, Title No. Geran 43969, Bandar and Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.
Postal address	:	Menara HLA, No. 3, Jalan Kia Peng, 50450 Kuala Lumpur.
Description	:	A 32 storey high-rise office building with a 4 level basement car park.
Amenities and services provided	:	<p>Building automation system</p> <ul style="list-style-type: none">- Centralised control for monitoring of mechanical and electrical services, air conditioning, lifts and lighting <p>Air-conditioning system</p> <ul style="list-style-type: none">- Centralised chilled water system via air-handling unit on each floor <p>Lifts</p> <ul style="list-style-type: none">- 10 high-speed lifts- 4 car park lifts- 1 service lift <p>Fire fighting</p> <ul style="list-style-type: none">- Advanced system including automatic sprinkler system, smoke detectors, wet and dry riser system, hose reel system, digital addressable fire alarm system, portable fire extinguishers, fireman intercom system, lighted 'Exit' signs, battery-backed emergency lighting and fire-rated doors <p>Telecommunication</p> <ul style="list-style-type: none">- Multi telecommunication service providers- 2 telecommunication risers- Hub riser (computer/communication usage)- Distribution of RJ45 communication outlets- Multimedia provisions on request- Internal transceivers for mobile phones <p>Security</p> <ul style="list-style-type: none">- Closed circuit television security cameras at strategic locations, including basement car park, lift lobbies and lift cabins <p>Others</p> <ul style="list-style-type: none">- Cafe
No. of car parks	:	723 car parking bays
Location	:	Menara HLA is located in Seksyen 57, Bandar Kuala Lumpur, in the heart of the prestigious Golden Triangle of Kuala Lumpur.

7. THE REIT PROPERTIES (Cont'd)

Accessibility	:	Menara HLA can be accessed from the city centre of Kuala Lumpur via Jalan Sultan Ismail, Jalan P. Ramlee, Jalan Pinang and Jalan Kia Peng.
Category of land use	:	Building
Existing use	:	Office building
Age of building	:	6 years
Gross built-up area	:	506,427 sq. ft. (office space) 296,391 sq. ft. (car park)
Net lettable area	:	396,820 sq. ft.
Tenure	:	Freehold
Purchase price	:	RM221,000,000
Appraised value	:	RM228,000,000
Date of valuation	:	2 June 2005. Menara HLA shall be revalued at least once every 3 years, or at such other times as required under the applicable approved accounting standards.
Restrictions in interest	:	Nil
Registered interests and encumbrances	:	Prior to the Listing, a lienholders' caveat will be lodged by the Lender that binds the whole of the HLA Land, but any enforcement of the security granted to the Lender will exclude any part of the HLA Land which is not part of Menara HLA. Upon the issuance of a separate strata title for Menara HLA, the Lender shall substitute the lienholder's caveat which binds the whole HLA Land with a lienholder's caveat which binds only Menara HLA ⁽¹⁾ .

Note:

⁽¹⁾ *The HLA Land is subject to a first party first legal charge and third parties' second legal charges entered by financial institutions for bank borrowings granted to KDSB and GLM. The necessary documents for the discharge of the charges will be presented for registration at the relevant land office/land registry prior to the Listing.*

7. THE REIT PROPERTIES (Cont'd)

7.2 Further Information on the REIT Properties**7.2.1 Valuation of the REIT Properties**

The Valuer valued HP Towers and Menara HLA on 31 May 2005 and 2 June 2005 respectively using a combination of comparison and investment methods of valuation. The OMVs are set out below:

REIT Property	OMV (RM million)	Percentage of the Aggregate OMV (%)	OMV per sq. ft. (RM million)
HP Towers	135.0	37.2	385.65 ⁽¹⁾
Menara HLA	228.0	62.8	574.57 ⁽¹⁾
	<u>363.0</u>	<u>100.0</u>	

Note:

⁽¹⁾ *Approximate figures based on net lettable area.*

7.2.2 Occupancy

The table below sets out the average occupancy rates of the REIT Properties for the past 5 financial years ended 30 June 2005 and the 7 month period ended 31 January 2006.

REIT Property	← Financial years ended 30 June →					7 months ended 31 January
	2001 (%)	2002 (%)	2003 (%)	2004 (%)	2005 (%)	2006 (%)
HP Towers	81.1	77.8	65.7	65.5	85.4	84.3
Menara HLA	60.6	72.1	68.5	50.0	61.0	81.8

HP Towers' occupancy rate will increase to 88.4% when new committed tenants take up office space by April 2006. The occupancy rate of Menara HLA will increase to 94.0% upon the commencement of the Master Tenancy.

The occupancy rate based on the total net lettable area of 746,876 sq. ft. for the REIT Properties as at 31 January 2006 is 83.0%. In addition, there are committed tenancies which are expected to increase the occupancy rate to 87.0% when these tenants take up office space by April 2006.

7.2.3 The Revenue, Property Operating Expenses and Net Property Income of the REIT Properties

The revenue of the REIT Properties based on their audited financial statements for the financial year ended 30 June 2005 was RM21.9 million. Menara HLA contributed approximately 53% of the total revenue of the REIT Properties for that financial year.

7. THE REIT PROPERTIES (Cont'd)

Based on the audited financial statements of the Vendors, the revenue, property operating expenses and net property income of the REIT Properties for the financial year ended 30 June 2005 is set out below:

REIT Property	Net lettable area (sq. ft.)	Financial year ended 30 June 2005					
		<-----Revenue----->		<-----Property ----->		<-----Net property----->	
		(RM million)	(%)	operating expenses (RM million)	(%)	income (RM million)	(%)
HP Towers	350,056	10.4	47.5	4.2	50.0	6.2	45.9
Menara HLA	396,820	11.5	52.5	4.2	50.0	7.3	54.1
Total	746,876	21.9	100.0	8.4	100.0	13.5	100.0

7.2.4 Capital Expenditure

The Manager does not foresee any major capital expenditure to be incurred by the REIT Properties in the immediate future.

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7. THE REIT PROPERTIES (Cont'd)

7.2.5 Tenant Profile

As at 31 January 2006, HP Towers and Menara HLA have 24 and 22 tenants respectively. The list of top ten tenants of each of the REIT Property is set out below:

REIT Property	Sector	Term of tenancy (years)	Percentage of respective REIT Properties' net lettable area (%)	Percentage of respective REIT Properties' gross rental income ⁽¹⁾ (%)	Periodic review
HP Towers					
Hewlett-Packard (M) Sdn Bhd	Information Technology	3	32.8	34.0	Option to renew for 3 years plus 3 years
MMC Corporation Berhad	Property / Construction	2	13.2	16.5	Option to renew for 2 years
Dagang Net Technologies Sdn Bhd	Information Technology	2	6.6	8.3	Option to renew for 2 years
TBWA-ISC (M) Sdn Bhd	Services	3	3.4	4.6	Option to renew for 2 years
Carat Media (M) Sdn Bhd	Services	3	3.4	4.3	Option to renew for 3 years
RMC Concrete (M) Sdn Bhd	Manufacturing / Trading	2	2.1	3.1	Option to renew for 2 years
Transmile Management Sdn Bhd	Services	2	1.9	2.6	Option to renew for 2 years
Acorn Marketing & Research Consultants (M) Sdn Bhd	Services	3	2.1	2.6	Option to renew for 3 years
Unisys (M) Sdn Bhd	Finance / Insurance	3	2.1	2.6	Option to renew for 3 years
Diethelm Malaysia Sdn Bhd	Manufacturing / Trading	2	1.6	1.0	Option to renew for 2 years

7. **THE REIT PROPERTIES (Cont'd)**

REIT Property	Sector	Term of tenancy (years)	Percentage of respective REIT Properties' net lettable area (%)	Percentage of respective REIT Properties' gross rental income⁽¹⁾ (%)	Periodic review
Menara HLA					
Hong Leong Assurance Bhd	Finance / Insurance	3	20.4	22.4	Nil
Vsource Asia Berhad	Services	3	11.3	13.6	Option to renew for 3 years
HLG Capital Berhad	Finance / Insurance	3	10.2	12.2	Option to renew for 3 years
Aker Kveamer Engineering S.E.A. Sdn Bhd	Services	3	4.5	5.4	Option to renew for 2 years
SYN Universal Sdn Bhd	Manufacturing / Trading	3	5.1	4.2	Option to renew for 2 years
RZ Corporation Sdn Bhd	Manufacturing / Trading	3	5.1	7.8	Option to renew for 3 years
Jaring Communications Sdn Bhd (formerly known as Mimos Berhad)	Information Technology	6 months	4.0	6.2	Option to renew for 6 months
Lotes Marketing Sdn Bhd	Manufacturing / Trading	3	3.3	3.5	Option to renew for 2 years
iPerintis Sdn Bhd	Information Technology	3	3.1	3.2	Option to renew for 3 years
Ultra-X Concept Sdn Bhd	Services	3	2.2	2.5	Option to renew for 3 years

Note:

⁽¹⁾ Computed based on the 7 month period ended 31 January 2006.

7. THE REIT PROPERTIES (Cont'd)

The tenants of HP Towers and Menara HLA comprise companies from a diverse range of sectors including the information technology, finance/insurance, services, manufacturing/trading and property/construction sectors.

7.2.6 Master Tenancy

Upon the completion of the Menara HLA SPA, the Trustee (on behalf of Tower REIT as landlord) will enter into a Master Tenancy Agreement with KDSB (as tenant) in respect of Menara HLA. The Master Tenancy shall be for a pre-identified total net lettable area of 373,011 sq. ft. ("Demised Premises"), representing 94% of the total 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.

Under the Master Tenancy, Tower REIT will consent to the sub-letting of the Demised Premises by KDSB to the existing tenants and/or such other persons deemed fit to KDSB, during the term of the Master Tenancy Agreement.

The Master Tenancy Agreement allows the landlord, at its sole discretion, to terminate the Master Tenancy Agreement upon the occurrence of certain events of default by KDSB. Upon the expiry of the term of the Master Tenancy Agreement or early termination in accordance with the terms thereof, all the then subsisting sub-tenancy agreements entered into by KDSB will be novated to Tower REIT, whereby Tower REIT will substitute KDSB as a party to the sub-tenancy agreements. KDSB will then be released and discharged from the liabilities and obligations under the sub-tenancy agreements.

As Menara HLA is a relatively new building, the Master Tenancy will serve to provide a stable level of cash flow while the existing vacant units of Menara HLA are being marketed.

7.2.7 Expiration of the Term of the Tenancies and Renewals

Most of the tenancies are for a term of up to 3 years with an option to renew for a further term of 3 years. A shorter or longer term may be negotiated and accommodated on a case-by-case basis.

(i) HP Towers

The following table sets out information on tenancies at HP Towers that have expired and those that have been renewed by the existing tenants during the past 3 years ended 31 December 2005:

Year ended 31 December	Number of expired tenancies	Net lettable area of expired tenancies (sq. ft.)	Number of tenancies renewed	Total net lettable area of renewed tenancies (sq. ft.)	Renewal rate by number of tenancies (%)	Renewal rate by net lettable area (%)
2003	7	97,597	6	46,123	85.7	47.3
2004	6	81,660	4	62,742	66.7	76.8
2005	6	71,127	4	43,269	66.7	60.8

The renewal rate of tenants by net lettable area for the years ended 31 December 2003 and 31 December 2004 of 47.3% and 76.8% respectively was mainly due to several tenants relocating to their own buildings. The renewal rate of tenants by net lettable area for the year ended 31 December 2005 of 60.8% was mainly due a government agency moving out as there was insufficient lettable floor space in HP Towers to cater for its expansion plan.

7. THE REIT PROPERTIES (Cont'd)

The table below sets out details of expiries in respect of tenancies which, as at the Latest Practicable Date are scheduled to take place during the periods indicated.

Year ending 31 December	Number of tenancies expiring	Net lettable area of tenancies expiring (sq. ft.)	Expiring tenancies as a percentage of net lettable area occupied as at the Latest Practicable Date (%)
2006	14	219,555	75.5
2007	6	43,392	14.9
2008	4	27,899	9.6
	24	290,846	100.0

Approximately 75.5% of the tenancies with the existing tenants are due for renewal in the year ending 31 December 2006. The tenancy agreement with the anchor tenant occupying 32.8% of the total net lettable area of HP Towers is due for renewal in 2006. The tenancy term for this tenancy agreement is 3 years with an option to renew for 2 successive terms of 3 years each.

(ii) Menara HLA

The following table sets out information on tenancies at Menara HLA that have expired and those that have been renewed by the existing tenants during the past 3 years ended 31 December 2005:

Year ended 31 December	Number of expired tenancies	Net lettable area of expired tenancies (sq. ft.)	Number of tenancies renewed	Total net lettable area of renewed tenancies (sq. ft.)	Renewal rate by number of tenancies (%)	Renewal rate by net lettable area (%)
2003	10	291,531	8	180,651	80.0	61.8
2004	4	26,438	1	19,832	25.0	75.0
2005	1	19,832	1	19,832	100.0	100.0

The renewal rate of tenants by net lettable area for the year ended 31 December 2003 of 61.8% was mainly due to the reduction in floor area occupied by a related company of GLM as a result of an internal reorganisation and restructuring exercise in May 2003. The renewal rate of tenants by net lettable area for the year ended 31 December 2004 was 75.0%. Those tenants who did not renew their tenancies include a foreign telecommunication company who ceased operations in Malaysia and 2 tenants who underwent restructuring and downsizing. The renewal rate of tenants by net lettable area for the year ended 31 December 2005 was 100.0%.

The table below sets out details of expiries in respect of tenancies which, as at the Latest Practicable Date, are scheduled to take place during the periods indicated.

Year ending 31 December	Number of tenancies expiring	Net lettable area of tenancies expiring (sq. ft.)	Expiring tenancies as a percentage of net lettable area occupied as at the Latest Practicable Date (%)
2006	6	144,919	43.7
2007	6	33,405	10.1
2008 and beyond	11	153,364	46.2
	23	331,688	100.0

7. THE REIT PROPERTIES (Cont'd)

Approximately 43.7% of the tenancies with the existing tenants are due for renewal in the year ending 31 December 2006 and Hong Leong Assurance Bhd's tenancy made up more than half of the expiring tenancies. HLG Capital Berhad, which tenancy expired on 31 January 2006, has renewed its tenancy for a further period of 3 years with an option to renew for 3 years.

7.2.8 Tenancy Agreements and Tenancy Management

Upon confirmation of a prospect's interest to take up space, we will carry out an evaluation on the prospect on aspects such as their company's activities, credit worthiness and composition of the board of directors. A formal letter of offer will be issued to the prospect after our management has approved the tenancy. The letter of offer will state the main terms and conditions of tenancy that have been mutually agreed upon between the parties. The prospect will then make full payments for all deposits, advance rental and stamp duty within the stipulated time frame, which is usually 7 days from the date of the letter of offer. Upon accepting the offer, the prospect will enter into a tenancy agreement before the premise is handed over to them for renovation and fitting-out. Rents paid under existing tenancy agreements of the REIT Properties are generally fixed for a period of 3 years, which is consistent with the market practice in Malaysia.

7.2.9 Marketing Activities

We will:

- actively market the REIT Properties to prospective tenants via advertisements and through working with property consultants and direct calls;
- market the REIT Properties to some of their existing tenants which belong to a larger group of companies with the intention of attracting other companies within that particular group; and
- update potential tenants and the property consultants regularly on the availability of space within the REIT Properties.

As tenant retention is crucial to minimise the turnover of tenancies, we will maintain close communication and good working relationships with the tenants. We will commence discussions for tenant extension with existing tenants at least 6 months before the term of the tenancies are due to expire. Where the tenants have indicated their intention to terminate the tenancy, we will actively source for new tenants to minimise the vacant period.

7.2.10 Insurance

The REIT Properties, as is consistent with industry practice in Malaysia, are insured against fire and public liability and the loss of rent resulting from such events. Upon the Completion of Acquisitions, we will procure the insurers to include the Trustee (on behalf of the Fund) as a party to the aforesaid insurance policies to the extent of their interest in the insurance policies or if necessary, enter into new insurance policies in respect of the REIT Properties.

7.3 Details of the Acquisitions

The Trustee has, on behalf of Tower REIT, entered into the HP Towers SPA and Menara HLA SPA for the Acquisitions. The total purchase consideration for the Acquisitions is RM351,000,000 comprising:

- (i) RM130,000,000 for HP Towers; and
- (ii) RM221,000,000 for Menara HLA.

7. THE REIT PROPERTIES (Cont'd)

As described below, the said purchase consideration shall be satisfied through the issuance of 35,625,000 Units at RM1.00 each and cash payment amounting to RM315,375,000 to be raised from the Public Offering and from the term loan of RM105.5 million to part finance the Menara HLA Acquisition:

Vendor	REIT Property	Value of Units to be issued (RM)	Amount of cash to be paid (RM)	Purchase consideration (RM)	Percentage discount to OMV (%)
PDSB	HP Towers	35,625,000	94,375,000	130,000,000	3.7
KDSB	Menara HLA	-	221,000,000	221,000,000	3.1
Total		35,625,000	315,375,000	351,000,000	3.3

PDSB has nominated HLP Equities Sdn Bhd, a wholly-owned subsidiary of GLM, to receive the Units to be issued by Tower REIT as part consideration for the HP Towers Acquisition.

The purchase consideration for the REIT Properties was determined after taking into consideration the OMV of the REIT Properties. These OMVs are based on valuations performed by the Valuer, on 31 May 2005 for HP Towers and 2 June 2005 for Menara HLA, using a combination of comparison and investment methods of valuation. The total purchase consideration for the Acquisitions represents an overall discount of approximately 3.3% to the OMVs of the REIT Properties.

Prior to the Listing, the Lender will lodge a lienholders' caveat over the HLA Land (as further described in Section 6.6 of this Prospectus) as security for the debt facilities. The REIT Properties will be transferred to Tower REIT free from all encumbrances save for such lienholders' caveat over the HLA Land.

Completion of Acquisitions is expected to occur on the 5th Market Day after the date of Listing. The completion of the HP Towers SPA and Menara HLA SPA are interconditional. As such, neither the HP Towers SPA nor the Menara HLA SPA may be completed unless and until both are capable of being completed simultaneously.

7.3.1 Salient Terms of the HP Towers SPA

The salient terms of the HP Towers SPA are summarised below:

- (i) HP Towers is sold:
 - (a) on the basis that a separate individual title for the property has been issued;
 - (b) free from any encumbrance;
 - (c) with vacant possession upon full payment of the purchase price to PDSB or to its order, but subject to the existing tenancies over HP Towers as at the completion date of the HP Towers SPA ("HP Tenancies");
 - (d) subject to all express conditions of title registered or to be registered on the title to HP Towers at the land registry;
 - (e) subject to the category of land use of the property, which is "Building"; and
 - (f) on the basis that each of the representations and warranties by PDSB in the HP Towers SPA is true and accurate in all respects.
- (ii) PDSB has made specific representations and warranties in respect of, amongst others, HP Towers and PDSB's title to HP Towers.

7. THE REIT PROPERTIES (Cont'd)

- (iii) The HP Towers SPA is conditional upon certain conditions. The HP Towers SPA will be rendered unconditional prior to Listing.
- (iv) Pending completion:
 - (a) the Trustee shall use all reasonable endeavours (and PDSB shall wherever possible secure the same) to procure that save for the Listing, all steps towards such Listing have been taken or completed; and
 - (b) subject to the HP Towers SPA becoming unconditional and prior to the date of the Listing, the Trustee shall procure the issuance of 35,625,000 Units at RM1.00 per Unit, fully paid, to PDSB or its nominee as part payment of the purchase price.
- (v) On completion:
 - (a) the Trustee shall pay the balance of the purchase price (if any) in cash, due and owing to PDSB, in full and final satisfaction of the purchase price; and
 - (b) against payment of the purchase price as above, PDSB shall:
 - (aa) execute all documents necessary to effectively novate all its rights, title and benefit in and to the agreement relating to the naming rights of HP Towers to the Trustee;
 - (bb) novate all its rights, title and benefit in and to all HP Tenancies and/or serve notices of assignment of the HP Tenancies, on each of the tenants and deliver or cause to be delivered to the Trustee, acknowledgements of receipt of such notices executed by each tenant;
 - (cc) execute all documents necessary to effectively novate to the Trustee all its rights, title and benefit in and to certain identified agreements;
 - (dd) pay to the Trustee all security deposits relating to the HP Tenancies; and
 - (ee) deliver all original agreements, licences, permits, insurance policies, approvals, consents, plans and other documents in connection or associated with HP Towers.
- (vi) Following completion, if for any reason whatsoever the transfer of HP Towers cannot be registered in the name of the Trustee, then PDSB shall hold the property as bare legal trustee for and on behalf of the Trustee. PDSB has agreed to grant to the Trustee an irrevocable power of attorney to enable the Trustee to do all acts and things and to exercise all rights, title and interest in HP Towers consistent with beneficial ownership thereof.

7.3.2 Salient Terms of the Menara HLA SPA

The salient terms of the Menara HLA SPA are summarised below:

- (i) Menara HLA is sold:
 - (a) on the basis of the transfer by KDSB to the Trustee (acting on behalf of Tower REIT) of the legal title to the HLA Land, subject to the indemnities, terms and conditions in the Menara HLA SPA;
 - (b) with vacant possession upon full payment of the purchase price to KDSB, or to its order, but subject to the existing tenancies over Menara HLA as at the completion date of the Menara HLA SPA;
 - (c) subject to the existing category of land use affecting Menara HLA, which is "Building", and the separate individual strata title to Menara HLA when issued;
 - (d) free from all encumbrances; and
 - (e) upon the basis that each of the representations and warranties by KDSB in the Menara HLA SPA is true and accurate in all respects.
- (ii) The parties acknowledge that legal title to the HLA Land is being transferred to the Trustee as a means of conveying legal and beneficial title only to Menara HLA and the Trustee shall disclaim all rights, title and interest to the parcels of properties in 3 KiaPeng.
- (iii) KDSB has made specific representations and warranties in respect of, amongst others, Menara HLA and KDSB's title to Menara HLA.
- (iv) The Menara HLA SPA is conditional upon certain conditions. The Menara HLA SPA will be rendered unconditional prior to Listing.
- (v) Pending completion:
 - (a) the Trustee shall, prior to the date of Listing, and upon the Lender's receipt of the discharge documents and transfer documents, procure that the solicitors of the Lender shall cause the withdrawal of any caveat entered by the Lender and/or the Trustee on the master title of HLA Land, the registration of the discharges on the charge, the registration of the transfer and the entry of a lienholder's caveat by the Lender; and
 - (b) the Trustee shall procure that, save for the Listing, all steps towards such Listing have been taken or completed.
- (vi) On completion:
 - (a) subject to the payment of the redemption sum to certain financiers, the Trustee shall pay the balance purchase price, to KDSB, in full and final satisfaction of the purchase price; and
 - (b) against payment of the balance purchase price by the Trustee, KDSB shall:
 - (aa) execute the Master Tenancy Agreement in favour of the Trustee;
 - (bb) execute the maintenance agreement together with the Trustee by which KDSB shall continue to provide certain identified amenities and services for the benefit of Menara HLA;

7. THE REIT PROPERTIES *(Cont'd)*

- (cc) execute and procure Hong Leong Assurance Berhad (“HLA”) to execute a supplemental HLA tenancy agreement terminating the naming rights arrangement under the existing tenancy agreement between HLA and KDSB. At the same time, KDSB shall deliver to the Trustee a naming rights agreement duly executed by HLA by which the Trustee shall grant to HLA the naming rights to Menara HLA;
 - (dd) pay to the Trustee a security deposit relating to Menara HLA pursuant to the terms of the Master Tenancy Agreement;
 - (ee) execute all documents necessary to effectively novate to the Trustee all its rights, title and benefit in and to certain identified agreements;
 - (ff) deliver all original agreements, licences, permits, insurance policies, approvals, consents, plans and other documents in connection or associated with Menara HLA;
 - (gg) send notices to each of the Tenants informing them of the sale of Menara HLA to the Trustee;
 - (hh) execute an irrevocable power of attorney in favour of the Trustee to enable the Trustee to do all acts and things and to exercise all rights, title and interest in Menara HLA consistent with beneficial ownership thereof; and
 - (ii) execute the deed of mutual covenants with the Trustee.
- (vii) The Trustee (acting on behalf of the Tower REIT) acknowledges that KDSB had on 30 September 2005 submitted an application for the issuance of separate individual strata titles for Menara HLA and each of the other parcels of properties in 3 KiaPeng. KDSB shall bear the costs of such issuance. The Trustee (acting on behalf of the Tower REIT) undertakes that it shall upon the issuance of the separate individual strata titles, transfer such titles to the relevant parties provided always that KDSB shall render all necessary assistance and indemnify the Trustee (acting on behalf of the Tower REIT) against the costs of such transfers.
- (viii) Upon the issuance of the separate strata titles, a management corporation shall be established pursuant to the Strata Titles Act, 1985, comprising all parcel proprietors who shall each, for the purposes of any decisions to be made by the management corporation, be entitled to exercise such number of voting rights which are proportionate to the value of their respective parcels within Menara HLA.

7.4 Maintenance and Services of Menara HLA Pending Issuance of Strata Title of Menara HLA

We have appointed the Property Manager to undertake the day-to-day operation and management of the REIT Properties except for the maintenance and services of the facilities located on the HLA Land as described below.

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

As described in Section 4.2.9 of this Prospectus, the Facilities not located on Menara HLA will not be acquired by the Trustee, and prior to the issuance of the separate strata titles for Menara HLA and the parcels of properties in 3 KiaPeng, ownership in the Facilities will continue to remain with KDSB.

7. THE REIT PROPERTIES (Cont'd)

Pending the issuance of the individual strata titles, KDSB has agreed that upon the completion of the Menara HLA SPA, it shall together with the Trustee execute a deed of mutual covenants. Pursuant to the deed of mutual covenants, the Trustee can use the Facilities on the HLA Land and the Facilities shall be maintained and managed by KDSB for a fee. For this purpose, KDSB has been granted the right from time to time to enter the area where the Facilities are located for the purposes of carrying out repairs, replacements and maintenance.

For further information on the maintenance and management of the Facilities upon the issuance of the individual strata titles, you may refer to Section 4.2.9 of this Prospectus.

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8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT

8.1 The Manager

8.1.1 Our Duties and Obligations

Our primary responsibility is to manage and administer Tower REIT in accordance with the investment policy of the Fund for the benefit of the Unitholders. Amongst others, we will be responsible for the following:

- determining the investment policies of Tower REIT;
- formulating the strategic direction of Tower REIT;
- developing business plans for investments in the short, medium and long-term, and the budgets of Tower REIT;
- formulating Tower REIT's risk management policies;
- recommending acquisition, divestment or asset enhancement of the Fund's assets to the Trustee;
- devising the leasing strategies and managing tenants;
- ensuring compliance with the applicable provisions of the Deed, SCA, SC Guidelines on REIT, SC Guidelines on Unit Trust Funds, Bursa Securities Listing Requirements and other relevant legislations;
- supervising the Property Manager; and
- performing any other duties and obligations as provided under the Deed, SC Guidelines on REIT and SC Guidelines on Unit Trust Funds.

We may, with the written approval of the Trustee and the SC (where applicable), appoint others to perform all or any of our obligations under the Deed and in accordance with the SC Guidelines on REIT and SC Guidelines on Unit Trust Funds. We must obtain the approval of the SC and/or the Trustee as required under the SC Guidelines on REIT and SC Guidelines on Unit Trust Funds, prior to any proposed delegation of function by our Company, save and except for the delegation of investment function to fund managers licensed by the SC, which does not require the SC's approval. However, we shall remain liable for all acts and omissions of such appointees.

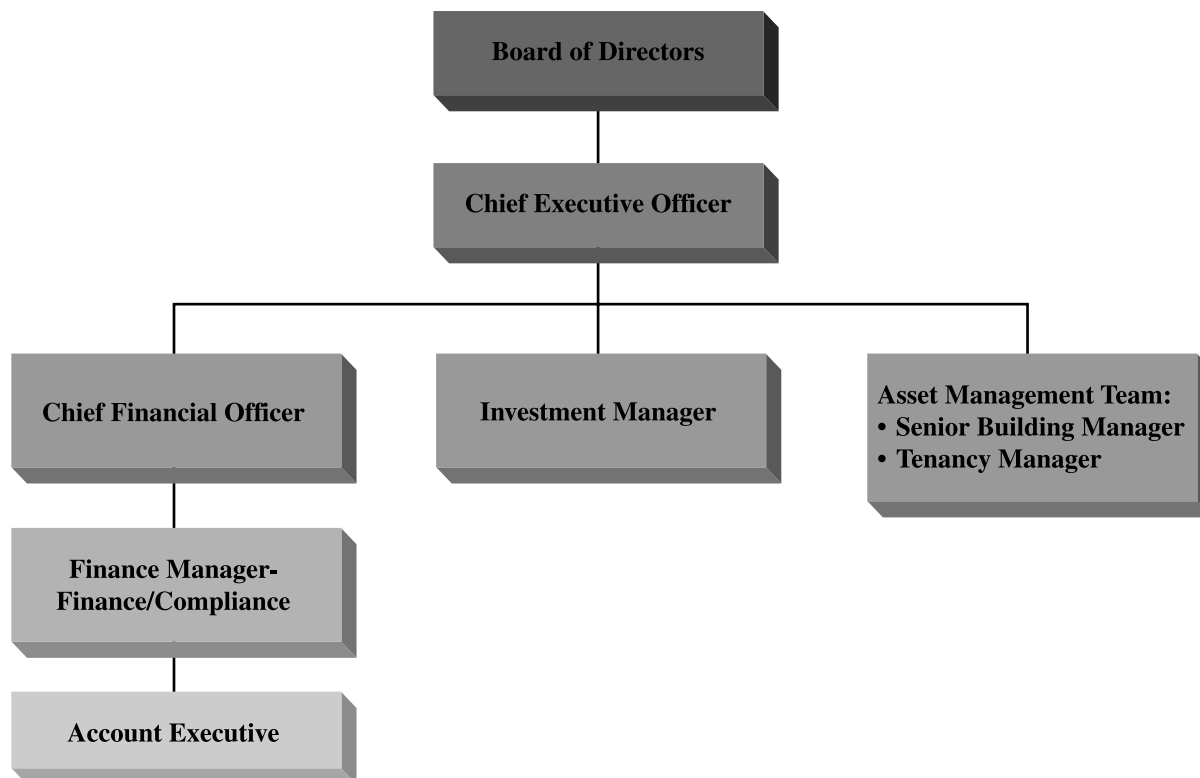
8.1.2 Information on Our Company

We were incorporated in Malaysia under the Act on 13 July 2004 as a private limited company. As at the Latest Practicable Date, our authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, all of which are fully paid-up. We are a wholly-owned subsidiary of GLM.

GLM was incorporated on 5 May 1920 as Bedford Plantations Limited. It was listed on the Main Board of Bursa Securities on 5 May 1961. It changed its name to Bedford Plantations Berhad on 15 April 1966 and subsequently to Bedford Berhad on 18 October 1984. On 3 December 1993, it was renamed Hong Leong Properties Berhad before assuming its current name, GuocoLand (Malaysia) Berhad, on 28 October 2004. The authorised share capital of GLM is RM1,500,000,000 comprising of 3,000,000,000 ordinary shares of RM0.50 each, of which 700,458,518 are issued and fully paid-up as at the Latest Practicable Date. The principal activities of GLM are investment holding and provision of management services. The principal activities of its subsidiary companies are property development, property investment, hotel operations, investment holding, trading in securities and provision of management services.

8.1.3 Our Organisation Structure

Our organisation structure is as follows:



We have a team of 11 people as at the Latest Practicable Date. Despite being a newly established company, most of our key staff members have more than 10 years experience in property investment with the Hong Leong Group Malaysia. Apart from Tower REIT, we do not manage any other funds.

We expect to benefit from our relationship with our parent company, GLM, and Hong Leong Group Malaysia by leveraging on their expertise and best practices in managing commercial properties. We are staffed by experienced professionals, who were employed by our parent company, GLM, and Hong Leong Group Malaysia. Our key management have in-depth real estate and property experience. Our Chief Executive Officer and Chief Financial Officer individually has more than 19 years experience in the real estate industry in Malaysia and they have been involved in the development and management of the REIT Properties. Moreover, we, being a wholly-owned subsidiary of GLM, will benefit from the operational systems and processes developed and used within Hong Leong Group Malaysia.

8.1.4 Our Board

Our Board is responsible for the overall governance of our Company, including establishing strategic goals for our management and monitoring the achievement of these goals. Our Board has established a framework for the management of Tower REIT, including a system of internal controls and business risk management processes.

Our Board comprises individuals with a broad range of experience and expertise in real estate and corporate sectors. Their profiles are as follows:

Mr Kwek Leng Seng, aged 47, was appointed as our Non-Independent Director and Chairman on 11 July 2005. He graduated from the University of Buckingham, London in 1982 with an Honours degree in Law. He later joined Hong Leong Group Malaysia as the Claims Manager and Director of Hong Leong Assurance Berhad in 1987. Between 1990 to mid-1994, he assumed directorships and managerial positions in various subsidiaries of GLM. He was the Managing Director of HLG Securities Sdn Bhd from mid-1994 to October 1995. He was appointed as the Group Managing Director of GLM on 1 November 1995. He is also a Director of Hong Leong Bank Berhad, a public listed company.

Mr Tan Ming Huat, aged 54, was appointed as our Non-Independent Director and Chief Executive Officer on 11 July 2005. He graduated with a Bachelor of Civil Engineering from the University of Malaya in 1977. Prior to joining Hong Leong Group Malaysia, he was attached to Jabatan Kerja Raya for 2 years. He joined Hong Leong Group Malaysia in 1979 as a Site Engineer in the property division and was promoted to Project Engineer in 1981. He was subsequently promoted to Chief Manager of the Project Division in 1982. Between 1984 and 1991, he assumed the position of General Manager. In 1992, he was promoted to Senior General Manager of the Development Division. Prior to his appointment as our Chief Executive Officer, he was the Chief Operating Officer of GLM and was in charge of its property development and property investment divisions. He has 26 years of experience in the real estate sector. During his tenure with Hong Leong Group Malaysia, he has led various development projects ranging from commercial buildings, residential developments to hotels. These commercial buildings include HP Towers, Wisma Hong Leong, Menara Milenium and Menara HLA. Among these, Wisma Hong Leong won the award of Distinction for Commercial Development from the International Real Estate Federation ("FIABCI") Malaysian Chapter in 1996, while Menara Milenium garnered the award of Distinction for Office Development from the FIABCI Malaysian Chapter in 2001. His key residential developments include 3 KiaPeng in Jalan Kia Peng, Bukit Rahman Putra Township in Sungei Buloh and Rawang Emerald Township in Rawang and the hotel developments include Guoman Port Dickson and Hyatt Regency Johor Bahru. He was responsible for overseeing the development, starting from feasibility studies, conceptual planning to managing and implementing the projects. Within the commercial properties sector, he has managed a portfolio of approximately 2.1 million sq. ft. of commercial real estate. He has successfully enhanced the value of these properties, leading to the subsequent disposal of several of these commercial properties to realise their capital values. He is also a Director of GLM.

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

Mr Steven Lek Ah Hup, aged 58, was appointed as our Non-Independent Director on 11 July 2005. He graduated with a Bachelor of Engineering from the University of Malaya in 1973 and obtained a post-graduate diploma in Business Administration from University of Singapore (currently National University of Singapore) in 1979. He has 20 years of global management experience with the Singapore Airlines Group ("SIA"). He was the General Manager of SIA offices in Thailand, Hong Kong, Singapore, United Kingdom & Ireland, and Japan between December 1985 to September 1999. He was later promoted to Divisional Vice President – Alliances and Loyalty Marketing of SIA in October 1999 and to Regional Vice President (Americas) of SIA Cargo Pte Ltd in 2001. He was the Senior Principal Airline Consultant of Aviation & Travel Solutions Pte Ltd from January to March 2004 and later joined Global Medic Tech Ventures Group as Executive Director/Executive Vice President from March 2004 to June 2005. He was appointed as the Chief Operating Officer of GLM on 1 July 2005. Mr Lek has no directorship in any Malaysian public companies.

Mr Goh Tian Sui, aged 50, was appointed as our Independent Director on 24 November 2005. He graduated with a Bachelor of Science (Honours), Estate Management from the University of Reading, United Kingdom in 1978. He is a Fellow of the Royal Institution of Chartered Surveyors, United Kingdom (FRICS), Fellow of the Institution of Surveyors Malaysia (FISM) and Registered Valuer and Registered Estate Agent with the Board of Valuers, Appraisers and Estate Agents, Malaysia. Mr Goh is also a founding member of the Valuers and Property Consultants in Private Practice (Association of Valuers Property Consultants in Private Practice, Malaysia) (APEPS) and Licensed Auctioneer for Federal Territory of Kuala Lumpur and Selangor. He has been a Partner and Company Director in C H Williams Talhar & Wong Sdn Bhd since June 1989, and its Managing Director since September 2003. Prior to joining C H Williams Talhar & Wong Sdn Bhd, he was a valuation officer with the Ministry of Finance, Valuation and Property Services Division in Kelantan and Malacca. Mr Goh has no directorship in any Malaysian public companies.

Dato' Ahmad Johari bin Tun Abdul Razak, aged 51, was appointed as our Independent Director on 24 November 2005. He graduated with a Bachelor of Arts Degree in Law from the University of Kent, United Kingdom in 1975 and qualified as a barrister-at-law from the Lincoln's Inn, United Kingdom in 1976. He was admitted as an advocate and solicitor of the High Court of Malaya in 1977. He practised law with Messrs Shearn Delamore & Co from 1979 and was a partner of the firm from 1991 to 1994. He was appointed as the Group Managing Director of Ancom Berhad in 1994 and was later redesignated as the Executive Chairman on 30 July 2003. Ancom Berhad is principally involved in investment holding and provision of management services to its subsidiaries. In addition, Dato' Johari Razak is the Deputy Chairman of Nylex (Malaysia) Berhad, a Director of Hong Leong Industries Berhad and Deutsche Bank (Malaysia) Berhad, the Chairman of Daiman Development Berhad and Courts Mammoth Berhad.

For the direct and indirect unitholdings of our Directors in the Fund after the Public Offering, you may refer to Section 2.9 of this Prospectus.

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT *(Cont'd)*

8.1.5 Our Management Team

- (i) The responsibilities of our key personnel are as follows:

Chief Executive Officer (“CEO”)

Our CEO is responsible for strategic planning, general management and day-to-day operations of Tower REIT. He will work closely with our Board to plan and determine the objectives, business and investment strategies and strategic direction of Tower REIT. Our CEO will work closely with our management team to implement the strategies to achieve Tower REIT’s objectives in accordance with the Deed, SCA, SC Guidelines on REIT, SC Guidelines on Unit Trust Funds and Bursa Securities Listing Requirements.

In addition, our CEO is responsible for planning the future strategic development and growth of Tower REIT, including the asset acquisition and divestment strategy. Together with his team, he would actively seek out good quality, yield accretive properties to add to Tower REIT’s existing portfolio. Our CEO will also set performance targets in terms of revenue and expenses, and actively monitor key asset performance parameters against market benchmarks.

Chief Financial Officer (“CFO”)

Our CFO is responsible for the full spectrum of financial and legal compliance functions of Tower REIT.

- **Finance and Accounting function.** This function provides support to the Investment and Asset Management Divisions in the areas of accounting, financial planning and budgeting, internal audit, procurement and general administration. Our CFO will be responsible for overseeing the implementation of Tower REIT’s short and medium-term business plans, financial management, evaluating acquisition opportunities and devising the appropriate capital management strategy, as well as reviewing the performance of Tower REIT.
- **Legal Compliance function.** This function ensures that Tower REIT and our Company comply with the regulatory requirements governing the establishment, operation and management of Tower REIT such as the SCA, SC Guidelines on REIT, SC Guidelines on Unit Trust Funds, Bursa Securities Listing Requirements and other relevant legislations. The legal and compliance function also periodically monitors the operations of Tower REIT to ensure that there are no breaches to the covenants in the Deed and any other contracts/agreements entered into by Tower REIT with third parties. This function also provides, amongst others, support relating to acquisitions, disposals, leasing, due diligence, application and maintenance of appropriate licences and procurement of regulatory approvals.

In addition to the above responsibilities, he will also be working closely with the Investment Manager and Asset Management team.

Finance Manager

Our Finance Manager assists the CFO in the Finance, Accounting and Legal Compliance functions of Tower REIT. She is responsible for accounting, financial management, preparation of annual budget, interim reports, annual reports, management of tax affairs, treasury functions, development of a comprehensive system of performance indicators to facilitate the effective management of Tower REIT. Our Finance Manager is responsible for providing support on legal and compliance matters.

Investment Manager

Our Investment Manager determines the investment strategies of Tower REIT such as identifying and evaluating potential acquisition targets and investments in property related instruments as well as monitoring the overall performance of the Fund's portfolio. It is his role to identify new assets with attractive yields and good potential for capital appreciation which are synergistic with Tower REIT's existing Real Estate Investments with an aim to grow Tower REIT and improve distribution yields. The Investment Manager is also responsible for the divestment strategies of Tower REIT by targeting to divest its Real Estate Investments at the most opportune time so as to arrive at the desired accretive yield for Tower REIT. He is also responsible for recommending and analysing potential asset enhancement plans. He performs research-driven analysis and financial modelling to study the viability of potential acquisitions, divestments and value-enhancing propositions for Tower REIT.

There is no immediate need to appoint a separate individual as Investment Manager at this stage and the role of Investment Manager will be performed by our CEO.

Upon Listing, Tower REIT will only own real estate. In the event that Tower REIT invests in real estate-related and non-real estate-related assets, we will appoint a fund manager approved by the Trustee and licensed under the Securities Industry Act, 1983.

Asset Management

Our Asset Management team is primarily responsible for the operational aspects of the real estate, including formulation of the strategies in relation to Tower REIT's Real Estate Investments, with a view to maximise the rental income and capital values through active asset management, supervision of the Property Manager in the implementation of Tower REIT's property-related strategy, marketing, setting tenancy guidelines and management of tenancy. The Asset Management team will work closely with the Property Manager to implement Tower REIT's strategies so as to ensure that the income generating potential of the Real Estate Investments are maximised and that expenses are minimised without compromising their marketability.

Our Senior Building Manager is responsible for the operational aspects of the Real Estate Investments, covering areas such as formulating the business plans to establish the Real Estate Investments as prime properties and to maintain the competitiveness of its Real Estate Investments against other competing properties in the market. He is also responsible for overseeing the implementation of any asset enhancement initiatives, supervising property operations and maintenance by the Property Manager as well as monitoring the performance of the Property Manager in relation to the strategies of the Asset Management division.

Our Tenancy Manager's role includes devising marketing plans to attract new tenants, maximising tenant retention and exploring expansion needs of existing tenants. She is also responsible for diversifying tenant base while achieving a good tenant mix and profile. In addition, the Tenancy Manager pursues leasing opportunities with real estate agents.

- (ii) The profiles of our key personnel are as follows:

Chief Executive Officer

The profile of Mr. Tan Ming Huat is set out in Section 8.1.4 of this Prospectus.

Chief Financial Officer

Mr Chan Wan Leong, aged 51, was appointed as our Chief Financial Officer on 1 December 2005. He is a Certified Public Accountant by training and is a Member of the Malaysian Institute of Accountants. He has extensive professional experience in accounting and finance, which includes 7 years in Messrs Ernst & Young. He joined Hong Leong Group Malaysia as an Accountant in 1984 and was promoted to Group Financial Controller of GLM in 1994, a position he held until his appointment as Chief Financial Officer. He has been with Hong Leong Group Malaysia for 20 years, out of which 19 years were with the property division. As Group Financial Controller of GLM Group, he was in charge of the financial and treasury management of GLM Group's activities, including the residential, commercial and hotel divisions. He was also responsible for the internal control of GLM Group's operations. He was involved in the acquisitions and disposals of commercial and residential properties, including the initial feasibility studies and he played a key role in various corporate exercises of the GLM Group, including group restructuring, fund raising and listing of public listed companies.

Senior Building Manager

Ir Wong Hon Meng, aged 57, was appointed as our Senior Building Manager on 1 December 2005. He graduated from the University of Malaya in 1972 with a Bachelor of Electrical Engineering. Upon graduation, he was attached to several prominent local and international engineering consultancy firms, as an Electrical Engineer providing mechanical and electrical consultancy for office buildings. After leaving the consultancy services, he joined a reputable construction/property development company as Senior Mechanical and Electrical Manager in Malaysia and Australia before joining Hong Leong Group Malaysia as a Senior Manager (Building/Mechanical and Electrical) in 1993. He left in 1999 to join Kuala Lumpur International Airport as Technical Director of the Building Operations and Maintenance Division and was responsible for systems and facilities in the main terminal building and the contact pier of the Kuala Lumpur International Airport. He re-joined Hong Leong Group Malaysia in 2003 as a Senior Building Manager. Ir Wong has 28 years of experience in building operations and maintenance.

Tenancy Manager

Ms Yong Yuet Lan, aged 39, was appointed as our Tenancy Manager on 1 December 2005. She graduated with a degree from The Institute of Chartered Secretaries and Administrators, United Kingdom in 1991. Ms Yong started her career as a Sales Officer with GLM in 1991. She was promoted to Marketing Executive in 1993 and subsequently to higher executive grades from 1994 to 2003 before being appointed as a Tenancy Manager in 2004. Prior to joining our Company, Ms Yong was responsible for the marketing and leasing of all commercial office buildings owned by the GLM Group.

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

Finance Manager

Ms Chay Wan Nee, aged 29, was appointed as our Finance Manager on 1 January 2006. She graduated with a Bachelor of Commerce (Accounting) from Curtin University of Technology, Australia in 1997 and is a Member of the Malaysian Institute of Accountants. Prior to joining GLM, she was attached to Messrs Ernst & Young for 5 years. She was a Manager with the Assurance and Advisory Business Services Department of Messrs Ernst & Young. She joined GLM in May 2004 as an Accountant and was redesignated to Senior Accountant in January 2005. Prior to joining our Company, she headed the Commercial Division of the Finance Department of GLM where she handled the financial and treasury functions of all commercial office buildings owned by the GLM Group.

For the direct and indirect unitholdings of our key management in the Fund after the Public Offering, you may refer to Section 2.9 of this Prospectus.

8.1.6 Our Financial Position

We have not commenced operations and as such, no audited historical financial statements have been prepared.

8.1.7 Our Fees

We are entitled to the following management fees:

(i) Base Fee

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

The Base Fee is calculated as follows:

$$\text{Monthly Base Fee} = \frac{\text{Gross Asset Value at month end} \times \text{Annual Base Fee Rate (\%)}}{12 \text{ months}}$$

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

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

(ii) Performance Fee

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

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

The Performance Fee is calculated as follows:

Monthly Performance Fee
= Net Property Income for the month⁽¹⁾ x Annual Performance Fee Rate (%)

Note:

⁽¹⁾ Prior to deduction of the property management fee payable to Property Manager for the relevant month.

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

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

(collectively the "Management Fees").

The Management Fees will be paid to us monthly in arrears. Monthly payments on account of the Management Fees will be based on the monthly management accounts of the Fund, and will be reconciled to the audited financial statements of the Fund for the relevant financial year. Any shortfall in the Management Fees as a result of the reconciliation shall be paid to us and any excess in payment of Management Fees as a result of the reconciliation shall be recovered by deducting an amount equal to the excess from the Management Fees payable to us in the month immediately following the finalisation of the audited financial statements of the Fund.

In addition, we will also be entitled to the following fees for any acquisition or disposal of real estate by Tower REIT:

- (i) For any acquisition of real estate (including shares in an unlisted company whose principal assets comprise of real estate) by the Fund, an acquisition fee of 1.0% of the acquisition price is payable by the Fund to us (pro-rated if applicable to the proportion of the interest of the Fund in the asset acquired). However, no acquisition fee is payable in respect of the acquisition of the REIT Properties; and
- (ii) For any sale or divestment of real estate (including shares in an unlisted company whose principal assets comprise of real estate) by the Fund, a divestment fee of 0.5% of the disposal price is payable by the Fund to us (pro-rated if applicable to the proportion of the interest of the Fund in the asset divested).

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

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

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

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

8.1.8 Retirement, Removal or Replacement of Our Company

(i) Retirement

We may retire as manager of Tower REIT at any time after giving 3 months' written notice (or any shorter period agreed by the Trustee) to the Trustee.

(ii) Removal and Replacement

If our Company: -

- (a) is not eligible to be appointed or to act as manager of Tower REIT under the SCA;
- (b) has ceased to exist;
- (c) is not validly appointed;
- (d) is required to be removed by the Unitholders by way of a special resolution passed at a meeting of Unitholders convened for that purpose on the grounds that we are in material breach of our obligations under the Deed and we have failed to remedy such material breach within such reasonable time period as have been specified by the Trustee and the Trustee has determined that such failure to remedy the breach has a material adverse effect on Tower REIT; or
- (e) has a receiver appointed over the whole or a substantial part of our assets or undertaking and such event materially and adversely affects our ability to discharge our obligations under the Deed, or a petition is presented for the winding up of our Company (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction our Company becomes or is declared to be insolvent),

the Trustee may as soon as practicable after becoming aware of any of the above events take all reasonable steps to have our Company removed as the manager of Tower REIT.

In addition, we may be removed as manager of Tower REIT pursuant to the SCA or the SC Guidelines on REIT.

8.1.9 Powers of the Manager to Remove or Replace the Trustee

We may remove the Trustee from office if a resolution that the Trustee should be removed is passed at a meeting of Unitholders by way of special resolution.

Additionally, we may take steps to remove and replace the Trustee in accordance with the provisions of the SCA and the SC Guidelines on REIT.

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

Subject to any approval required by the SCA, SC Guidelines on REIT or by any other applicable law, we must appoint a new trustee on the removal of the Trustee in accordance with the terms of the Deed.

8.1.10 Relationship between the Vendors and Our Company

The Vendors are PDSB and KDSB. PDSB is an indirect wholly-owned subsidiary of GLM whilst KDSB is an indirect 70%-owned subsidiary of GLM.

Save as disclosed below, there is no relationship between our Board and the substantial shareholders of the Vendors:

Our Directors	Directorship in Vendors	Substantial shareholder in Vendors
Kwek Leng Seng	PDSB	-
Tan Ming Huat	PDSB and KDSB	-
Steven Lek Ah Hup	-	-
Goh Tian Sui	-	-
Dato' Ahmad Johari bin Tun Abdul Razak	-	-

8.1.11 Potential Conflict of Interest and Related Party Transactions

Under the terms of the Deed, no Real Estate Investment may be acquired from, or disposed to, a related party or associated person of our Company unless the following criteria have been satisfied:

- a valuation must be undertaken on the Real Estate Investment by an approved valuer in accordance with the Deed;
- the Real Estate Investment must be transacted at a price, in the case of acquisitions, not more than the value assessed in the valuation report, and in the case of disposals, not less than 90% of the value assessed in the valuation report; and
- the consent of the Trustee, and if applicable, the SC and the Unitholders must be obtained.

At the Unitholders' meeting to determine such related party transactions, our Company and related parties or associated persons of our Company must not vote on the resolution. A "related party" means a related corporation as defined in Section 6 of the Act and "associated person" shall bear the meaning ascribed to it under Section 3 of the Securities Industry Act, 1983.

We must not, without the prior approval of the Trustee, invest any moneys available for investment under the Deed in any securities, real estate or other Assets in which our Company or any of our officer has a financial interest or from which our Company or any of our officer derives a benefit.

We must not make improper use of our position in managing the Fund to gain, directly or indirectly, an advantage for ourself or for any other person or to cause detriment to the interests of Unitholders.

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

8.1.12 Our Policy in Dealing with Conflict of Interest Situation

All transactions carried out for or on behalf of Tower REIT are to be executed on terms that are the best available to Tower REIT and which are no less favourable than on an arm's length transactions between independent parties.

In addition, the Deed provides that:

- (i) our Company and our delegates should avoid conflict of interest. If conflict of interest arises, we should ensure that the Fund is not disadvantaged by the transaction concerned;
- (ii) any event or transaction in which a conflict of interest arises or could arise shall be adequately disclosed in this Prospectus and/or reports of the Fund; and
- (iii) we and our related corporation (as defined under the SCA) may not exercise the voting rights in respect of the Units that we, our nominees or our related corporation hold in any Unitholders' meeting, regardless of the party who requested the meeting and the purpose of the meeting.

The composition of our Board shall comprise at least 2 independent members whilst maintaining a minimum ratio of at least one-third independent members at all times. For matters in which any of our Director or person connected to him/her has an interest, direct or indirect, the aforesaid Director will abstain from voting.

8.1.13 Corporate Governance

Our Directors are firmly committed to ensuring that we implement and operate good corporate governance practices. In developing the system of corporate governance, our Directors are guided by the measures recommended by the SC Guidelines on REIT, SC Guidelines on Unit Trust Funds and the Bursa Securities Listing Requirements.

8.2 The Property Manager

The REIT Properties will be managed by Yap Burgess Rawson International (proprietor : Yap & Partners Sdn Bhd) as the property manager pursuant to the Property Management Agreement. The Property Management Agreement was 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.

The Property Manager was incorporated in Malaysia under the Act on 24 January 1994 and is registered under the VAEA to practice property management, property valuation and real estate agency under the registration number VE(2) 0011. Its authorised share capital as at the Latest Practicable Date is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, while its issued and paid-up share capital is RM150,000 comprising 150,000 ordinary shares of RM1.00 each. Its principal activities are the provision of property management, real estate agency and property valuation services.

As at the Latest Practicable Date, the Property Manager has 12 years of experience in real estate management. It is managing 42 properties with a total net lettable area of approximately 12.6 million sq. ft. as at the Latest Practicable Date.

As at the Latest Practicable Date, the Property Manager does not hold any Units.

8.2.1 Role of the Property Manager

Under the Property Management Agreement, the Property Manager will provide, amongst others, the following services:

General Administration and Supervision:

- manage and administer the on-site management staff, management offices and stores for the REIT Properties;
- prepare monthly property management and maintenance reports to our Company;
- liaise with all the relevant authorities to ensure that the REIT Properties meet all statutory requirements and regulations;
- provide customer care and prompt attention to any enquiry by tenants on the property management of the REIT Properties; and
- advise and assist our Company in the marketing of space in the REIT Properties and the acquisition and disposal of properties.

Operation and Maintenance Management:

- professionally manage and operate the mechanical, electrical and air-conditioning installations and systems of the REIT Properties;
- implement preventive maintenance of the REIT Properties based on a preventive maintenance schedule;
- implement corrective maintenance including ad hoc repairs and rectification works whenever required;
- manage, supervise, co-ordinate and monitor all the works of the building services contractors to ensure that such works are competently carried out to the expected global standards and best practices; and
- renew relevant licences for mechanical and electrical installations and/or car park on an annual basis.

Financial Management:

- prepare annual budget for the REIT Properties and manage the costs and expenses relating to the REIT Properties;
- administer billings and collection of all monies due, as well as payments for the REIT Properties on behalf of Tower REIT;
- implement credit control measures to facilitate cash flow management and the collection of rents, service charges and utility charges;
- prepare monthly financial reports to update Tower REIT on the previous month's financial statements; and
- implement a sinking fund computation programme to provide an indication of the adequacy of the sinking fund to meet future capital expenditure for major building repairs and refurbishment works in the REIT Properties.

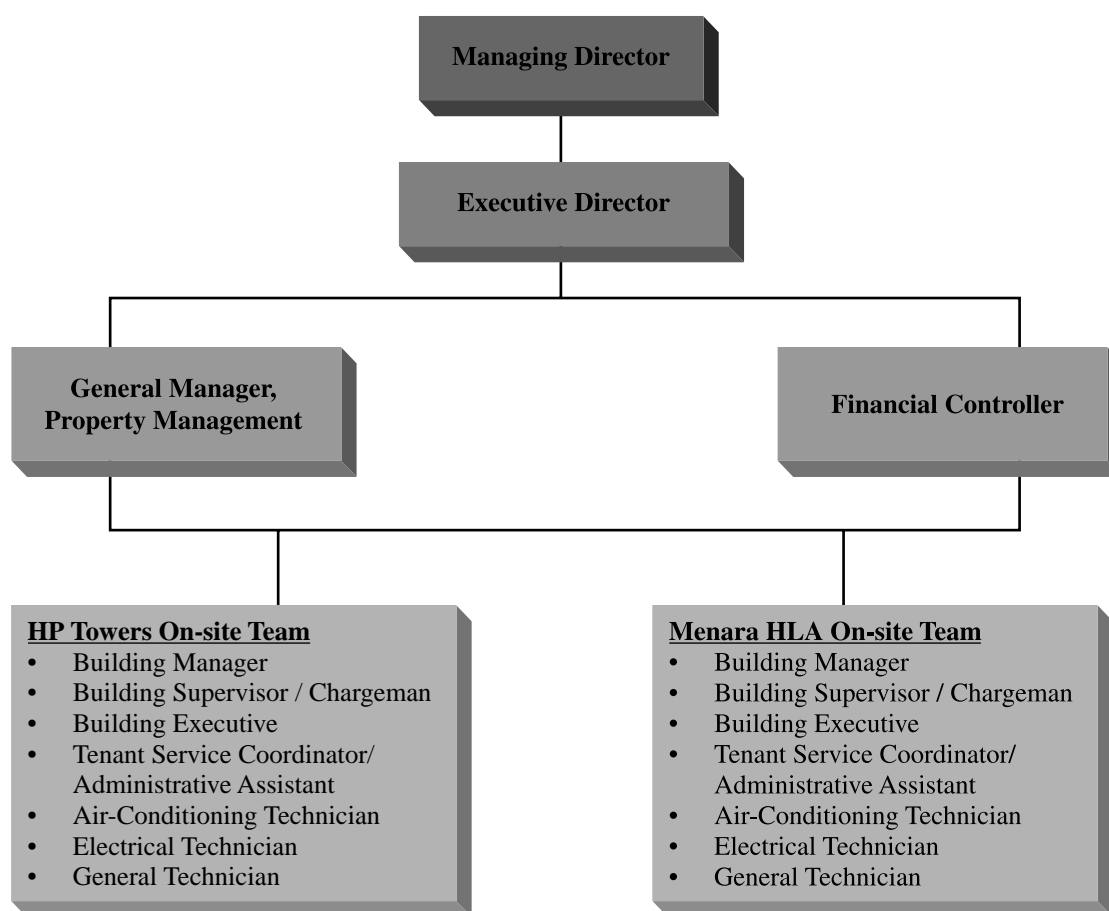
8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

8.2.2 Board of Directors of the Property Manager

The Board of Directors of the Property Manager comprises individuals with a broad range of real estate and commercial experience, including expertise in property investment, development, management and valuation. The Board of Directors of the Property Manager consists of Mr Wong Kok Soo (Registered Valuer No. V-298) and Ms Tiong Siu Ling (Registered Valuer No. V-425).

8.2.3 Management Reporting Structure of the Property Manager

As at the Latest Practicable Date, the Property Manager employs a total of 139 employees.



8.2.4 Key Personnel of the Property Manager

The profiles of the management team of the Property Manager are as follows:

Mr Wong Kok Soo, aged 53, was appointed as the Managing Director of the Property Manager on 1 October 2005. He graduated with a Bachelor of Science (Honours) in Chemistry from University of Malaya in 1974. In 1986, Mr Wong obtained a Professional Diploma in General Practice Surveying from the Institution of Surveyors Malaysia. He is a Fellow of the Institution of Surveyors Malaysia (FISM) and Registered Valuer, Registered Property Manager and Registered Estate Agent with the Board of Valuers, Appraisers and Estate Agents, Malaysia. He has 29 years of experience in property consultancy, valuation, management and real estate practice. He joined the Property Manager as the Senior Executive Director in 1994. Prior to joining the Property Manager, he was the Principal of RE Consult, a property consultancy, valuation and real estate agency firm.

Ms Tiong Siu Ling, aged 39, was appointed as the Executive Director of the Property Manager on 1 February 2003. She graduated with a Bachelor of Science (Honours) in Valuation and Estate Management from the University of West of England in 1989. She is a Member of the Royal Institution of Chartered Surveyors, United Kingdom (MRICS), Member of the Institution of Surveyors Malaysia (MISM) and Registered Valuer, Registered Property Manager and Registered Estate Agent with the Board of Valuers, Appraisers and Estate Agents, Malaysia. She has 16 years of experience in property consultancy, valuation, management and real estate practice. She joined the Property Manager as a Valuation Manager in 1997. Prior to joining the Property Manager, she was a Valuation Manager with Knight Frank Baillieu.

Mr Ivan Lim Ming Rean, aged 30, was appointed as the Financial Controller of the Property Manager on 1 February 2004. He graduated with a Bachelor of Estate Management (Honours) from the University of Malaya in 1999. He holds a professional accounting qualification from the Association of Chartered Certified Accountants of United Kingdom and is a Member of the Association of Chartered Certified Accountants. He has 8 years of experience in property consultancy, valuation, management and real estate practice. He joined the Property Manager as Property Management Executive in 2000. Prior to joining the Property Manager, he was a Valuation Executive with Pakatan Property Consultancy.

Mr Chan Chee Kheun, aged 29, was appointed as the General Manager, Property Management of the Property Manager on 1 February 2005. He graduated with a Bachelor of Estate Management (Honours) from the University of Malaya in 2000. He has 6 years of experience in property management practice. He joined the Property Manager as Property Management Executive in 2000.

Ms Low Siang Fong, aged 29, was appointed as the Manager, Property Management of the Property Manager on 1 February 2004. She graduated with a Bachelor of Estate Management (Honours) from the University of Technology Malaysia in 2001. She has 5 years of experience in property management practice. She joined the Property Manager as a Property Management Executive in 2001.

Mr Yong Yen Kiong, aged 50, was appointed as the Finance Manager of the Property Manager on 2004. He graduated with a Bachelor of Business Administration from the Royal Melbourne Institute of Technology in 2000. He has 27 years of experience in financial accounting practice. He joined the Property Manager as Finance Manager in 2004. Prior to joining the Property Manager, he was an Accounts Executive with British Petroleum (Malaysia) Berhad.

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

8.2.5 Property Management Fee

The Property Manager is entitled to receive the following fee for managing the REIT Properties:

- in respect of the first RM30,000 of the gross annual rental income from the REIT Properties, 5% per annum of such gross annual rental income;
- in respect of the residue up to RM100,000 of the gross annual rental income from the REIT Properties, 3% per annum of such gross annual rental income; and
- in respect of the residue over RM100,000 of the gross annual rental income from the REIT Properties, 2% per annum of such gross annual rental income,

with permissible discount in accordance with the VAEA.

The above fee is payable monthly in arrears by Tower REIT to the Property Manager. The fees are exclusive of telephone calls and faxes, maintenance and repairs expenses, insurance premiums for buildings, quit rent, assessment rates, sewerage rates and utility charges. The cost of the provision of on-site staff by the Property Manager will also be borne by Tower REIT.

8.2.6 Salient Terms of the Property Management Agreement

The salient terms of the Property Management Agreement are summarised below:

- (i) The role and scope of work of the Property Manager is summarised in Section 8.2.1 of this Prospectus.
- (ii) Subject to the rights of termination under the Property Management Agreement, the Property Manager is appointed for 1 year from the date of commencement to be mutually agreed upon by the parties ("Management Period") and its appointment is subject to renewal at the expiry of each year of appointment on a yearly basis.
- (iii) The Property Manager shall be entitled to a property management fee calculated in accordance with the VAEA, with permissible discount, as set out in Sections 2.7 and 8.2.5 of this Prospectus.
- (iv) The Property Management Agreement may be terminated upon the occurrence of any of the following events and by the serving of 3 months' prior written notice to the other party:
 - (a) either party is wound up or liquidated save for the purposes of restructuring;
 - (b) either party breaches any term of the Property Management Agreement which, in the case of a breach capable of remedy, shall not have been remedied by the party concerned after the receipt of a notice from the other party specifying the breach and requiring its remedy within 21 days; or
 - (c) in the sole opinion of our Company, the Property Manager is incompetent, guilty of misconduct and/or any serious or persistent negligence or default in the provision of its services under the Property Management Agreement.
- (v) Either party may terminate the Property Management Agreement by giving 3 months' prior written notice or such other period as agreed between the parties.

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT *(Cont'd)*

- (vi) In providing the property management services under the Property Management Agreement, the Property Manager undertakes that it will not transfer its appointment as provided under the Property Management Agreement, assign any of its rights or delegate any of its duties in any way without seeking and obtaining prior written consent from our Company.
- (vii) In consideration of the duties to be performed by the Property Manager, our Company undertakes that we shall honour funds committed and agreements made on behalf of our Company by the Property Manager within the scope of its authority to act and provided always that the prior written approval of our Company has been obtained for any funds committed and agreements made where the amount would exceed RM2,000.00 for any one matter or series of related matters.

8.3 The Registrar

On 10 November 2005, the SC approved the delegation by our Company of the registrar function to Hong Leong Share Registration Services Sdn Bhd.

Hong Leong Share Registration Services Sdn Bhd was incorporated in Malaysia under the Act on 13 May 1969 as Hong Leong Nominees Sendirian Berhad. The company changed its name to Hong Leong Share Registration Services Sdn Bhd with effect from 31 May 2004. As at the Latest Practicable Date, the authorised share capital of the Registrar is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 50,000 are issued and fully paid-up. The Registrar is principally involved in the provision of share registration services. The Registrar has been providing share registration services since its incorporation and is currently the registrar for 11 Malaysian public listed companies.

By a letter of offer from the Registrar dated 18 January 2006 and accepted by our Company on the same date, we have appointed the Registrar to maintain the register of Unitholders.

The Registrar will also provide, amongst others, the following ancillary services related to the maintenance of the register of Unitholders:

- perform depository compliance related matters for Tower REIT on behalf of our Company;
- deal with correspondences from Unitholders and stockbrokers in relation to the Units;
- perform duties related to distribution payments;
- provide facilities for handling issuance of Units;
- provide facilities for despatch of circulars, notices and reports to Unitholders; and
- provide our Company with reports on analysis of Unitholders.

8.4 The Trustee

8.4.1 Background Information

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

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

The Trustee serves as the custodian of Tower REIT. The assets of Tower REIT are registered in the name of the Trustee, who functions independently from our Company. The Trustee will exercise all due diligence and vigilance when carrying out its functions and duties to safeguard the rights and interests of the Unitholders.

As at the Latest Practicable Date, the Trustee has a staff strength of 42 (comprising 19 executive staff and 23 non-executive staff). The Trustee has been actively involved in unit trust fund trusteeship for 11 years. As at the Latest Practicable Date, the Trustee has 18 unit trust funds under its trusteeship. Each fund under the Trustee's trusteeship is managed by a trust officer, who reports to his/her immediate supervisor who is at the managerial level. The supervisor in turn reports to the Chief Executive Officer of the Trustee. The Trustee has a legal and compliance division which reports to the AmBank Group Compliance Unit, which function includes ensuring that the Trustee's operations comply with the relevant laws, regulations and rules and the standards of good corporate governance.

8.4.2 Board of Directors of the Trustee

The Board of Directors of the Trustee as at the Latest Practicable Date is as follows:

Name	Designation
Puan Fauziah binti Yacob	Chairman (Non-Independent)
Dato' Jaspal Singh s/o Sher Singh	Chief Executive Officer / Director (Non-Independent)
Madam Amarjeet Kaur d/o Ranjit Singh	Director (Non-Independent)
Madam Pusparani a/p A Moothathamby	Director (Non-Independent)
Dato' Syed Mohd Yusof bin Tun Syed Nasir	Director (Independent)
Tuan Haji Mohd Idris bin Mohd Isa	Director (Independent)

8.4.3 Key Management Team

The profiles of the key management team of the Trustee are as follows:

Dato' Jaspal Singh s/o Sher Singh, aged 52, was appointed as the Chief Executive Officer and a Director of the Trustee on 1 March 1997. Besides heading the Trustee since March 1997, he also heads the Custodian/Nominees Services Department of AmMerchant Bank Berhad. He is a Fellow Member of the Association of Chartered Certified Accountants (FCCA). He has been with the AmBank Group since October 1981, having served in the Asset Administration Department, Internal Audit Department, Treasury Department, Arab-Malaysian Investment Management Section and Share Registrar Unit.

Ms Azlinda binti Abdul Manaf, aged 35, was appointed as a Manager of the Trustee on 1 August 2001. She has been with the Trustee since June 1999 and is now responsible for the supervision of the overall functions of the Trustee. She holds a Bachelor of Arts (Honours) in Accounting and Finance from the South Bank University of London. She was a Dealer's Representative of Pengkalen Securities Sdn Bhd for 3 years prior to joining the Trustee.

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

Ms Roslin binti Muhammad Alwi, aged 50, was appointed as a Manager of the Trustee on 15 December 2004. She is currently responsible for the administration and management of clients' transactions and records and the development and enhancement of computer systems. She holds a Diploma in Accounting from MARA Institute of Technology. Prior to joining the Trustee in December 2004, she was with the AmBank Group since June 1982 serving in the Finance Department, Custodian Department, Portfolio Management Services Department, Arab-Malaysian Investment Management Section, Organisation and Method Department and Private Banking Department.

Ms Sharon Khaw Cheng Sim, aged 44, was appointed as an Assistant Manager of the Trustee on 18 July 1997. She is responsible for the customer relationship management and marketing services of the Trustee. Prior to joining the Trustee in July 1987, she was the Head of the Share Margin Trading Unit at United Overseas Bank (M) Bhd and the Assistant Manager of Operations at Inter-Pacific Securities Sdn Bhd. She had also served AmMerchant Bank Berhad as a Marketing Officer.

Ms Nurizan binti Jalil, aged 32, was appointed as an Assistant Manager of the Trustee on 1 April 2004. She joined the Trustee in November 2001. She is currently responsible for the overall legal and compliance affairs of the Trustee. She graduated with a LLB (Honours) from the University of Huddersfield, United Kingdom and has obtained a Certificate of Legal Practice from the University of Malaya. Prior to joining the Trustee, she was with Citibank Berhad as a Mortgage Executive.

8.4.4 Financial Position

A summary of the audited financial performance of the Trustee for the past 3 financial years ended 31 March 2005 are as follows:

	← Financial years ended 31 March →		
	2003	2004	2005
	RM'000	RM'000	RM'000
Issued and paid-up capital	500	500	500
Shareholders' funds	2,472	3,229	4,269
Turnover	2,608	3,377	4,178
Profit before taxation	461	1,041	1,405
Profit after taxation	209	758	1,040
Net profit	209	758	1,040

8.4.5 Trustee Fee

Pursuant to the terms of the Deed, the Trustee is entitled to receive a fee (excluding any GST payable) of up to 0.03% per annum of the audited NAV, subject to a maximum of RM200,000 per annum. The Trustee Fee is calculated daily and payable monthly in arrears.

The Trustee Fee is calculated as follows:

$$\text{Daily Trustee Fee} = \frac{\text{Annual Trustee Fee Rate (\%)} \times \text{daily NAV}}{365 \text{ days}}$$

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT *(Cont'd)*

The Trustee Fee will be reconciled to the audited NAV calculated by reference to the audited financial statements of the Fund for the relevant financial year. Any shortfall in the Trustee Fee as a result of the reconciliation shall be paid to the Trustee and any excess in payment of Trustee Fee as a result of the reconciliation shall be recovered by deducting an amount equal to the excess from the Trustee Fee payable to the Trustee in the month immediately following the finalisation of the audited financial statements of the Fund.

There will be no payment due to the Trustee upon the subscription for or sale of a Unit and upon any distribution of income and capital otherwise.

Save for the expenses incurred for the general overheads and costs for services which the Trustee is expected to provide, or falling within the normal expertise of the Trustee, the Trustee has the right to be reimbursed the fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of the Fund.

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

8.4.6 Duties and Responsibilities of the Trustee

The duties of the Trustee are set out in the Deed. In general, it will cover the following aspects:

- (i) the Trustee must ensure that the Fund has, at all times, an appointed manager;
- (ii) the Trustee must act as custodian of the Assets;
- (iii) the Trustee must exercise all due diligence and vigilance in carrying out its functions and duties and in safeguarding the rights and interests of the Unitholders in accordance with the provisions of the Deed, the requirements specified by the SC, the provisions of the SCA and applicable securities laws and regulations made thereunder;
- (iv) the Trustee must take into its custody, or under its control (in the event of delegation of custody), the investments of the Fund and hold the investment in trust for the Unitholders. The investments shall be registered in the name of the Trustee for and on behalf of the Unitholders, or to the order of, the Fund;
- (v) the Trustee must ensure that we do not make improper use of our position in managing the Fund to gain, directly or indirectly, an advantage for ourself or for any other person or to cause detriment to the interests of the Unitholders;
- (vi) the Trustee must keep or cause to be kept proper books of account in relation to the investments and properties of the Fund;
- (vii) the Trustee must ensure that proper records are kept of all transactions, dividends, interests and income received and distributed in respect of the Fund;
- (viii) the Trustee must cause the accounts of the Fund to be audited at the end of each financial year by the auditor appointed by the Trustee;
- (ix) the Trustee shall make payment, or authorise our Company to make payment on its behalf, out of the Assets, all fees, costs, expenses, charges and all payments whatsoever which are permitted under the Deed; and
- (x) the Trustee must actively monitor the administration of the Fund by our Company to ensure that the interests of the Unitholders are upheld at all times.

8. THE MANAGEMENT AND ADMINISTRATION OF TOWER REIT (Cont'd)

8.4.7 Retirement, Removal or Replacement of the Trustee**(i) Retirement**

The Trustee shall not be entitled to retire voluntarily except upon the appointment of a new Trustee. If the Trustee desires to retire, it shall give 3 months' prior written notice to our Company.

Subject to any approval required by the SCA, the SC Guidelines on REIT or by law, we must appoint a new trustee on the expiry of the 3 months' notice period in accordance with the terms of the Deed.

On retirement, the Trustee is released from all obligations in relation to Tower REIT which arise after its retirement and it must vest the Assets in the new trustee, and give the new trustee all books, documents, records and any other property held by or on behalf of the Trustee relating to Tower REIT. The new trustee will from the date of appointment be bound by the acts of the retired trustee, provided always that the retired trustee will continue to remain solely liable for any antecedent act of neglect or default by it.

(ii) Removal and Replacement

The Trustee may be removed and replaced in accordance with the Deed as set out in Section 8.1.9 of this Prospectus.

8.4.8 Powers of the Trustee to Remove or Replace the Manager

We may be removed or replaced by the Trustee in accordance with the Deed as set out in Section 8.1.8 of this Prospectus.

8.4.9 Trustee's Responsibility Statement

The Trustee has given its willingness to assume the position as trustee of Tower REIT and all its obligations in accordance with the Deed, all relevant laws, guidelines and rules. The Trustee has also given its willingness to provide an indemnity to our Company for the benefit of the Unitholders for any loss incurred as a result of any non-performance of the Trustee.

9. APPROVALS AND CONDITIONS

9.1 Approvals

The SC, in its letters dated 10 November 2005, 21 December 2005, 23 December 2005, 29 December 2005, 17 January 2006, 16 February 2006 and 21 February 2006, approved, amongst others, the following:

- (i) the Public Offering;
- (ii) our appointment as the management company of Tower REIT; and
- (iii) AmTrustee Berhad's appointment as the trustee of Tower REIT.

In addition, the SC (on behalf of the Foreign Investment Committee) has approved our appointment as the management company of Tower REIT under the Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests.

9.2 Conditions

The conditions imposed by the authorities and status of compliance are as follows:

Authority	Details of conditions imposed	Status of compliance
SC	<ul style="list-style-type: none">(i) The Trustee to be subject to an audit by an external auditor on its operations and internal controls and procedures. The selection of the external auditor and the scope of reference have to be first cleared by the SC. The audit report must be submitted to the SC before the registration of prospectus. Unsatisfactory findings, if any, must be rectified/remedied or addressed before the registration of prospectus;(ii) Our Company or our adviser must clearly disclose the following in the Fund's prospectus:<ul style="list-style-type: none">(a) Strata title for Menara HLA has not been issued and measures taken to ensure that the strata title is issued to Tower REIT as soon as practicable; and(b) Steps taken by Tower REIT to manage the maintenance and services of Menara HLA pending issuance of strata title of Menara HLA;(iii) Our Company or our adviser to inform the SC upon issuance of the strata title of Menara HLA to Tower REIT;	<p>Complied. The SC, in its letter dated 21 December 2005, has approved the appointment of KPMG as the external auditor and the scope of audit. The audit report has been submitted to the SC on 17 January 2006.</p> <p>Complied. The details are disclosed in Sections 4.2.7 and 7.4 of this Prospectus.</p> <p>To be complied with upon receipt of the strata title.</p>

9. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of conditions imposed	Status of compliance
SC (Cont'd)	(iv) Our Company or our adviser to provide satisfactory evidence of compliance with Clause 4.02(4) of the SC Guidelines on REIT before the registration of prospectus;	Complied. We have provided evidence of compliance to the SC in our letter dated 27 December 2005.
	(v) Our Company to submit an operational audit report to the SC 6 months after Tower REIT is listed. The selection of the external auditor and the scope of reference have to be first cleared by the SC;	To be complied with.
	(vi) Our Company must maintain 30% Bumiputera equity at all times;	Noted.
	(vii) SC's approval for the proposed candidates for our Chief Executive Officer and our Board is subject to there being no adverse findings from the vetting process conducted on all the candidates;	Complied.
	(viii) Our Company or our adviser must inform the SC of the date of appointment of our Chief Executive Officer and our Board within 2 weeks after the appointment is made effective;	Complied. A letter was submitted to the SC vide our Adviser's letter dated 9 December 2005.
	(ix) Our Company, Trustee and Tower REIT to fully comply with all the relevant requirements in the SC Guidelines on REIT, SCA and any notices that are issued from time to time (where relevant);	Noted.
	(x) Our Company or our adviser to submit the registrable prospectus of Tower REIT at least 14 business days before the date of the prospectus;	Complied.
	(xi) Our Company or our adviser to submit the draft deed of Tower REIT at least 30 days before the date of the deed;	Complied.
	(xii) Our Company or our adviser to inform the SC upon the completion of the Listing;	To be complied with.
	(xiii) The listing of Tower REIT must be completed within 6 months from the date of the SC's approval letter dated 10 November 2005.	To be complied with.

9. APPROVALS AND CONDITIONS *(Cont'd)*

9.3 Waivers Granted

The SC has granted waivers in respect of the following:

- (i) Waiver from complying with Clauses 4.05(5) and (12) of the SC Guidelines on REIT which stipulate that the appointments of a director to the board of directors of a management company and the chief executive officer of a management company must be approved by the SC. The SC has granted an exemption for the appointment of Mr Tan Ming Huat as our Chief Executive Officer and director and Mr Kwek Leng Seng and Mr Steven Lek Ah Hup as our directors prior to the SC's approval to facilitate the establishment of our Company.
- (ii) Waiver from complying with Clause 7.03(2) of the SC Guidelines on REIT which stipulates that the units of a REIT may be placed with persons other than parties connected to the placement agent. The SC has granted an exemption for the Joint Placement Agents to place Public Offering Units to certain parties connected to them by way of private placement.
- (iii) Waiver from complying with Clause 10.08(3) of the SC Guidelines on REIT which stipulates that the management company may, with the consent of the trustee, pledge the assets of the fund to secure borrowings up to the level of borrowings permitted under the SC Guidelines on REIT (ie. 35% of the total assets value of the fund). The SC has granted an exemption to allow Tower REIT to pledge its assets to obtain financing from the relevant financial institutions above the permitted level.
- (iv) Variation from Clause 12.01(2) of the SC Guidelines on REIT which stipulates that the management company fee shall be computed based on the fund's NAV. The SC has approved the Base Fee and Performance Fee to be computed based on Gross Asset Value and Net Property Income respectively.

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