



Annual Report **2022**

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Tower Real Estate Investment Trust



ABOUT TOWER REIT

Tower REIT was constituted under the Deed dated 17 February 2006 (as amended and restated by the restated deed dated 29 May 2014 and the second restated deed dated 23 October 2019) entered into between the Manager and MTrustee Berhad, acting as the Trustee of Tower REIT, and listed on the Main Market of Bursa Malaysia Securities Berhad on 12 April 2006.

INVESTMENT OBJECTIVE

The investment objective of Tower REIT is to invest primarily in a portfolio of real estate including quality office buildings, commercial properties, residential properties and industrial properties in order to:

- (a) provide unitholders with stable distribution per unit as well as sustainable long term growth of such distribution; and
- (b) achieve medium to long-term growth in the net asset value per unit.

Corporate Information

BOARD OF DIRECTORS

MR TANG HONG CHEONG
(Chairman, Non-Independent
Non-Executive)

MR CHENG HSING YAO (ZHENG XINYAO)
(Non-Independent Non-Executive Director)

MR TAN WEE BEE
(Non-Independent Non-Executive Director)

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

MS LIM TAU KIEN
(Independent Non-Executive Director)

MS LIM CHEW YAN
(Non-Independent Non-Executive Director)

YBHG DATO' TAN ANG MENG
(Independent Non-Executive Director)

MANAGER

GLM REIT Management Sdn Bhd
Registration No. 200401020808
(659312-H)

MANAGER'S PRINCIPAL ADDRESS

Level 13, Menara Guoco
Damansara City
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel No. : 03-2726 1000
Fax No. : 03-2726 1001

MANAGER'S REGISTERED ADDRESS

Level 32, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel No. : 03-2088 8818
Fax No. : 03-2088 8968

COMPANY SECRETARY OF THE MANAGER

Chin Min Yann (MAICSA 7034011)
(SSM PC No. 202008002583)
Level 32, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel No. : 03-2088 8818
Fax No. : 03-2088 8968

TRUSTEE

MTrustee Berhad
Level 15, Menara AmFirst
No. 1, Jalan 19/3
46300 Petaling Jaya
Selangor Darul Ehsan
Tel No. : 03-7954 6862
Fax No. : 03-7954 3712

PROPERTY MANAGER

**Henry Butcher Malaysia (Mont Kiara)
Sdn Bhd**
Unit D4-3-3 & 3A, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Tel No. : 03-6205 3330
Fax No. : N/A

REGISTRAR

**Hong Leong Share Registration
Services Sdn Bhd**
Level 25, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel No. : 03-2088 8818
Fax No. : 03-2088 8990

AUDITORS

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel No. : 03-7721 3388
Fax No. : 03-7721 3399

PRINCIPAL BANKERS OF THE TRUST

Hong Leong Bank Berhad
Level 1, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur

Public Bank Berhad
27th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur

WEBSITE

<https://www.tower-reit.com>

Fund Information

Name of Trust	Tower Real Estate Investment Trust ("Trust")
Trust Type	Income and growth
Trust Category	Real Estate Investment Trust ("REIT")
Term of Trust	The Trust has no fixed termination date. However, the Deed provides a number of circumstances under which the Trust may be terminated.
Investment Objectives	<p>To invest in a portfolio of real estate including quality office buildings, commercial properties, residential properties and industrial properties in order to:</p> <ul style="list-style-type: none"> • provide unitholders with stable distributions per unit as well as sustainable long term growth of such distributions; and • achieve medium to long term growth in the net asset value per unit.
Fund Performance Benchmark	<p>The benchmark of a fund should ideally be representative of the investment universe of the fund. Where it is not possible, returns from a directly competing investment product may be used. A REIT's performance may be domestically benchmarked against any existing REIT listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").</p> <p>Other common domestic benchmarks that can be used as a guide when assessing the performance of a REIT are the FBM Bursa Malaysia KLCI and Kuala Lumpur Properties Index.</p>
Distribution Policy	<p>The Manager intends to distribute at least 90% of the Distributable Income for the relevant financial years.</p> <p>The Manager intends to make semi-annual distributions to unitholders with the amount calculated as at 30 June and 31 December each year or such other percentages and at such other intervals as determined by the Manager at its discretion.</p>
Authorised Investments	<p>i) At least 75% of Total Assets Value ("TAV") are invested in real estate and/or single purpose companies at all times; and</p> <p>ii) the aggregate investments in property development activities (property development costs) and real estate under construction must not exceed 15% of TAV,</p> <p>or such other limits as may be prescribed or permitted by the Securities Commission ("SC") Guidelines on Listed REITs.</p>
Financial Year End	30 June
Borrowing Limitations	Total borrowings of the Trust shall not exceed 50% of the TAV at the time the borrowings are incurred or such other levels as may be permitted by the SC Guidelines on Listed REITs.
Total Number of Units Issued	280,500,000 units
No Redemption By Unitholders	Unitholders have no right to request the Manager to repurchase or redeem the units while the units are listed on Bursa Securities. It is intended that unitholders may only deal with their listed units through trading on Bursa Securities.
Revaluation Policy	The properties are revalued annually pursuant to the Malaysian Financial Reporting Standards ("MFRS") 140 and Clause 10.02 of the SC Guidelines on Listed REITs.

Overview of Portfolio

Tower REIT's portfolio consists of three prime commercial buildings with a combined appraised value of approximately RM818.6 million as at 30 June 2022. The combined total net lettable area of the portfolio is 966,157 sq. ft. These assets provide strong and sustainable income stream of the Trust.



MENARA HLX

No. 3, Jalan Kia Peng,
50450 Kuala Lumpur.



PLAZA ZURICH

No. 12, Jalan Gelenggang,
Bukit Damansara 50490
Kuala Lumpur



MENARA GUOCO

No. 6, Jalan Damanlela,
Bukit Damansara 50490
Kuala Lumpur

Real Estate	Net Lettable Area sq. ft.	Market Value RM'000	% of Total Real Estate Portfolio
Menara HLX	382,735	340,500	42
Plaza Zurich	351,289	228,900	28
Menara Guoco	232,133	249,200	30
	966,157	818,600	100

Assets Profile



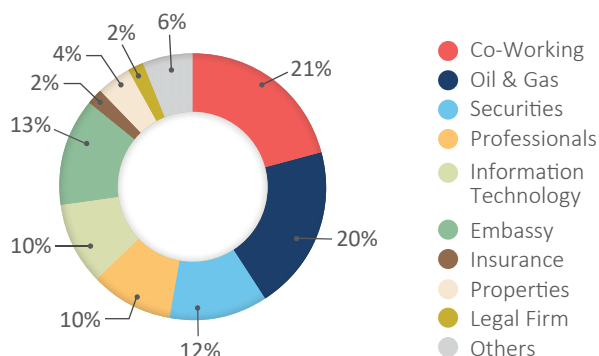
Menara HLX is a 32-storey corporate office tower located in the heart of Kuala Lumpur's Golden Triangle. A major refurbishment exercise was undertaken and completed in 2020, upgrading the building's lifts, lobbies and ancillary facilities, including implementing a cashless parking system. Controlled access to office areas and 24-hour security ensures that occupants can go about their business with absolute peace of mind.

Menara HLX is strategically located just 200m from Pavilion Shopping Centre in Bukit Bintang, which offers a host of retail and dining options and lifestyle amenities. It is also within walking distance of the Raja Chulan monorail and Bukit Bintang MRT stations, and connected to KLCC via the KLCC-Bukit Bintang elevated walkway.

Menara HLX's anchor tenants include International Petroleum Corp, Beyond4 Training Academy, Commerce Asia, and the Embassies of Namibia and South Africa. During FY2022, the office tower welcomed new tenants, Emmanuel and Amara Investment.

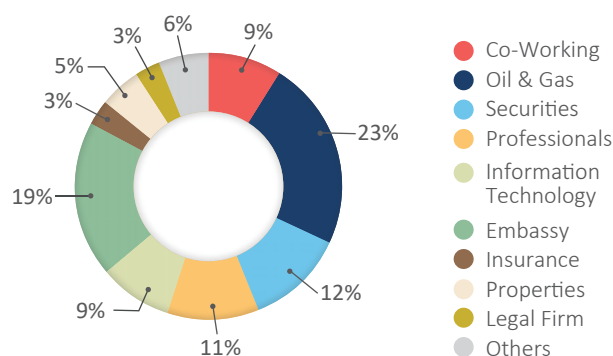
TENANTS MIX BY NET LETTABLE AREA

As at 30 June 2022



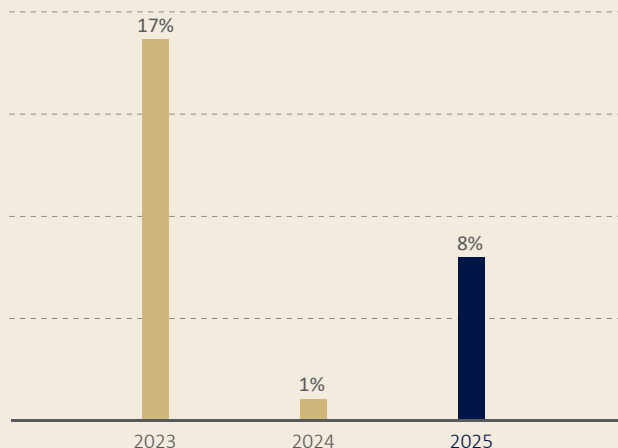
TENANTS MIX BY GROSS RENTAL INCOME

For the Month of June 2022



EXPIRY PROFILE

As at 30 June 2022



MAJOR TENANTS

As at 30 June 2022

Name	Trade Sector	% of Total Net Lettable Area
IPC	Oil & Gas	4%
Beyond4 Sdn Bhd	Co-Working	3%
Hong Leong Investment Bank Bhd	Financial Services	3%
South African Embassy	Embassy	2%
City Health Care	Healthcare	2%
		14%

ADDRESS

Menara HLX, No. 3, Jalan Kia Peng,
50450 Kuala Lumpur

DESCRIPTION

A 32 storey high-rise stratified office building with a 4-level basement car park

PROPERTY TYPE/USE

Commercial Office Building

AGE

23 years

TITLE DETAILS

Lot No. 1286, Seksyen 57,
Title No. Geran 43969/M1/B4/1
Town and District of Kuala Lumpur

ENCUMBRANCES

Nil

LIMITATION IN TITLE/INTEREST

Nil

TENURE

Freehold

NET LETTABLE AREA

382,735 sq. ft.

OCCUPANCY RATES *

26%

PARKING SPACE

723 car park bays

DATE OF ACQUISITION

17 April 2006

ACQUISITION PRICE

RM221,000,000

MARKET VALUE

RM340,500,000

DATE OF LATEST VALUATION

31 March 2022

NAME OF VALUER

Raine & Horne International Zaki +
Partners Sdn Bhd

NET BOOK VALUE

RM340,500,000 *

PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara)
Sdn Bhd

* As at 30 June 2022

Assets Profile

cont'd



Nestled in the upmarket suburb of Damansara Heights and just 5km from Kuala Lumpur City Centre, Plaza Zurich is a neighbourhood landmark that is conveniently located adjacent to the Semantan MRT station and within walking distance to the vibrant and trendy Plaza Batai enclave and DC Mall.

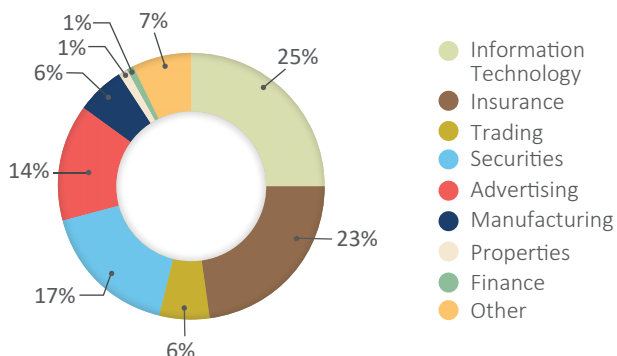
The commercial building comprises two office blocks and a retail podium that was refurbished in 2020, and features functional, high-quality office space, with easy access and ample parking. The triple-volume lobby welcomes tenants and visitors with an air of sophistication, while secured office-area access and 24-hour security ensures occupants' safety and absolute peace of mind.

On the ground floor, an outdoor amphitheatre provides a pleasant, tree-shaded green pocket for tenants and visitors to enjoy.

Plaza Zurich's anchor tenants include Zurich Life & General Insurance, Hong Leong Investment Bank, Hong Leong Asset Management and Hewlett-Packard PPS Sdn Bhd while the retail podium features a vibrant select of F&B tenants, including Ali, Muthu & Ah Hock, Sam's Bar & Restaurant, The Hub Coffee Roasters and Work@holic café, with more exciting offerings to come such as Café Limone.

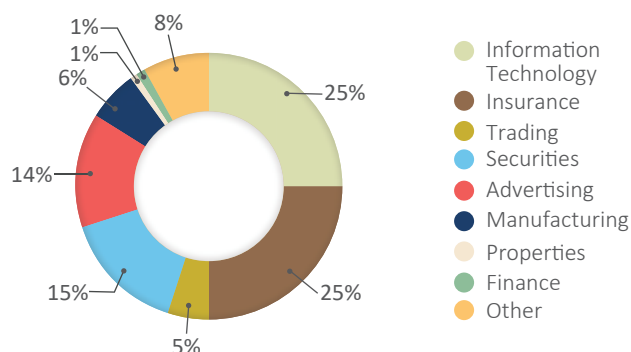
TENANTS MIX BY NET LETTABLE AREA

As at 30 June 2022



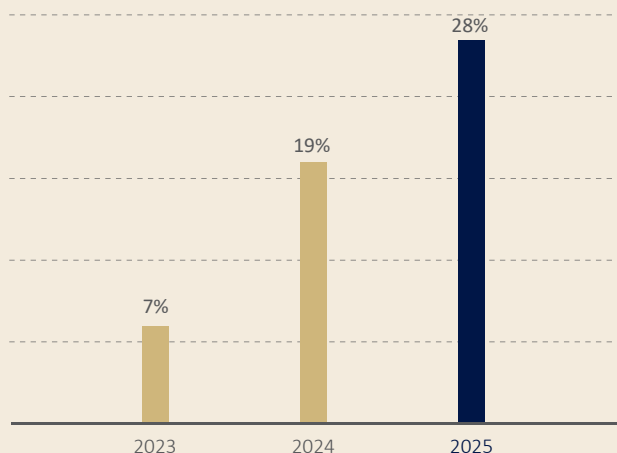
TENANTS MIX BY GROSS RENTAL INCOME

For the Month of June 2022



EXPIRY PROFILE

As at 30 June 2022



MAJOR TENANTS

As at 30 June 2022

Name	Trade Sector	% of Total Net Lettable Area
Zurich Life & General Insurance	Financial Services	14%
HP PPS Sdn Bhd	Information Technology	11%
Hong Leong Investment Bank Bhd & Hong Leong Asset Management Bhd	Financial Services	11%
Stream Enterprise (M) Sdn Bhd	Manufacturing	4%
TBWA	Advertising	3%
APD Digital (GrowthOps)	Information Technology	3%
		47%

ADDRESS

Plaza Zurich, No. 12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur

DESCRIPTION

2 blocks of 8½ and 20½-storey office buildings with 2½-level of connecting podium and 4-level of basement car park

PROPERTY TYPE/USE

Commercial Office Building

AGE

29 years

TITLE DETAILS

Lot No. 481091,
Title No. Geran 80304,
Mukim and District of Kuala Lumpur

ENCUMBRANCES

First party legal charge to Public Bank Berhad

LIMITATION IN TITLE/INTEREST

Nil

TENURE

Freehold

NET LETTABLE AREA

351,289 sq. ft.

OCCUPANCY RATES *

66%

PARKING SPACE

546 car park bays

DATE OF ACQUISITION

17 April 2006

ACQUISITION PRICE

RM130,000,000

MARKET VALUE

RM228,900,000

DATE OF LATEST VALUATION

31 March 2022

NAME OF VALUER

Raine & Horne International Zaki + Partners Sdn Bhd

NET BOOK VALUE

RM228,900,000 *

PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara) Sdn Bhd

* As at 30 June 2022

Assets Profile

cont'd



Menara Guoco is a 19-storey premium-grade office tower. It is Green Building Index (GBI) certified, Gold LEED 2009 Core & Shell Development-accredited and a designated MSC Malaysia Cybercentre.

In August 2022, Menara Guoco has emerged as the Gold Winner in the Below 10 Years: Single-owned Office in a Mixed Strata Category of The Edge Malaysia Best Managed & Sustainable Property Awards 2022.

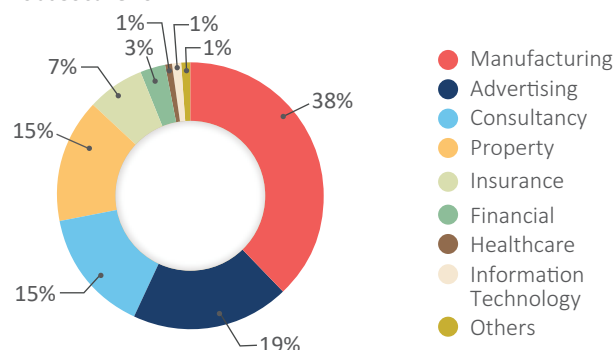
Its modern and contemporary main lobby features impressive, triple volume ceilings, granite interiors, a glass facade and a sheltered porte cochère. The building has a three-tier security system and a designated smart lift solution for the safety and convenience of tenants and visitors.

Strategically located just 5km from Kuala Lumpur City Centre, Menara Guoco is a part of Damansara City - a RM2.5 billion integrated development in the upscale neighbourhood of Damansara Heights. With easy access to major road networks and within walking distance of the Pusat Bandar Damansara MRT station, Damansara City is a confluence of premium office and commercial space, upscale residences and hospitality services. It brings together a full suite of amenities, from retail to lifestyle services, and fine dining to everyday eateries, that are continually refreshed, making it a vibrant place to live, work and play.

Menara Guoco's anchor tenants include British American Tobacco, Dentsu Aegis Network, AECOM and GuocoLand (Malaysia) Berhad.

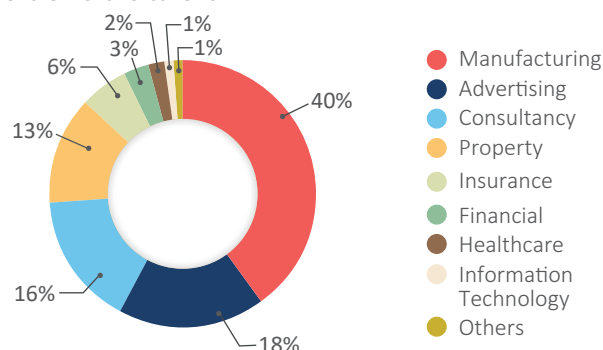
TENANTS MIX BY NET LETTABLE AREA

As at 30 June 2022



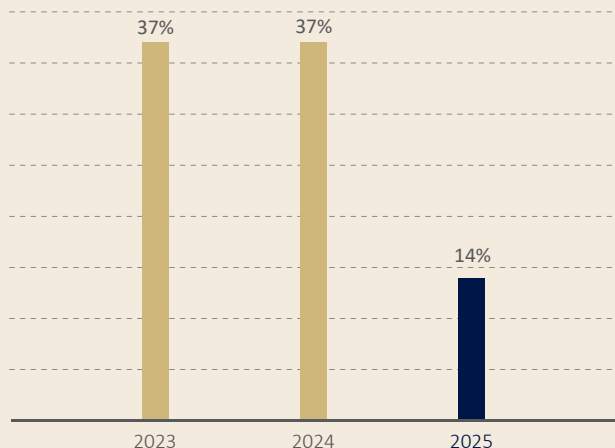
TENANTS MIX BY GROSS RENTAL INCOME

For the Month of June 2022



EXPIRY PROFILE

As at 30 June 2022



MAJOR TENANTS

As at 30 June 2022

Name	Trade Sector	% of Total Net Lettable Area
BAT Malaysia Group	Manufacturing	34%
Dentsu Holdings Malaysia	Advertising	17%
Aecom Perunding Sdn Bhd	Consultancy	12%
GLM IHM Sdn Bhd	Property	13%
FWD Technology & Innovation Malaysia	Insurance	6%
		81%

ADDRESS

Menara Guoco, No. 6,
Jalan Damanlela, Bukit Damansara,
50490 Kuala Lumpur

DESCRIPTION

Stratified 19 storey office building

PROPERTY TYPE/USE

Commercial Office Building

AGE

6 years

TITLE DETAILS

Lot No. 58303,
Title No. Geran 74955/M1/B6/4,
Mukim and District of Kuala Lumpur

ENCUMBRANCES

Assigned to Public Bank Berhad

LIMITATION IN TITLE/INTEREST

Nil

TENURE

Freehold

NET LETTABLE AREA

232,133 sq. ft.

OCCUPANCY RATES *

87%

DATE OF ACQUISITION

19 August 2020

ACQUISITION PRICE

RM242,100,000

MARKET VALUE

RM249,200,000

DATE OF LATEST VALUATION

31 March 2022

NAME OF VALUER

Raine & Horne International Zaki +
Partners Sdn Bhd

NET BOOK VALUE

RM249,200,000 *

PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara)
Sdn Bhd

* As at 30 June 2022

Management Discussion and Analysis

DEAR UNITHOLDERS

As Malaysia is now transitioning out of the COVID-19 pandemic phase, the property sector is expected to see an improved outlook in tandem with the anticipated recovery in Malaysian economy. As such Tower Real Estate Investment Trust ("Tower REIT" or the "Trust") is optimistic of improved performance in the near future.

The following Management Discussion and Analysis aims to provide unitholders and stakeholders insights into the strategic initiatives carried out by the Manager during the financial year ended 30 June 2022 ("FY2022"), the operating landscape and factors affecting performance as well as the Trust's outlook moving forward.

BUSINESS OVERVIEW

Tower REIT is a real estate trust fund that was constituted under the Deed dated 17 February 2006 (as amended and restated by a Deed dated 29 May 2014 and the second restated deed dated 23 October 2019) (the "Deed") entered into between the Manager and MTrustee Berhad, acting as the Trustee of Tower REIT.

The principal activity of the Trust is to own and invest in real estate and real estate related assets.

Tower REIT has been listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") since 12 April 2006.

As at 30 June 2022, Tower REIT's portfolio consists of three prime commercial buildings located in Kuala Lumpur, namely Menara HLX, Plaza Zurich and Menara Guoco.

As at 30 June 2022, Tower REIT's composition of investment portfolio by market value was as follows:

	Market Value	
	RM'000	%
Real Estate		
Menara HLX	340,500	42
Plaza Zurich	228,900	28
Menara Guoco	249,200	30
	818,600	100

Management Discussion and Analysis

cont'd

INVESTMENT OBJECTIVE

The objective of the Trust is to invest primarily in a portfolio of real estate including quality office buildings, commercial properties, residential properties and industrial properties in order to provide unitholders with regular and stable distributions, achieve an attractive level of return from rental income and medium to long-term growth in the Net Asset Value ("NAV") per unit.

INVESTMENT STRATEGIES

The strategic approach undertaken by the Manager to achieve the Trust's investment objectives include:

- i. progressive and planned asset enhancement
- ii. pro-active risk management, and
- iii. continuously improving operational efficiencies.

The Manager also aims to embrace a more data-driven and fact-based approach towards decision-making in order to maximise growth opportunities of its assets while mitigating various risks that may impact the performance of the Trust.

In order to position the Trust as an attractive counter to the investment community, Tower REIT intends to distribute at least 90% of the distributable income for the relevant financial year to its unitholders. Thus far, the distributions are made semi-annually, with the amount calculated as at 30 June and 31 December each year.

OPERATING LANDSCAPE

The Malaysian economy is already showing signs of positive growth as the country transitions out of the pandemic phase. According to Bank Negara Malaysia, the nation's economy registered a positive growth of 5.0% in the first quarter of 2022, which was even higher compared to a growth of 3.6% in the fourth quarter of 2021. Also encouraging was the recovery of the job market, with the unemployment rate declining further to 4.1% from 4.3% recorded in the immediately preceding quarter.

In view of the improved economic performance, the Malaysian property market has also shown signs of recovery with a marginal 1.5% increase in overall volume of transactions and a significant 21.7% rise in the value of transactions in 2021 compared to a year ago, according to the National Property Information Centre (NAPIC).

Nevertheless, the purpose-built office ("PBO") space sub-segment remains under pressure as a result of increased supply and lower demand as businesses continue to adapt to operating in the post-COVID 19 era.

The total supply of PBO space in the country increased to 23.97 million square meters in 2021, which led to a decline in occupancy rates from 80.2% in 2020 to 78.3% in 2021. Privately owned PBO recorded an even lower occupancy rate of 71.2% in 2021.

In spite of the lower occupancy rates, rental rates in key urban centres of the Klang Valley remained stable with the rental index in 2021 softening marginally by only 0.1% since year 2020.

REVIEW OF FINANCIAL RESULTS

Amidst a challenging operating landscape, Tower REIT managed to turn in an improved performance in FY2022.

Gross revenue for FY2022 stood at RM32.6 million, which marked a 2.4% rise compared to RM31.8 million recorded in the previous financial year. The increase was mainly due to the full revenue recognition of Menara Guoco during FY2022.

However, interest expenses increased by 19.7% as a result of the full year's loan interest incurred on the acquisition of Menara Guoco and the increase in interest rate.

The investment properties recorded a fair value gain of RM0.2 million in FY2022 compared to a fair value loss of RM12.4 million in the previous financial year.

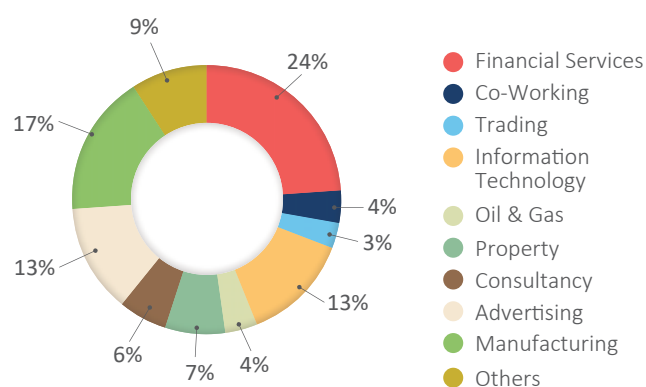
This has contributed to a total comprehensive income of RM5.9 million for FY2022 compared to a loss of RM4.9 million a year ago.

Management Discussion and Analysis

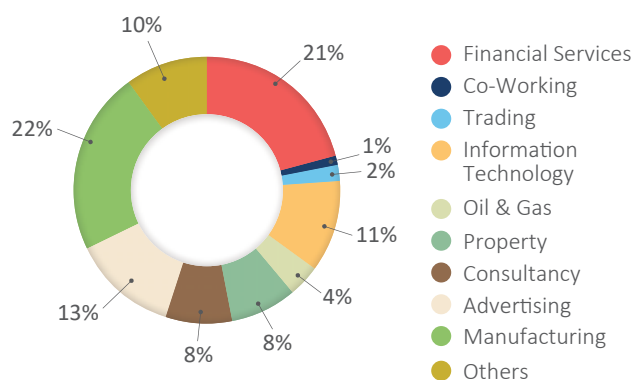
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Property	Net Lettable Area sq. ft.	Acquisition Date	Acquisition Cost RM'000	Incidental cost/ Addition/ Enhancement RM'000	Carrying Value at 30-Jun-22 (prior to revaluation) RM'000	At Market Value 30-Jun-22 RM'000	Fair Value Adjustment RM'000	% of Portfolio
Menara HLX	382,735	17-Apr-06	221,000	16,836	237,836	340,500	102,664	42
Plaza Zurich	351,289	17-Apr-06	130,000	10,976	140,976	228,900	87,924	28
Menara Guoco	232,133	19-Aug-20	242,100	3,458	245,558	249,200	3,642	30
Total	966,157		593,100	31,270	624,370	818,600	194,230	100

Tenant mix by net lettable area
as at 30 June 2022



Tenant mix by gross rental income
for the month of June 2022



Major Tenants as at 30 June 2022	Trade Sector	% of Portfolio's Net Lettable Area
British American Tobacco Group	Manufacturing	8
Dentsu Holdings Malaysia	Advertising	4
Zurich Insurance Group	Insurance	5
Aecom Perunding Sdn Bhd	Consultancy	3
HP PPS	Information Technology	4
		24

Management Discussion and Analysis

cont'd

LEASE EXPIRY PROFILE						
	2023		2024		2025	
	No. of Tenants	% of Net Lettable Area	No. of Tenants	% of Net Lettable Area	No. of Tenants	% of Net Lettable Area
Menara HLX	11	17	3	1	5	8
Plaza Zurich	7	7	11	19	12	28
Menara Guoco	5	37	5	37	3	14
Total	23	18	19	16	20	17

The Manager of Tower Reit has declared a final income distribution of 0.65 sen per unit, amounting to RM1,823,250 (compared to the final income distribution of 1.16 sen per unit, amounting to RM3,253,800 in the previous corresponding period). The final income distribution, together with the interim income distribution of 1.20 sen per unit paid on 28 February 2022, represent approximately 90.9% of the realised distributable net income for FY2022. As such, the Fund has successfully distributed at least 90% of the distributable income in accordance with its dividend policy.

DISTRIBUTION YIELD	2017	2019	2020	2021	2022
Annualised Distribution Yield	5.00%	5.50%	3.06%	3.64%	3.33%
Annualised Distribution Yield of the Trust is derived by:					
	$\frac{\text{Gross Distribution per Unit of the year}}{\text{Average Unit price of the year}}$				

FUND PERFORMANCE

	2017	2019 (18-month)	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
STATEMENT OF FINANCIAL POSITION					
Total Asset Value	567,370	572,166	588,771	827,132	827,077
Total Borrowings	100	100	24,000	268,956	269,175
NAV before income distribution	545,603	540,076	533,306	522,107	521,364
NAV after income distribution	537,749	529,052	529,996	518,853	519,541
Units in Circulation / Listed	280,500,000	280,500,000	280,500,000	280,500,000	280,500,000
NAV Per Unit (RM)					
- Before income distribution	1.9451	1.9254	1.9013	1.8613	1.8587
- After income distribution	1.9171	1.8861	1.8895	1.8497	1.8522
- Highest NAV per unit (ex-distribution)	1.9451	1.9408	1.9013	1.9002	1.8628
- Lowest NAV per unit (ex-distribution)	1.9256	1.8949	1.8934	1.8613	1.8549

Management Discussion and Analysis

cont'd

	2017	2019 (18-month)	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
STATEMENT OF COMPREHENSIVE INCOME					
Total Revenue	32,644	44,054	21,604	31,848	32,608
Income After Taxation					
- Realised and distributable	17,993	23,625	7,490	6,201	5,712
- Unrealised from fair value adjustment	1,803	(9,798)	270	(11,146)	165
	19,796	13,827	7,760	(4,945)	5,877
Earnings Per Unit (sen) ⁽¹⁾					
- Realised	6.41	8.42	2.67	2.21	2.04
- Unrealised	0.64	(3.49)	0.10	(3.97)	0.06
	7.06	4.93	2.77	(1.76)	2.10
Income Distribution					
- 1st Interim	8,976	5,890	3,506	2,945	3,366
- 2nd Interim	-	5,610	-	-	-
- Final	7,854	11,024	3,310	3,254	1,823
	16,830	22,524	6,816	6,199	5,189
Distribution Per Unit (sen)					
- 1st Interim	3.20	2.10	1.25	1.05	1.20
- 2nd Interim	-	2.00	-	-	-
- Final	2.80	3.93	1.18	1.16	0.65
	6.00	8.03	2.43	2.21	1.85
Date of Distribution					
- 1st Interim	6-Sep-17	30-Aug-18	28-Feb-20	26-Feb-21	28-Feb-22
- 2nd Interim	-	28-Nov-18	-	-	-
- Final	28-Feb-18	28-Aug-19	28-Aug-20	30-Aug-21	30-Aug-22
RATIOS					
Management expenses ratio ("MER") ⁽²⁾ (%)	0.48	0.62	0.42	1.08	0.56
Interest expenses	237	251	487	7,970	9,538
Interest Cover Ratio ⁽³⁾ (times)	76.9	95.1	16.4	1.8	1.6
Gearing Ratio ⁽⁴⁾ (%)	0	0	4	33	33

Notes:

(1) Based on weighted average number of units in issue during the respective financial years.

(2) Based on total fees, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administration expenses, to the average NAV during the respective financial years.

(3) Based on realised net income before interest and tax (realised) over interest expenses.

(4) Based on total borrowings over total assets.

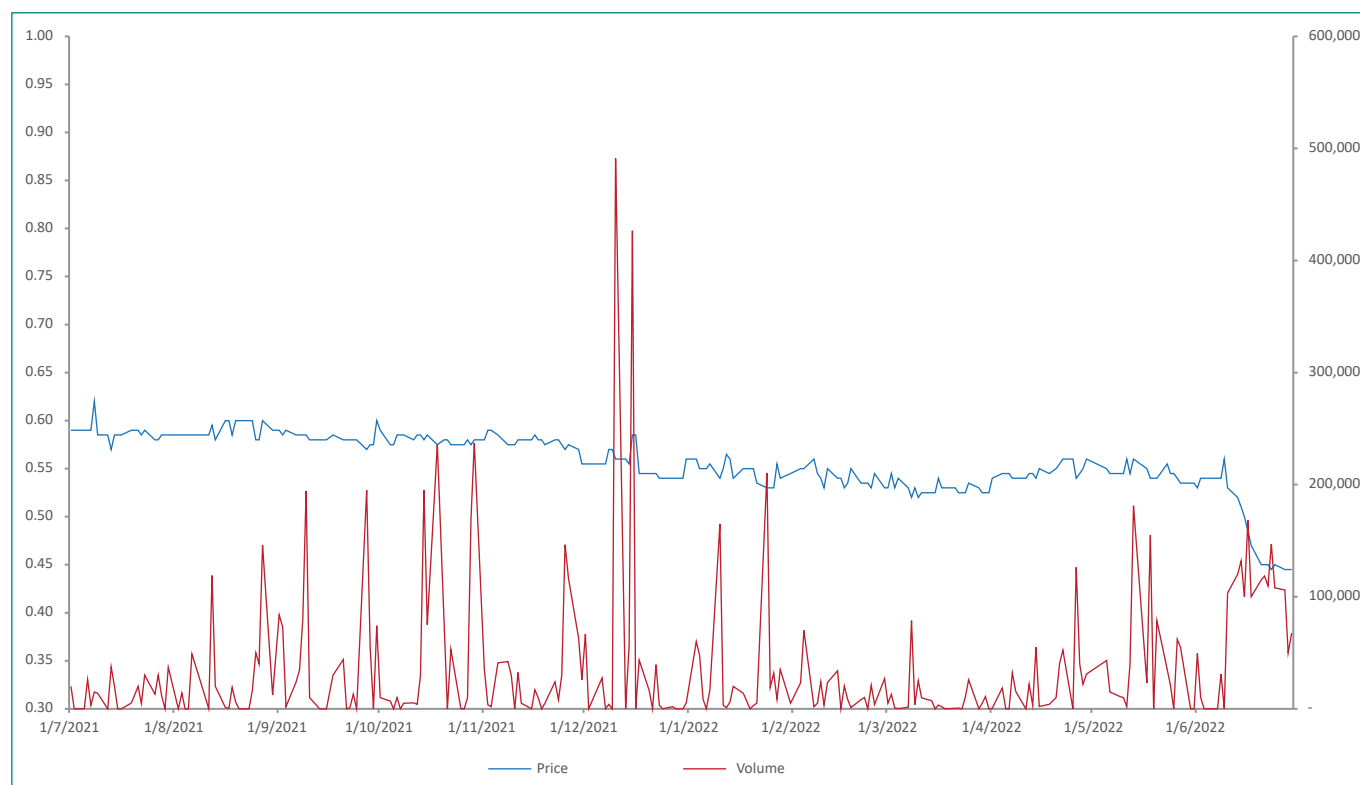
Management Discussion and Analysis

cont'd

The REIT's total asset value (TAV) declined marginally to RM827.08 million as at 30 June 2022 compared to RM827.13 million as at 30 June 2021. Net asset value (NAV) after income distribution was higher at RM519.5 million as at 30 June 2022 compared to RM518.9 million as at 30 June 2021, with NAV per unit after income distribution of RM1.8522, compared to RM1.8497 the year before.

Office REIT	Management Expenses Ratio (%)
Tower REIT	0.56
AmFirst	0.76
UOA	0.73
Sentral REIT	1.10

MARKET UNIT PRICE AND TRADING PERFORMANCE



UNIT PRICE PERFORMANCE	IPO	2017	2019	2020	2021	2022
	RM'000	RM	RM	RM	RM	RM
Unit price per unit at close of respective years	1.07	1.22	0.88	0.75	0.59	0.45
Highest traded price during the years		1.23	1.23	0.93	0.76	0.62
Lowest traded price during the years		1.17	0.87	0.55	0.55	0.45
Average unit price for the years ⁽¹⁾		1.20	0.97	0.79	0.61	0.56

Management Discussion and Analysis

cont'd

ANNUAL TOTAL RETURN	2017	2019	2020	2021	2022
Total Return for the years	4%	-18%	-19%	-28%	-6%
Total Return of the Trust for the year is derived by:	$\frac{\text{Gross Distribution per unit} + \text{Net Change in Average Unit Price}}{\text{Average Unit Price}}$				

AVERAGE TOTAL RETURN	2017	2019	2020	2021	2022
1 year	4%	-18%	-19%	-28%	-6%
3 years	0%	-2%	-11%	-22%	-18%
Since inception	8%	7%	6%	4%	2%
Average Total Return of the Trust is derived by:	$\frac{\text{Total Return over the year}}{\text{Number of Years under review}}$				

Note:

(1) Average unit price is derived from the average of the daily market closing price for the respective years.

OPERATIONS REVIEW

Tower REIT continued to focus on recovery for FY2022, during which Movement Control Orders were gradually eased and Malaysia eventually transitioned into endemic phase with effect from 1 April 2022.

The main objective was centered on improving occupancy rates for all its investment buildings.

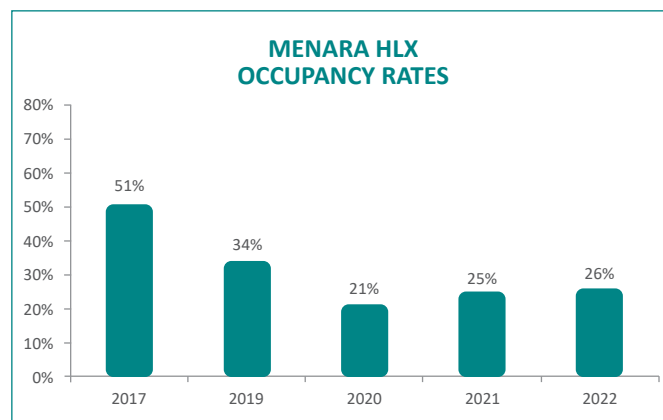
We are mindful of the need for a paradigm shift in our leasing strategies to improve overall performance and also to retain existing tenancies. Primarily, we emphasise and prioritise the health and safety of occupants and visitors to our investment properties to address concerns about returning to office post pandemic phase.

We formulated strategies by analysing the new norms in the tenants' market following Covid 19 pandemic and we continue to adapt and evolve to help vitalise the demand for office space.

Management Discussion and Analysis

cont'd

Menara HLX

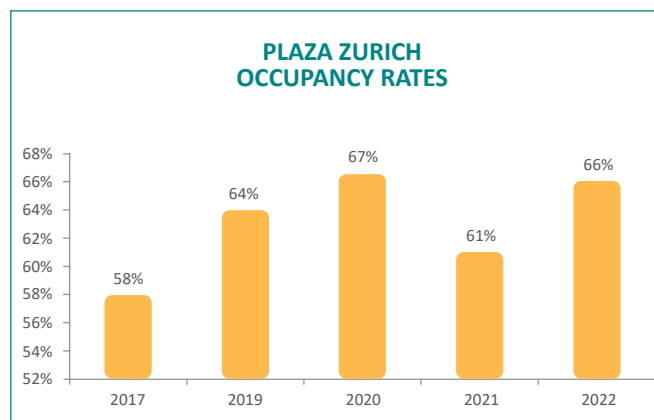


Menara HLX is a newly refurbished 32-storey office tower in the Kuala Lumpur's Golden Triangle that offers collaborative workspaces, curated offices and conventional office space which caters to any business needs within a conducive ecosystem.

Menara HLX is strategically located just 200 metres from Pavilion Shopping Centre in Bukit Bintang, which offers a host of retail and dining options and lifestyle amenities. It is also within walking distance of the Raja Chulan monorail and Bukit Bintang MRT stations, and is connected to KLCC via the KLCC-Bukit Bintang elevated walkway.

Menara HLX's anchor tenants include International Petroleum Corp, Beyond4 Training Academy, Commerce Asia, and the Embassies of Namibia and South Africa. During FY2022, the office tower welcomed new tenants, Emmanuel and Amara Investment.

Plaza Zurich



Nestled in the upmarket and established commercial area of the high income suburb of Damansara Heights and within 5km from Kuala Lumpur City Centre, Plaza Zurich is a neighborhood landmark that is easily accessible through major highways and byways. The building is conveniently located adjacent to the Semantan MRT station and within walking distance to the vibrant and trendy Plaza Batai enclave and DC Mall.

The commercial building, which was recently refurbished, comprises two office blocks and a retail podium, and features functional, high-quality office space, with easy access and ample parking. The triple-volume lobby welcomes tenants and visitors with an air of sophistication, while the modern office-area access and 24-hour surveillance ensure occupants' safety and security.

On the ground floor, an outdoor amphitheater provides a pleasant, tree-shaded green pocket for tenants and visitors to enjoy.

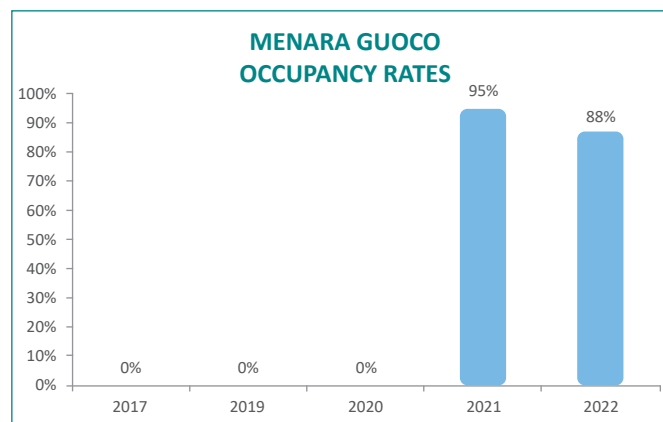
Plaza Zurich's anchor tenants include Zurich Life & General Insurance, Hong Leong Investment Bank, Hong Leong Asset Management and Hewlett-Packard PPS Sdn Bhd while the retail podium features a vibrant select of F&B tenants, including Ali, Muthu & Ah Hock, Sam's Bar & Restaurant, The Hub Coffee Roasters and Work@holic café, with more exciting offerings to come such as Café Limone.

In FY2022, Plaza Zurich sealed the tenancy of APD Digital, which took up a sizeable net lettable area. The building also saw new tenancies from Tatler, Workspace Solution, Sunquick, Tadau and Medica Ventures.

Management Discussion and Analysis

cont'd

Menara Guoco



Menara Guoco is a fairly new, 19-storey premium-grade office tower. It is Green Building Index (GBI) certified, Gold LEED 2009 Core & Shell Development-accredited and a designated MSC Malaysia Cybercentre.

Its modern and contemporary main lobby features impressive, triple volume ceilings, granite interiors, a glass facade and a sheltered porte cochère. The building has a three-tier security system and a designated smart lift solution for the safety and convenience of tenants and visitors.

Strategically located within 5km from Kuala Lumpur City Centre, Menara Guoco is a part of the RM2.5 billion Damansara City integrated developments in the upscale neighbourhood of Damansara Heights. With easy access to major road networks and within walking distance of the Pusat Bandar Damansara MRT station, Damansara City is a confluence of premium office and commercial space, upscale residences and hospitality services. It brings together a full suite of amenities, from retail to lifestyle services, and fine dining to everyday eateries, making it a vibrant place to live, work and play.

Menara Guoco's anchor tenants include British American Tobacco, Dentsu Aegis Network, AECOM and GuocoLand (Malaysia) Berhad.

MANAGING RISK

Risk management remains an integral part of the Manager's capital and asset management philosophy.

Macro-economic factors such as unemployment rates, inflation rates, commodity prices, property price indices as well as business and consumer confidence are key risk indicators that impact the property industry as a whole. As such, the Manager of the Trust has to remain vigilant in monitoring and anticipating macro-economic trends in order to stay ahead of the curve.

The Trust also faces competitive risks as more and more commercial properties enter the market. In order to remain a step ahead of the competition, the Manager prioritises excellence in customer service management while consistently exploring ways and means to surpass tenants' expectations.

Tower REIT's commitment towards managing risks proactively and comprehensively is detailed in the Statement on Risk Management and Internal Control section of this Annual Report.

MOVING FORWARD

Bank Negara Malaysia expects the domestic economy to improve further in 2022, with growth projected at 5.3% to 6.3% facilitated by stronger domestic demand, continued expansion in external demand, and further improvement in the labour market. Nevertheless, external and domestic uncertainties remain including weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse developments surrounding COVID-19 and heightened financial market volatility.

In relation to the property market, the prevalent oversupply of office space particularly in the Klang Valley will invariably impact demand. As a result, rental rates in the office sector may remain subdued in the immediate to medium term.

The Manager of Tower REIT is committed to taking proactive steps to enhance the attractiveness of its commercial properties to their target markets while striving to strengthen operational and cost efficiency throughout its value chain.

We strive to be agile and to adapt quickly to the ever-changing and evolving needs of the market particularly in the office sector, and we are optimistic that Tower REIT will continue to deliver value and sustainable returns to its unitholders.

Chairman's Statement

Dear Unitholders,

The financial year ended 30 June 2022 ("FY2022"), closed on a much brighter note than when it started. The pandemic which flared and raged over the past 2 years has substantially been subdued through an unprecedented and vigorous vaccination programme undertaken across the Malaysian population. Consequently, the tight social lockdowns have been relaxed and Covid-19 infections, although still in existence through new strains of viruses, appear less virulent and fatal. The domestic medical infrastructure is currently coping well and at this juncture, it is timely to express our gratitude to all frontliners especially the medical personnel who took care of the ailing and were involved in the vaccination efforts across all corners of the country. They have served the nation well in its moment of need.

While the medical urgency may have ebbed, the task of rebuilding the domestic economy and its vibrancy is at hand. This task is not made easy with ongoing supply chain disruptions, labour shortages and a Ukraine-Russia conflict with Western-imposed sanctions impeding the fluidity of global commerce; all combining to inflame a raging inflation. This has prompted central banks globally, including our Bank Negara Malaysia ("BNM"), to increase interest rates and in some cases, curb liquidity through their quantitative tightening of the money supply. As a result of differing monetary responses, foreign exchange rates are being realigned. At the time of this statement, our Ringgit has seen recent lows against the US dollar and the Singapore dollar. This may cause imported inflation but on a positive note, may also help to boost our export competitiveness.



Chairman's Statement

cont'd

ECONOMIC AND PROPERTY MARKET REVIEW

Malaysia recorded a gross domestic product growth of 3.1 percent in 2021 against a backdrop of a pandemic-stricken economy slowly emerging after logging a 3.6 percent year-on-year growth in the fourth quarter of the year. This positive trend of recovery continued in 2022 with the Malaysian economy registering a growth of 5 percent in the first quarter of 2022 compared with the preceding quarter, supported mainly by improving domestic demand as economic activity continue to normalise with the easing of social containment measures. For the remainder of 2022, BNM expects the Malaysian economy to remain on a recovery path, underpinned by stronger domestic demand, continued expansion in external demand and further improvement in the labour market.

Nevertheless, BNM has cautioned that risks to Malaysia's growth momentum remain. These include a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, possible flare-up of the pandemic as new variants emerge and heightened financial market volatility as interest rates are raised to dampen inflation.

The overall property market in Malaysia has continued to be weighed down by over-supply of inventory, cost escalations and labour shortage. Construction activities have picked up but have not reached pre-pandemic levels, and supply of completed office buildings continue to be added to the market, albeit at a slower pace. The Klang Valley office market remains subdued, with landlords coming up with innovative leasing strategies to improve occupancy.

BUSINESS AND FINANCIAL REVIEW

Tower REIT ended FY2022 with revenue of RM32.6 million compared to RM31.8 million recorded in the previous financial year. Net Income for FY2022 was RM5.9 million which was a turnaround from the net loss of RM4.9 million in the previous financial year; the latter being largely caused by the fair value loss recognised in our investment properties of RM12.4 million in that year. Our investment property portfolio ended FY2022 with a slight improvement in the fair value which was assessed by external valuers as RM818.6 million.

A more detailed analysis of our financial performance is available in the Management Discussion and Analysis section of this Annual Report.

INCOME DISTRIBUTION

The Manager of Tower REIT is pleased to declare a final income distribution of 0.65 sen amounting to RM1,823,250 in respect of FY2022.

The final income distribution for FY2022, together with the interim income distribution of 1.20 sen per unit on 28 February 2022 represents a total income distribution of RM5,189,250.

LOOKING AHEAD

While Malaysia is on the path of recovery, new challenges have started to cloud the horizon. Inflation, although moderated by the Government's programme of subsidies, is adversely affecting demand. Higher interest rates and energy cost will erode incomes and raised the burden on households and the commercial sector, thereby dampening demand.

At Tower REIT, we will continue our efforts to build resilience through diligent cost management, value-added propositions to our tenants and adoption of strategies and actions to be more competitive.

We are cautiously optimistic that the market will continue to stabilise and provide us with growth opportunities. Consequently, we will strive to seek for yield-accretive investment opportunities to strengthen our portfolio.

APPRECIATION

On behalf of the Board and Management, I would like to express our gratitude to all our employees who have shown dedication and professionalism to deliver our promises, add value to our stakeholders and uphold our core values.

I would also like to convey my sincere appreciation to our valued tenants, business associates and our unitholders for your continued support and confidence in Tower REIT.

We are also deeply appreciative of the guidance, assistance and support we have received from our regulators, public sector agencies and all our stakeholders

TANG HONG CHEONG
Chairman

Manager's Report

GLM REIT Management Sdn Bhd (the “Manager”), the Manager of Tower Real Estate Investment Trust (“Tower REIT” or the “Trust”), is pleased to submit the Manager’s Report and the audited financial statements of Tower REIT for the financial year ended 30 June 2022.

THE TRUST

Tower REIT was constituted under the principal deed dated 17 February 2006 (as amended and restated by the restated deed dated 29 May 2014 and the second restated deed dated 23 October 2019) (the “Deed”) entered into between the Manager and MTrustee Berhad, acting as the Trustee of Tower REIT. Tower REIT was listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 12 April 2006.

The principal activity of the Trust is to own and invest in real estate and real-estate related assets with the primary objectives of achieving an attractive level of return from rental income and of achieving medium to long-term capital growth. There has been no significant change in the principal activity of the Trust during the year and up to the date of this Manager’s Report.

THE MANAGER

The Manager is responsible for the overall management and administration of the Trust, including its investments, asset enhancement and capital management initiatives. The Manager, incorporated in Malaysia, is a wholly-owned subsidiary of GuocoLand (Malaysia) Berhad. The principal activity of the Manager is the provision of management services to real estate investment trusts. There has been no significant change in the principal activity of the Manager during the year under review.

MANAGER’S FEES AND COMMISSION

Pursuant to the Deed constituting the Trust, the Manager’s fees consist of a base fee (excluding any goods and services tax payable) of up to 0.75% per annum of the gross asset value (“GAV”) and a performance fee (excluding any goods and services tax payable) of up to 4.00% per annum of the net property income, but before deduction of property management fee. During the financial year under review, the Manager charged 0.20% and 3.35% for the base fee and performance fee respectively.

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

- i) an acquisition fee of 1.00% of the acquisition price of any real estate or single-purpose company which principal assets comprise real estate, purchased for Tower REIT (pro-rate if applicable to the proportion of the interest of Tower REIT in the asset acquired); and
- ii) a divestment fee of 0.50% of the sale price of any real estate or a single-purpose company which principal assets comprise real estate, sold or divested by Tower REIT (pro-rate if applicable to the proportion of the interest of Tower REIT in the asset sold).

Manager's Report

cont'd

SOFT COMMISSION

During the financial year ended 30 June 2022, the Manager did not receive any soft commission from its broker by virtue of transactions conducted by Tower REIT.

DIRECTORS

The Directors who served on the Board of the Manager during the year under review and at the date of this report are:

- Mr Tang Hong Cheong – Chairman (Non-Independent Non-Executive Director)
- Mr Cheng Hsing Yao (Zheng Xinyao) (Non-Independent Non-Executive Director)
- Mr Tan Wee Bee (Non-Independent Non-Executive Director)
- YBhg Dato' Tan Ang Meng (Independent Non-Executive Director)
- YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (Independent Non-Executive Director)
- Ms Lim Tau Kien (Independent Non-Executive Director)
- Ms Lim Chew Yan (Non-Independent Non-Executive Director)

DIRECTORS' BENEFITS

During the financial year under review, there were no arrangements for the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of Tower REIT.

Since the establishment of Tower REIT, no Director has received or become entitled to receive any benefit by reason of a contract made by the Manager for Tower REIT or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

DIRECTORS' INTERESTS

The following Director of GLM REIT, holding office at the end of the financial year had, according to the register of unitholdings, interest in the units of Tower REIT as follows:

	Number of Units			
	As at 01.07.2021	Acquired	Sold	As at 30.6.2022
YBhg Dato' Tan Ang Meng (Direct)	33,000	-	-	33,000

Other than as disclosed above, the other Directors who held office at the end of the financial year did not have interests in the units of Tower REIT.

OTHER INFORMATION

- a) Before the statement of comprehensive income and statement of financial position of Tower REIT were made out, the Manager took reasonable steps:
 - i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and adequate provision has been made for doubtful debts; and
 - ii. to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- b) At the date of this report, the Manager is not aware of any circumstances which would render:
 - i. it necessary to write off any bad debts or to provide for doubtful debts in respect of the financial statements of Tower REIT;
 - ii. the values attributed to the current assets in the financial statements of Tower REIT misleading; and
 - iii. adherence to the existing method of valuation of assets or liabilities of Tower REIT misleading or inappropriate.
- c) As at the date of this report, there does not exist:
 - i. any charge on the assets of Tower REIT which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - ii. any contingent liability of Tower REIT which has arisen since the end of the financial year.
- d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which will or may affect the ability of Tower REIT to meet its obligations as and when they fall due.
- e) At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or financial statements of Tower REIT, which would render any amount stated in financial statements misleading.
- f) In the opinion of the Manager:
 - i. the results of the operations of Tower REIT during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of Tower REIT for the financial year in which this report is made.

Manager's Report

cont'd

STATEMENT BY MANAGER

We, GLM REIT Management Sdn Bhd, being the Manager of Tower REIT, are responsible for the preparation of the annual financial statements of Tower REIT.

We are satisfied that in preparing the financial statements of the Trust for the financial year ended 30 June 2022, the Trust has used appropriate accounting policies and applied them consistently. We are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

Signed in accordance with a resolution of the Directors of GLM REIT Management Sdn Bhd.

TAN WEE BEE
Director

DATO' NICHOLAS JOHN LOUGH
@ SHARIF LOUGH BIN ABDULLAH
Director

29 July 2022

Directors' Profile

MR TANG HONG CHEONG

*Chairman
Non-Executive Director/
Non-Independent*

Age 67, Male, Malaysian

Mr Tang Hong Cheong is a Member of The Malaysian Institute of Accountants. He has over 40 years of broad-based and C-suite expertise in finance, treasury, risk management, operations and strategic planning. He possesses in-depth knowledge in investment, manufacturing, financial services, property development, gaming and hospitality industry. He has held various senior management positions in different companies within the Hong Leong Group, prior to his retirement as President & Chief Executive Officer of Guoco Group Limited in December 2020.

Mr Tang Hong Cheong is the Chairman of GLM REIT Management Sdn Bhd ("GLM REIT") and was appointed to the Board of Directors of GLM REIT on 1 July 2021.

He is also the Chairman of GuocoLand (Malaysia) Berhad ("GLM") and a Director of Eco World International Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad; and a Director of Hong Leong Islamic Bank Berhad, a public company.

MR CHENG HSING YAO (ZHENG XINYAO)

*Non-Executive Director/
Non-Independent*

Age 51, Male, Singaporean

Mr Cheng Hsing Yao holds a Master in Design Studies from Harvard University, Bachelor of Architecture from Newcastle University, United Kingdom and a Bachelor of Arts from National University of Singapore (NUS).

Mr Cheng is the Chief Executive Officer of GuocoLand Limited (GLL), GLM's holding company listed on the Singapore Stock Exchange. Mr Cheng has extensive experience in the real estate sector including developing integrated mixed-developments, Premium Grade A offices, high-end residential projects as well as in urban planning.

He has held various senior positions with GLL Group, most recently the Group Managing Director of GuocoLand Singapore. Prior to joining GLL Group in 2012, he was with the Singapore public service, where he held leadership positions at the Urban Redevelopment Authority (URA) and Centre for Liveable Cities under the Ministry of National Development.

Currently, Mr Cheng is a board member of Singapore's National Parks Board. In addition, he is a member of URA's International Panel of Experts, as well as its Design Advisory Committee and Heritage and Identity Partnership. He is also Co-chairman of the Central Procurers Panel (CPP) at the Building and Construction Authority (BCA).

Besides serving as an executive committee member of the Urban Land Institute (ULI) Singapore, Mr Cheng is a member of the management board of the Institute of Real Estate and Urban Studies (IREUS) at the NUS. He was the Founding Chairman of Discover Tanjong Pagar – the Business Improvement (BID) association for Tanjong Pagar in Singapore. He is currently a Director of Discover Tanjong Pagar. In January 2021, Mr Cheng was appointed by the President of the Republic of Singapore as a Nominated Member of Parliament.

Mr Cheng was appointed to the Board of GLM REIT on 1 July 2021 and is a member of the Nominating Committee of GLM REIT.

He is also a Director of GLM and Eco World International Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad.

Directors' Profile

cont'd

MR TAN WEE BEE

*Non-Executive Director/
Non-Independent*

Age 51, Male, Singaporean

Mr Tan Wee Bee graduated with a Bachelor of Engineering, Civil Engineering from National University of Singapore ("NUS") in 1995. He further obtained a Master of Science, Civil Engineering from NUS in 1998 and a Master of Business Administration from State University of New York at Buffalo, USA in 2004.

Mr Tan brings over 25 years of experience in property development and construction industry in Singapore and Malaysia as well as international. He held various senior positions within the Sunway Group before joining GLM in 2021.

Mr Tan is currently the Group Managing Director of GLM.

Mr Tan was appointed to the Board of GLM REIT on 28 April 2021.

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

*Non-Executive Director/
Independent*

*Age 70, Male, British citizen
holding Malaysian permanent
residency*

YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah holds a Gemmology Diploma from The National Association of Goldsmiths, London, Great Britain and is a Fellow member of The Gemmological Association of Great Britain.

YBhg Dato' Lough has extensive experience in the corporate sector, serving in various capacities, including Group Executive Director of Melewar Corporation Berhad from 1987 to 1995. He possesses a wealth of experience in the fields of corporate finance and strategic planning, and has in-depth knowledge on corporate governance, risk management, internal controls and compliance.

YBhg Dato' Lough was appointed to the Board of GLM REIT on 17 February 2014 and he is a member of the Board Audit & Risk Management Committee of GLM REIT.

YBhg Dato' Lough is currently a Director of Scicom (MSC) Berhad and Hong Leong Bank Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad; and a Director of Hong Leong MSIG Takaful Berhad, a public company.

MS LIM TAU KIEN

*Non-Executive Director/
Independent*

Age 66, Female, Malaysian

Ms Lim Tau Kien graduated from the University of Glasgow and is a member of the Institute of Chartered Accountants of Scotland and the Malaysian Institute of Accountants.

Ms Lim began her career with Ernst & Young, United Kingdom, before serving the Ministry of Finance and Prime Minister's Department as a Federal Accountant. She subsequently joined the Royal Dutch Shell Group where she held various senior finance roles over a period of 25 years in Malaysia, Australia and China, her last position being the Country Chief Financial Officer/Finance Director/Country Controller of the Shell Companies of China from 2004 to 2008.

Ms Lim has been a director of listed and non-listed companies since 1997. She was appointed to the Board of GLM REIT on 25 July 2019. She is the Chairman of the Nominating Committee and a member of the Board Audit & Risk Management Committee of GLM REIT.

Ms Lim is also a Director of Digital Nasional Berhad, a public company.

Directors' Profile

cont'd

MS LIM CHEW YAN

*Non-Executive Director/
Non-Independent*

Age 65, Female, Malaysian

Ms Lim Chew Yan holds Bachelor of Law, Masters in Law and Masters in Business Administration degrees. She joined Hong Leong Group in year 1986, holding various positions within the Hong Leong Group before assuming her current position as Corporate Finance Director and Group General Counsel of HL Management Co Sdn Bhd.

Ms Lim was appointed to the Board of GLM REIT on 1 August 2008.

YBHG DATO' TAN ANG MENG

*Non-Executive Director/
Independent*

Age 66, Male, Malaysian

YBhg Dato' Tan Ang Meng is a certified public accountant and was admitted to the membership of the Malaysian Institute of Certified Public Accountants in 1980.

YBhg Dato' Tan started his career in 1975 with PriceWaterhouseCoopers, Kuala Lumpur in the audit division. He left the firm in 1981 to join UMW. In 1983, he joined Guinness Malaysia Berhad. Following the merger between Guinness Malaysia Berhad and Malayan Breweries (M) Sdn Bhd, he was transferred to Malayan Breweries Limited in 1991 (which later changed its name to Asia Pacific Breweries Ltd) and served within the Group until January 2001. During that period, he held various senior management positions with his last position as Regional Director based in Singapore with responsibility for the brewery operations in China, Vietnam, Cambodia and Myanmar. In March 2001, he was appointed as Chief Executive Officer of Fraser & Neave Holdings Bhd, a position he held until his retirement in November 2010.

YBhg Dato' Tan was appointed to the Board of GLM REIT on 1 September 2020. He is the Chairman of the Board Audit & Risk Management Committee and a member of the Nominating Committee of GLM REIT.

YBhg Dato' Tan is also a Director of Southern Steel Berhad and Red Sena Berhad (under members' voluntary liquidation), both listed on the Main Market of Bursa Malaysia Securities Berhad; and a Director of QBE Insurance (Malaysia) Berhad, a public company.

Chief Executive Officer's Profile

PUAN NOORBAIZURA BINTI HERMEYNEY

Chief Executive Officer

Age 42, Female, Malaysian

Puan Noorbaizura graduated with a Bachelor of Accountancy (Hons) from University Teknologi Mara in 2002. Subsequently in August 2003, she completed her Association of Chartered Certified Accountants professional examination.

Puan Noorbaizura has extensive experience in the area of real estate asset management, strategic planning, business development and corporate finance.

Prior to joining GLM REIT, she was the Portfolio Manager-Savills Malaysia Asset Management. She has held various senior management positions in various companies, among others, Chief Executive Officer of Amanahraya Kenedix REIT, Director for Naza Asset Management and Senior Vice President of Medini Iskandar Malaysia (Johor).

Puan Noorbaizura was appointed as the Chief Executive Officer of GLM REIT on 7 February 2022.

Notes:

1. **Family Relationship with Directors and/or Major Unitholders**
None of the Directors nor the Chief Executive Officer has any family relationship with any Director and/or major unitholder of Tower REIT.
2. **Conflict of Interests**
None of the Directors nor the Chief Executive Officer has any conflict of interest with Tower REIT.
3. **Conviction of Offences**
None of the Directors nor the Chief Executive Officer has been convicted of any offences (exclude traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2022.
4. **Attendance of Directors**
Details of Board meeting attendance of each Director are disclosed in the Corporate Governance Overview, Risk Management And Internal Control Statement in this Annual Report.

Sustainability Statement

ABOUT THIS REPORT

Welcome to Tower REIT Sustainability Statement 2022. This statement describes Tower REIT's sustainability journey, serving as a practical tool for stakeholders to assess the progress of its Environmental, Social and Governance ("ESG") commitments, strategies and initiatives.

Reporting period	This sustainability statement contains information covering the financial year ending 30 June 2022 ("FY2022").
Reporting cycle	Annually
Reporting scope and boundary	<p>This statement covers the ESG issues most relevant to Tower REIT's businesses, operations and key stakeholders, identified through a materiality assessment. It also discusses the Manager's approach to managing these ESG issues.</p> <p>Unless otherwise stated, this statement covers three assets, namely:</p> <ul style="list-style-type: none"> • Menara HLX • Plaza Zurich • Menara Guoco <p>Any references to the "Trust", the "REIT", "we" and "our" refer to Tower REIT as a whole unless otherwise indicated in the text.</p>
Reporting principles and guidelines	This statement was prepared in accordance with Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements, with reference to their Sustainability Reporting Guide (2nd Edition) and the Global Reporting Initiative ("GRI") Standards – Core Option.
Reliability of information disclosed	The Sustainability Committee reviewed the sustainability statement before endorsement by the Board.
Feedback	<p>The Manager welcomes feedback from stakeholders to help improve its approach to sustainability and communication of sustainability efforts. Please contact us at:</p> <p>GLM REIT Management Sdn Bhd (Manager of Tower REIT) Level 13, Menara Guoco, Damansara City, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur Tel : 603-2726 1000 Fax : 603-2726 1001 Email : glmreit@guocoland.com Website : www.tower-reit.com</p>

Sustainability Statement

cont'd

SUSTAINABILITY AT TOWER REIT

Tower REIT understands the importance of operating sustainably to deliver stakeholder value and believes such sustainability can be achieved by working together to grow responsibly, deliver long-term economic value, and contribute to the environmental and social well-being of our communities.

ESG IS EVOLVING


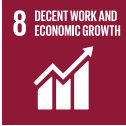



Tower REIT defines ESG as environmental stewardship, social responsibility and good governance practices that, when actively and holistically measured, managed and disclosed, ensure sustainable business performance and accountability to the industry's investors, tenants, workforce and communities.

Since 2019, Tower REIT has detailed its ESG performance in its inaugural Sustainability Statement. In the financial year ended 2020, the REIT demonstrated a systematic approach to ESG by aligning with global frameworks, including relevant United Nations Sustainable Development Goals (UNSDGs). Building on this ESG foundation, the REIT's ESG progress continues in 2021 by integrating ESG issues to address climate change risks and opportunities as well as managing social impacts in its corporate strategies.

DRIVING SUSTAINABLE DEVELOPMENT

Sustainability is a collective undertaking. The Group has also seen steady progress toward a shared understanding of global priorities over the past few years, most notably UNSDGs. Global awareness of climate change, circular economy, human rights, resource management, good health, and sustainable communities is rising.

Identifying solutions to global challenges, Tower REIT has analysed how it can contribute to each of these goals. A prioritisation exercise identified five goals where the REIT can create the most impact as these goals are closely relevant to its business strategies and stakeholders' interest.

Goal	Goals Rationale	What We Do
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Ensure healthy lives and promote well-being for all at all ages	Promote a safe and healthy workplace
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Sustained and inclusive economic growth can drive progress, create decent jobs for all and improve living standards	Aspire to contribute to nation-building by boosting the local economy
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Promote innovation and process efficiency in our operations
 <p>13 CLIMATE ACTION</p>	Climate change is affecting every country on every continent. It is disrupting national economies and affecting lives. Weather patterns are changing, sea levels are rising, and weather events are becoming more extreme	Reduce energy consumption through feasible and applicable energy-saving practices
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Conflict, insecurity, weak institutions and limited access to justice threaten sustainable development	Adherence to relevant laws and regulations

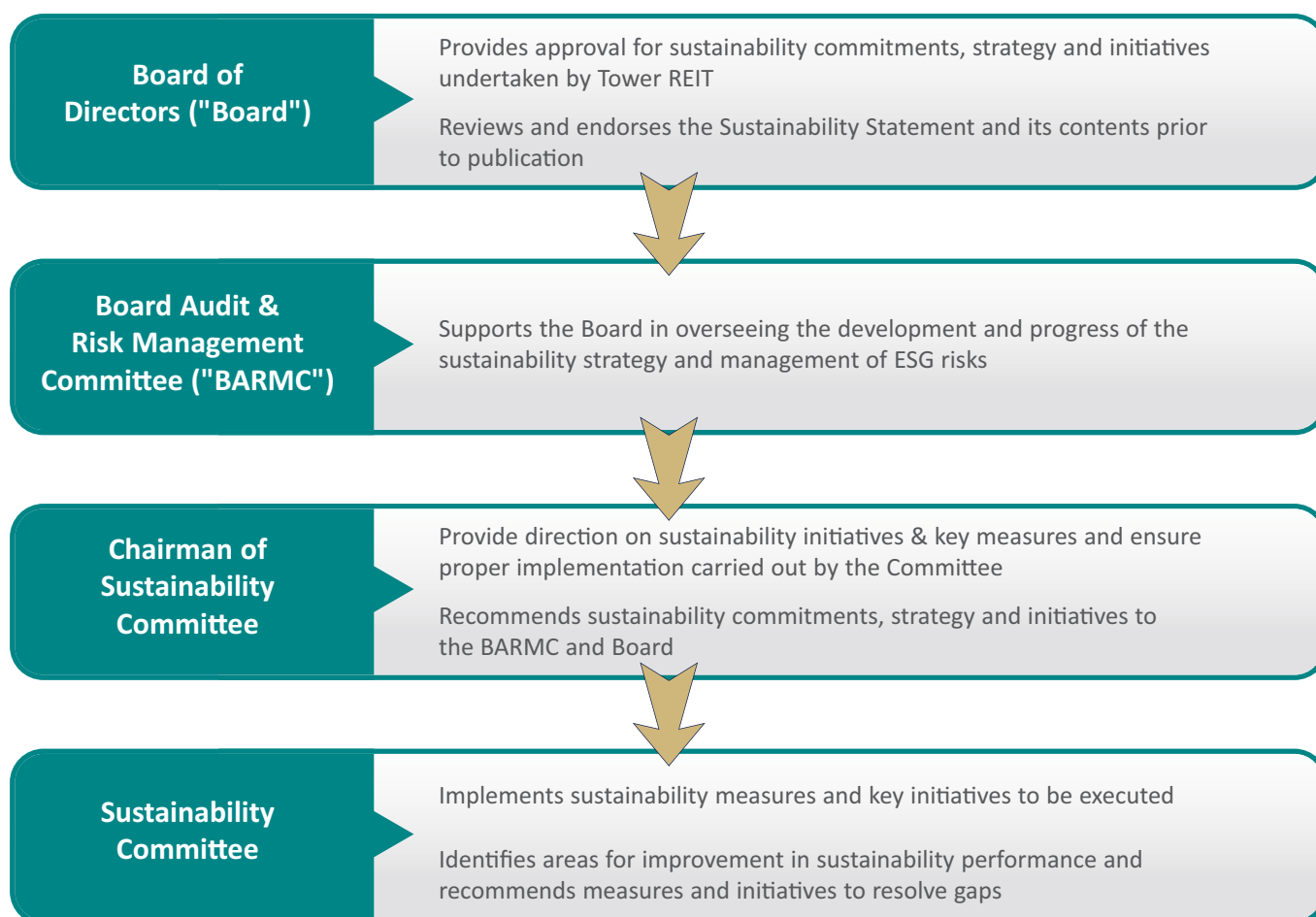
Sustainability Statement

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SUSTAINABILITY GOVERNANCE

The Board leads Tower REIT's sustainability direction while overseeing the integration of sustainability into its corporate governance structure, from management and businesses to individual employees. The Board reviews and offers advice on all sustainability matters, including setting ESG targets, identifying risks and managing sustainability projects.

Chaired by the Chief Executive Officer, the Sustainability Committee comprises senior management from core functional teams. The Committee advises the Board on developing the strategy, enabling the REIT to make informed, balanced decisions to foster positive change in economic, environmental and social spheres.



Sustainability Statement

cont'd

LISTENING TO OUR STAKEHOLDERS

At Tower REIT, we engage regularly with our stakeholders to align our business with their needs and expectations.

The table below summarises our engagement approach for each key stakeholder group.

Stakeholder Group	Areas of Interest	Engagement Methods	Frequency of Engagement
Investors and unitholders	<ul style="list-style-type: none"> The business direction of Tower REIT Key corporate developments 	Regular communication with unitholders and announcements on the Bursa Securities and corporate websites	As and when required
		Annual General Meetings	Annually
		Quarterly statements	Quarterly
Trustees	<ul style="list-style-type: none"> Annual revenue Sustainable growth 	Annual General Meetings	Annually
		Investor relation events	As and when required
Regulatory bodies	<ul style="list-style-type: none"> Regulatory compliance Contribution to the economy and corporate social responsibilities 	Formal meetings	As and when required
		Reports & disclosure	As and when required
		Audits	Annually
Tenants	<ul style="list-style-type: none"> Building safety Building services and amenities 	Safety and health awareness seminars	As and when required
		General notices	As and when required
Employees	<ul style="list-style-type: none"> Remuneration and benefits Development opportunities Job security Workplace health and safety 	Annual appraisals	Annually
		Training programmes and other employee engagement events	As and when required
Suppliers and contractors	<ul style="list-style-type: none"> Transparent procurement process Timely payments 	Supplier evaluations	As and when required
		Performance reviews	As and when required
Industry peers	<ul style="list-style-type: none"> Knowledge sharing Tower REIT's position within the industry 	Networking exhibitions & conferences	As and when required
		Annual reports	Annually
		Membership in associations	Quarterly
Media	<ul style="list-style-type: none"> Financial releases Transparent communications Corporate updates 	Media releases, events and launches	As and when required
		Announcements on the Bursa Malaysia and corporate websites	As and when required
		Media networking sessions	As and when required
Local communities	<ul style="list-style-type: none"> Social contribution Employment opportunities 	Community engagements	As and when required
		Donations, in-kind contributions and philanthropy programmes	As and when required

Sustainability Statement

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MATERIALITY: THE BACKBONE OF OUR SUSTAINABILITY

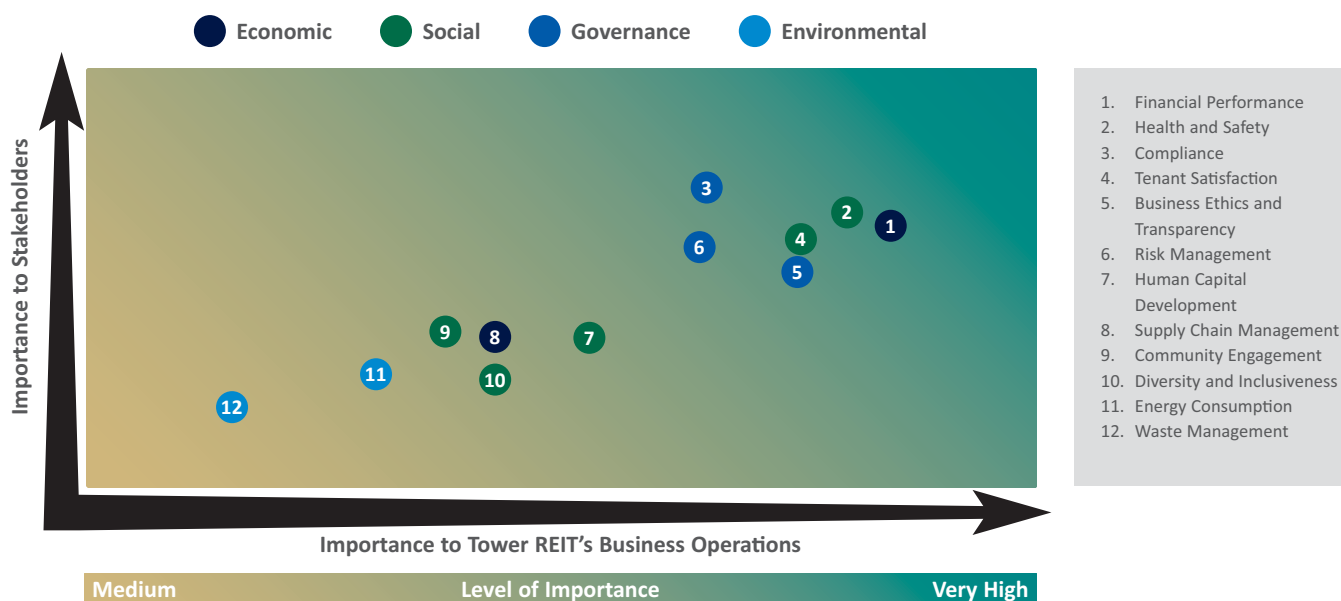
We strive to understand stakeholders' concerns through our stakeholder engagement process. Stakeholder priorities constantly change, and we must continually evolve to meet expectations. We conducted a materiality study to help us identify and prioritise the issues that matter to our business and stakeholders.

We conducted a four-step materiality assessment during the last quarter of FY2021.



This year, we reviewed these materiality results and found that they are still relevant given the similar focus areas. We continue to tailor our activities based on the assessment results, aiming to address issues identified as material to our business.

Materiality Matrix























Sustainability Statement

cont'd

IN ALIGNMENT WITH GLOBAL GOALS






In 2015, the United Nations launched 17 Sustainable Development Goals (SDGs) to address global challenges. We continue to carry out our roles in achieving these goals, especially those identified as most relevant to our business and stakeholders.

Each material issue has been mapped against the goals to help us understand where we can have the most significant positive impact.

Material Sustainability Matters		Applicable GRI Indicators	Relevant Stakeholders	Relevant UNSDGs
1	Financial Performance	GRI 103: Management Approach GRI 201: Economic Performance	Investors, Unitholders and Employees	 
2	Property Assets	GRI 103: Management Approach GRI 203: Indirect Economic Impacts	Investors and Unitholders	  
3	Tenant Satisfaction	GRI 203: Indirect Economic Impacts GRI 102: General Disclosures	Tenants	 
4	Human Capital Development	GRI 103: Management Approach GRI 404: Training and Education	Employees	
5	Supply Chain Management	GRI 103: Management Approach GRI 204: Procurement Practices	Suppliers, Contractors	
6	Health and Safety	GRI 103: Management Approach GRI 403: Occupational Health and Safety	Employees and Tenants	  
7	Energy Consumption	GRI 103: Management Approach GRI 302: Energy	Investors, Unitholders and Local Communities	
8	Waste Management	GRI 103: Management Approach GRI 306: Effluents and Waste	Investors, Unitholders and Local Communities	
9	Risk Management	GRI 203: Indirect Economic Impacts GRI 102: General Disclosures	Investors, Unitholders, Trustee and Employees	 
10	Compliance	GRI 103: Management Approach GRI 409: Socioeconomic Compliance	Investors, Unitholders, Trustee, Regulatory Bodies, Employees, Tenants and Local Communities	 
11	Business Ethics and Transparency	GRI 103: Management Approach GRI 102: General Disclosures GRI 205: Anti-Corruption	Investors, Unitholders, Trustee, Regulatory Bodies, Employees, Suppliers, Contractors and Tenants	 

Sustainability Statement

cont'd

Material Sustainability Matters		Applicable GRI Indicators	Relevant Stakeholders	Relevant UNSDGs
12	Community Engagement	GRI 103: Management Approach GRI 413: Local Communities	Local Communities	  
13	Diversity and Inclusiveness	GRI 103: Management Approach GRI 202: Market Presence GRI 401: Employment GRI 405: Diversity and Equal Opportunity	Employees	 

ECONOMIC

The real estate sector was an early adopter of ESG practices in building resilience, managing risk, strengthening financial performance, meeting stakeholder and community needs, and retaining a diverse talent pool. ESG aspects have become increasingly dynamic, integrated and interdependent.

FY2022 was a challenging year; the prolonged restrictions due to the pandemic adversely affected our businesses. The Klang Valley experienced an oversupply of office spaces and still faces repercussions from the pandemic. These factors are putting downward pressure on rentals and compressing yields. Tower REIT's prime office portfolio and quality tenant profile have provided income stability and resilience during this challenging period.

The industry is now recovering as the Malaysian economy reopens in stages. We are also pragmatic in formulating relevant strategies to strengthen our competitive edge and position ourselves as the landlord of choice.

MEMBERSHIP IN ASSOCIATIONS

Tower REIT participates in relevant external industry associations and initiatives, green certification and award schemes. We engage with relevant industry and professional bodies through membership and actively participating in events and dialogue sessions.

The Malaysian REIT Managers Association (MRMA) was established in 2010 as a collective representation of the Malaysian real estate investment sector and to establish an environment for more investments into high-quality real estate in Malaysia. Tower REIT is an active MRMA member. We collaborate to develop the REIT industry and ensure its alignment with international best practices, especially in financial reporting, disclosure and corporate governance.

ENHANCED FLOOD PROTECTION MEASURES

Floods in Malaysia are one of the most regular natural disasters affecting the country, occurring almost every year, particularly during the monsoon season. The coasts of Peninsular Malaysia are the most prone to flooding, especially during the northeast monsoon season from October to March. In December last year, certain states across the Peninsular were hit by flash floods. In recent months, we have seen signs of climate change, with heavy rain increasing flash flooding.

Tower REIT examined the design, provision and procedure of its floodproofing measures, surveillance and warning systems for the basement car parks in its buildings. Flood mitigation measures at Menara HLX include flood gates, a better drainage system and additional pipes which help divert water to the main drain.

Sustainability Statement

cont'd

STRATEGICALLY LOCATED, GREATER MOBILITY DEVELOPMENT

Tower REIT supports the Transit-Oriented Development (TOD) concept, the exciting, fast-growing trend in creating vibrant, livable, sustainable communities. TOD allows communities to live a lower-stress life without complete dependence on a car for mobility.

Menara HLX

- Within walking distance from the MRT Bukit Bintang, Monorail Raja Chulan and KLCC LRT.
- Strategically located between 2 iconic developments i.e. Pavilion KL and KLCC.

Plaza Zurich

- Within 200m of Semantan MRT Station.

Menara Guoco

- Within close proximity to MRT Pavillion Damansara.

SUPPLY CHAIN SUSTAINABILITY

Our supply chain partners include various contracting parties, ranging from cleaning, security, landscaping and renovation contractors to professional service providers of banking, audit and tax services.

Vendor & Service Provider Selection Process



Sustainability Statement

cont'd

Criteria Evaluated During the Pre-Qualification Assessment



The Manager works closely with the property managers to ensure that these service providers have sound business ethics and comply with applicable employment and environmental laws and regulations. These regulations include the Employment Act 1955, the Children and Young Persons (Employment) Act 1966, the Occupational Safety and Health Act 1994 and various environmental guidelines. We also perform background checks on our contractors and service providers against the United Nations Security Council Resolution (UNSCR) and the Ministry of Home Affairs (MOHA) lists. As required under the Anti-Money Laundering Act (AMLA), we verify whether they are red-flagged.

Annually, the Manager and property managers also evaluate the performance of these suppliers and service providers to provide feedback for improvements. Suppliers or service providers that do not meet or have breached the stringent requirements are penalised or terminated based on the contractual terms.

Local and sustainable sourcing is part of our REIT's ethos, allowing us to contribute to the domestic economy while minimising the footprint of business operations. In FY2022, the majority of our suppliers were locals.

ETHICS AND INTEGRITY

Tower REIT's commitment to integrity and transparency is clearly stated in its Employee Handbook, Code of Conduct & Ethics and the Anti-Bribery and Corruption Policy. These documents provide guidance and outline standards and business conduct to uphold our key integrity principles. Tower REIT has zero tolerance for all forms of corruption and demands the highest ethical standards when doing business.

Sustainability Statement

cont'd

Offering, giving, requesting, accepting or receiving bribes or facilitation payments are strictly prohibited. Tower REIT has zero tolerance for corruption. Its ethical standards are stated in its Code of Conduct & Ethics, its contractual terms and other governing documents.

Employees found to be involved in bribery are subject to disciplinary action that can lead to termination. The Board of Directors oversees compliance with anti-corruption policies. Every employee is responsible for preventing and reporting suspicious activity or wrongdoing that may lead to bribery using the dedicated whistleblowing channel as set out in the Whistleblowing Policy.

The REIT emphasises the importance of anti-corruption and anti-bribery and communicates its firm position to all employees. Employees receive a copy of the Employee Handbook upon joining the Group. Each of them must sign the acknowledgement form and return it to the Human Resource Department. Tower REIT also communicates its anti-corruption and anti-bribery position to suppliers, contractors, subcontractors, agents, purchasers and other third parties with whom we work.

Tower REIT has no disciplinary cases for corrupt practices during the reporting period.

SUSTAINABILITY RISK FRAMEWORK

Tower REIT continued to uphold strong corporate governance and risk management practices as the Manager sought to build a robust and resilient portfolio. The Trust's risk management framework identifies and mitigates critical business risks, including emerging risks associated with ESG issues. More information on Tower REIT's risk management strategy can be found on pages 58 to 61.

ENVIRONMENTAL STEWARDSHIP

The Manager continues to minimise its environmental footprint by optimising energy consumption and adopting best practices in resource conservation.

ENERGY AND CLIMATE ACTION

Climate change is a significant environmental risk that we must manage carefully. Tower REIT strives to optimise energy consumption to minimise greenhouse gas (GHG) emissions.

Purchased electricity remains the primary form of energy used in Tower REIT properties. The operations and maintenance of our buildings consume large amounts of energy. We continue to enhance our efforts to improve our properties' energy efficiency by investing in energy-efficient infrastructure and technologies for lighting, cooling towers, chillers and air-conditioning units, which account for the bulk of our energy consumption. The Manager will continue to invite its employees and tenants to be part of its energy conservation efforts through awareness and engagement activities.

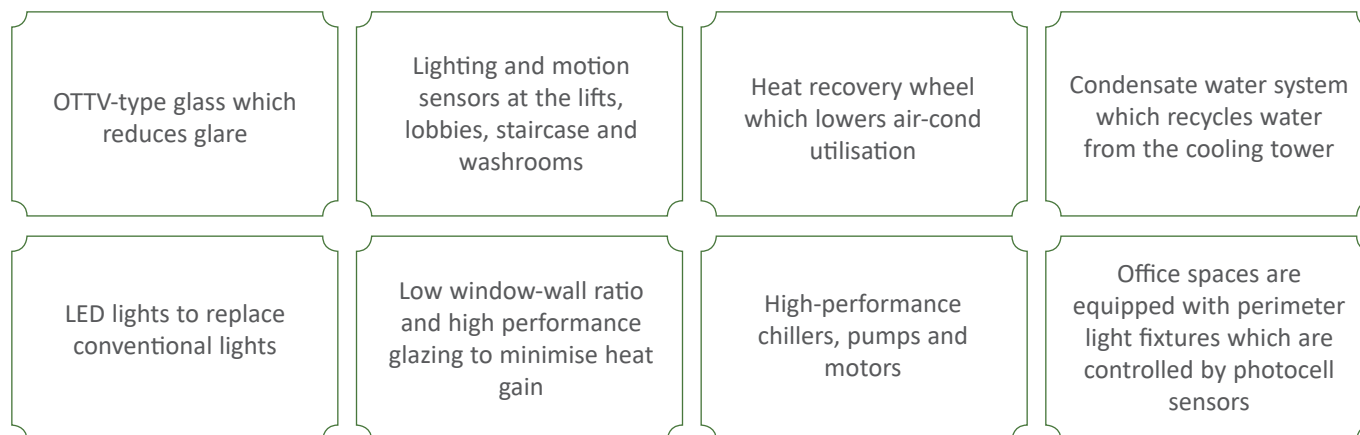
The Manager also strives to maintain its green building certifications and ratings as they demonstrate the quality of Tower REIT's portfolio. Menara Guoco in Damansara Heights is a grade-A building with Green Building Index (GBI) certification and Leadership in Energy and Environmental Design (LEED) Gold status.

Sustainability Statement

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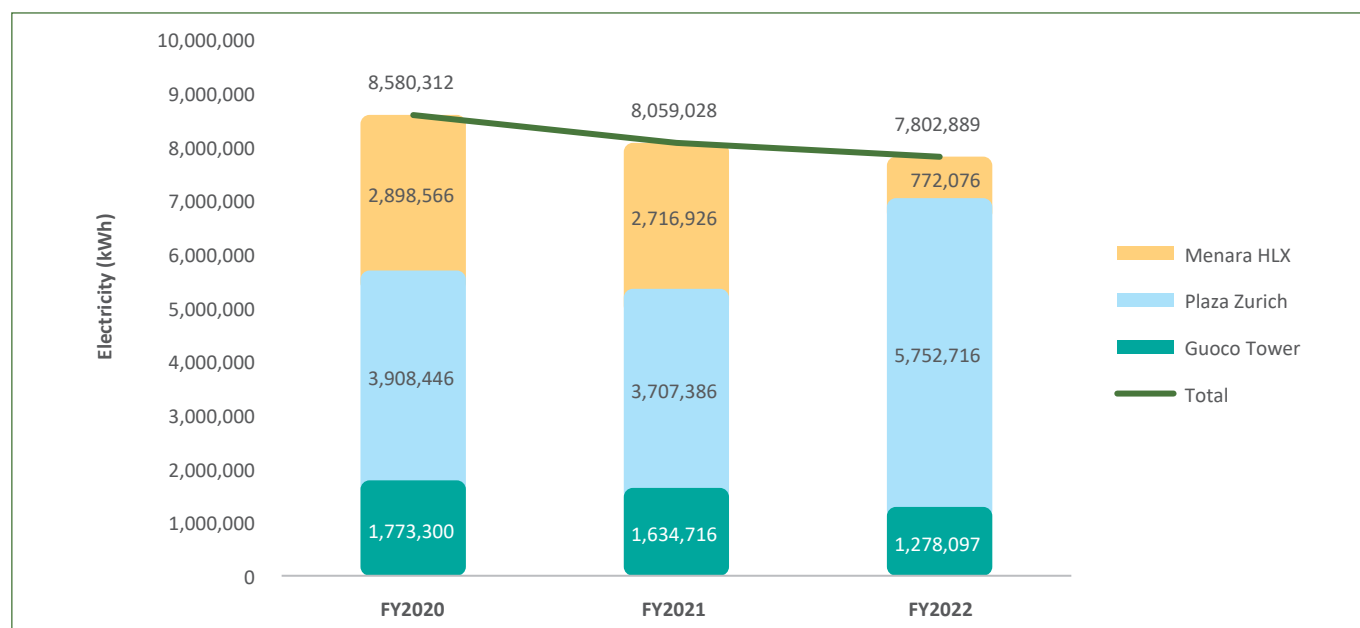
Apart from driving operational excellence, we also aim to future-proof our assets and reduce their environmental impact. We seek to improve our assets by providing quality infrastructure.

Energy-efficient Features at Our Properties



The charts below present our energy consumption trends and emissions associated with the usage. These data and calculations relate to properties under the Manager's direct control only.

Group Electricity Consumption



The significant drop in energy consumption for MHLX is mainly due to decline in occupancy rate from 34% to 26% and also partly contributed by the Movement Control Order that took place from 2020 until early 2022. Tenants begin returning to office since May 2022.

Sustainability Statement

cont'd

Tower REIT also consumes small amounts of diesel to power its generator sets during power outages. The table below presents Tower REIT's total energy mix in gigajoules.

Energy Mix (GJ)

Energy Source	FY2020	FY2021	FY2022
Electricity	30,889	29,013	28,090
Diesel	63	28	33
Total	30,952	29,041	28,123

Energy intensity is the amount of energy used to produce a given level of output or activity. Tower REIT expresses its energy intensity as the annual energy in megajoules consumed per gross floor area in square feet.

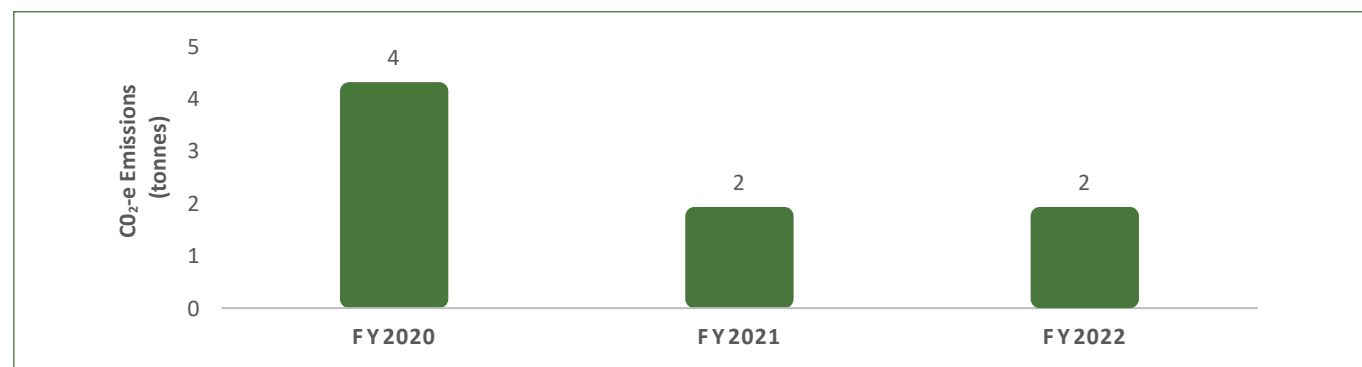
Energy Intensity (MJ/GFA)

Energy Intensity (MJ/GFA)	FY2020	FY2021	FY2022
Menara Guoco	27.59	25.39	19.87
Plaza Zurich	40.16	38.03	59.01
Menara HLX	27.28	25.57	7.27
Total	32.04	30.06	29.11

CARBON FOOTPRINT

SCOPE 1

Tower REIT uses small amounts of diesel to power its generator sets. The REIT derives the CO₂ emissions from diesel consumption from the emission factor published by the IPCC Guidelines for National Greenhouse Gas Inventories.

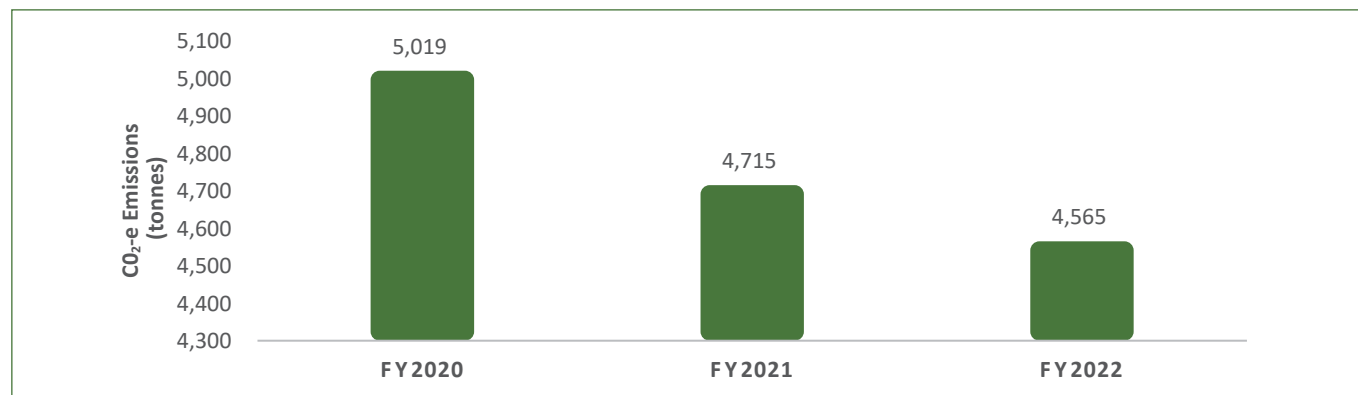


Sustainability Statement

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SCOPE 2

The majority of Tower REIT's emissions result from its electricity use. The REIT uses the emission factor published by the Malaysian Green Technology Corporation for the Peninsular Grid to calculate CO2 emissions from electricity use in Malaysia.



WATER MANAGEMENT

Tower REIT adopts a strategic approach to water management to reduce its total water consumption. The REIT reuses and recycles water where possible, and prevent water pollution. Over the years, numerous water-saving initiatives have helped reduce the overall water intensity and delivered considerable cost savings. For example, tap aerators reduce the flow of water from the tap by up to 50% with no perceivable loss of pressure or washing ability. We also installed a dual-flush system that consumes up to 67% less water than older toilet models.

All Tower REIT's properties obtain their water from municipal supplies. Cooling towers, toilets and landscaping use the bulk of this water.

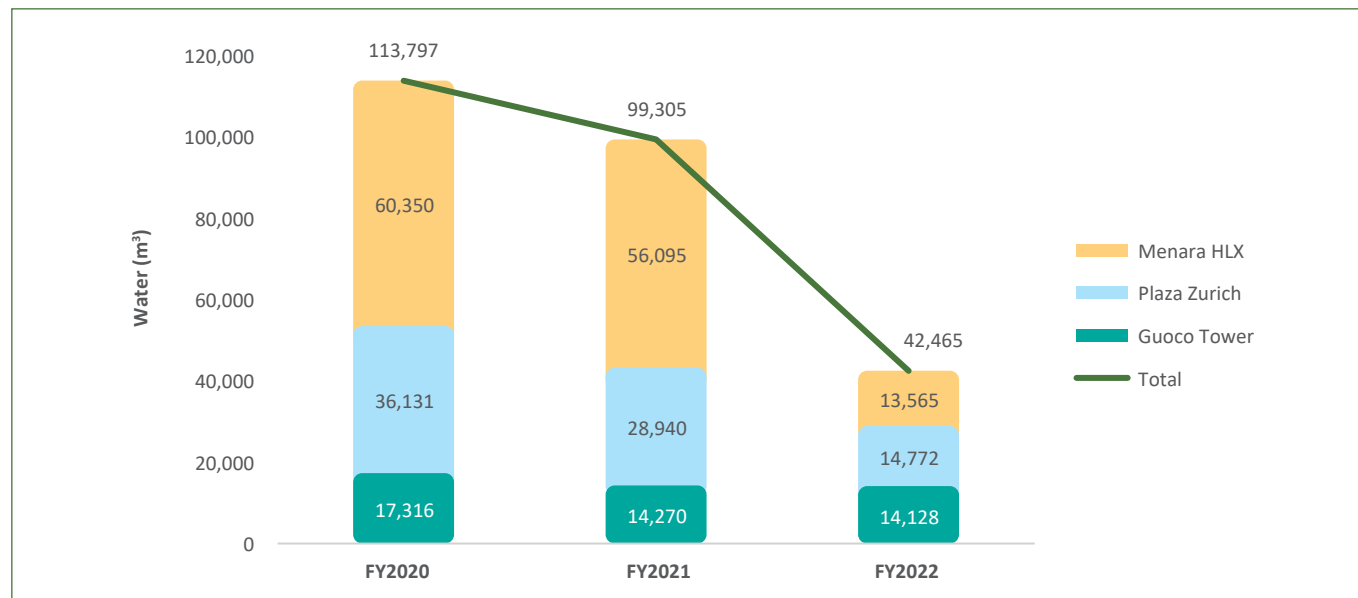
Menara Guoco has implemented a rainwater harvesting system which collects rainwater for irrigation and other outdoor water use. We dispose of all wastewater responsibly via municipal facilities.

Our property managers regularly check water features and monitor water usage closely so they can repair any leaks promptly.

Sustainability Statement

cont'd

Group Water Consumption



The significant drop in water consumption for MHLX is mainly due to decline in occupancy rate from 34% to 26% and also partly contributed by the Movement Control Order that took place from 2020 until early 2022. Tenants begin returning to office since May 2022. Total water consumption is not an accurate measure of a building's efficiency. Water Intensity is the rate at which water is used in a given area. Tower REIT measures its water efficiency as the annual water consumption (m³) per square foot.

Water Intensity (m³/GFA)

Asset	FY2020	FY2021	FY2022
Menara Guoco	0.075	0.061	0.061
Plaza Zurich	0.103	0.082	0.042
Menara HLX	0.158	0.147	0.035
Total	0.118	0.103	0.044

WASTE MANAGEMENT

Tower REIT continues working closely with its tenants to manage waste at its properties. As most waste generated at its operational properties comes from its customers, guests, visitors, tenants and the general public, the Manager engages its stakeholders through activities and various means to improve waste management. Recycling bins are made available at our properties. We appoint licensed contractors to collect and safely dispose of waste in compliance with local regulations.

Sustainability Statement

cont'd

As part of our efforts to minimise paper use and achieve optimum operational efficiency, we have invested in TAPP (Tower App). This smart subscription cloud-based solution significantly improves the organisational efficiency of facility operations and management. It has many features that allow us to store, track and manage resources such as assets and inventory while generating reports and analytics. Significant benefits from this system include massively reduced paper consumption as it eliminates manual printing and the filling and submission of paper forms.

Total Solid Waste Disposal (kg)

Asset	FY2020	FY2021	FY2022
Menara Guoco	2,080	2,080	720
Plaza Zurich	16,000	16,000	16,000
Menara HLX	4,800	9,600	3,200
Total	22,880	27,680	19,920

COMMUNITY PARTNERS REALTY

Tower REIT partners with the community through various corporate social responsibility initiatives. Despite the challenges imposed by the COVID-19 restrictions, we continued our community engagement where possible.

We allowed Menara HLX to be used as a Covid-19 vaccination centre, with 2,659 sq. ft. leased below the standard rate.

During the year, we also supported a local Non-Governmental Organisation (NGO), Kechara Soup Kitchen, by purchasing 84 tubs of cookies at a total cost of RM1,286 for distribution of these cookies to our tenants. Kechara Soup Kitchen has served marginalised communities, including the homeless, urban poor and Orang Asli populations, in Malaysia for more than 14 years.

OUR PEOPLE

Tower REIT has long understood that the value of its physical assets is underpinned by and dependent on the value delivered by its human capital. Empowering people ensures they bring their best selves to work every day.

A shared commitment to the values of Quality, Entrepreneurship, Innovation, Honour, Respect for People, Unity, Progress and Social Responsibility has united the employees of the Manager across operations.

INVESTING IN TALENT

The Manager works to attract and retain all full-time employees by offering competitive compensation and comprehensive benefits to all full-time employees. These benefits include life insurance, healthcare benefits, annual medical and parental leave entitlements, and local pension fund contributions.

Employees are motivated and rewarded through a merit-based approach. The Manager's robust career development framework supports career planning through a systematic learning schedule, performance reviews and dialogue about their career goals. This continuous engagement helps determine employee development opportunities, training, promotion and compensation. During the year, the Manager migrated to distance learning and explored other methods of engagement to replace face-to-face interactions due to the pandemic restrictions.

Sustainability Statement

cont'd

SAFETY AND HEALTH AT OUR OPERATIONS

The safety of building occupants is an essential focus for Tower REIT. Continuous awareness, training and development reinforce our health and safety culture. We have implemented stringent safety standards to prevent accidents and injuries at our properties.

Our safety team conducts regular checks and inspections on a rotational basis to ensure regulatory compliance and observance of best practices. The Manager and the respective property managers will implement corrective measures if they identify health and safety issues.

In case of emergencies, our Emergency Response Team (ERT) is ready to initiate rescue operations and attend to casualties while awaiting the arrival of the professional medical and rescue team. Meanwhile, we have also established an Emergency Response Plan (ERP) based on relevant laws stipulated under the Occupational Safety and Health Act 1994.

The Manager conducts regular building evacuation and fire simulation drills at Tower REIT properties to increase awareness of emergency evacuation procedures. Within each premise, tenants must appoint responsible persons as Fire Marshals who direct the crowd and evacuate the building in the event of fire.

Other health and safety initiatives held during the year include fogging, health and safety risk assessment, site walk, pest control and safety training in collaboration with the Malaysia Fire and Rescue Department (BOMBA).

The Manager has utilised the pandemic period, during which many operations ceased, to conduct preventive holistic maintenance works. We worked closely with BOMBA to identify critical defects and non-conformance. We have addressed all findings highlighted by BOMBA, including suggestions to replace heat detectors, monitor modules and control modules at Menara Guoco. All fire certificates of our buildings are up to date.

Other safety features available at our buildings include PA systems to make announcements during emergencies, handrails at emergency staircases, smoke detectors, heat detectors, an alarm system, emergency lights and a fire protection system.

Our properties, including Menara Guoco and Menara HLX, are also accessible for differently-abled or disabled individuals. These assets provide wheelchair ramps for those with mobility problems with a lower incline that is more accessible and safer.

DIVERSITY AND INCLUSION

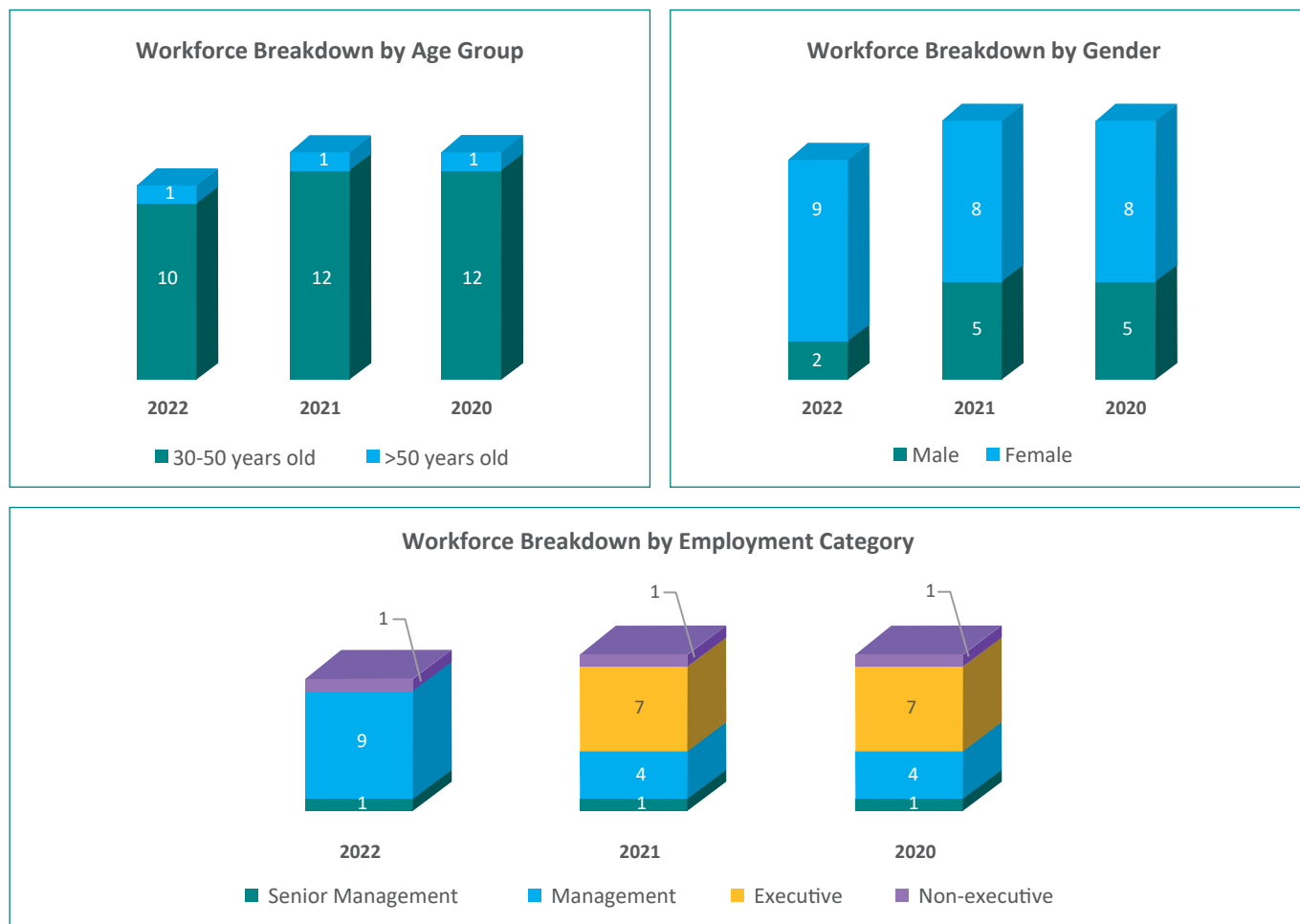
The Manager believes that an inclusive and diverse workforce fosters a culture of respect that supports the values of the diverse communities where it operates. We reflect these beliefs throughout the recruitment process and when providing opportunities to existing employees. Tower REIT gives opportunities solely on merits, individual competencies and the organisation's needs. The Manager's human resource policies ensure equal employment opportunities for all, regardless of race, gender, religion, age, marital status or other personal traits.

We also advocate anti-discrimination among our employees and deliver regular training to remind them of Tower REIT's stand on diversity, equality and inclusion.

Sustainability Statement

cont'd

The charts below present the diverse family of the Manager.



RESPONSIBLE OPERATIONS

Tower REIT operates responsibly at all times to strive for high levels of tenant satisfaction and monitors this indicator at least once a year. Protecting our tenants and visitors at all times, we have put in place various measures to safeguard their safety once operations resumed amid the Covid-19 pandemic.

As a minimum, we ensure our continued compliance with all applicable laws and regulations, including but not limited to the following:

- Guidelines on Listed Real Estate Investment Trusts
- Capital Markets and Services Act 2007
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- Companies Act 2016
- Employment Act 1955
- Environmental Quality Act 1974
- Personal Data Protection Act 2010
- Malaysian Anti-Corruption Commission Act 2009

Sustainability Statement

cont'd

TENANT SATISFACTION

We proactively engage with tenants and seek feedback to improve our customer service and experience. Regular tenant surveys are conducted for us to gauge our performance in tenant management services, asset value, building safety and security, cleaning services, maintenance works, waste disposal, landscaping and other facilities and amenities, including the car park, internet services and pest control.

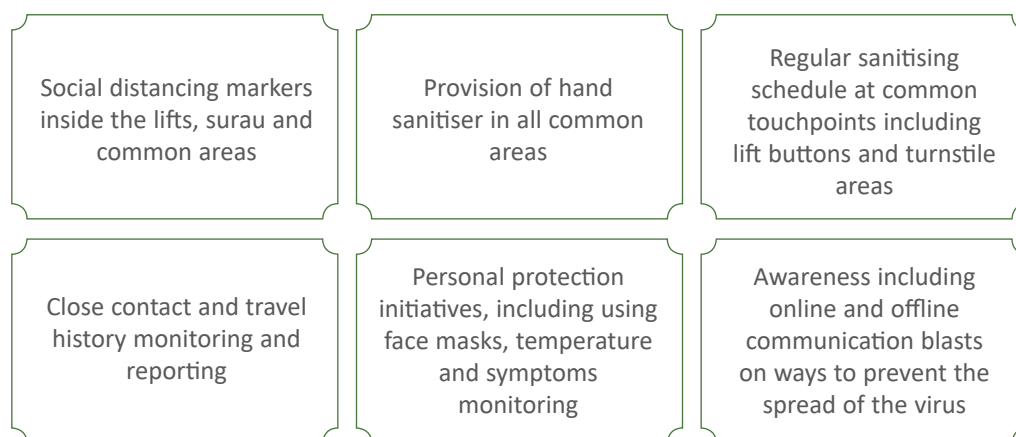
Our tenant survey score indicates a high satisfaction level at all stages of service to our customers. The table below shows the most recent survey held in 2021.

Tenant Satisfaction Survey Score (%)	Menara Guoco	Plaza Zurich	Menara HLX
2021	75%	80%	80%

#REOPENING SAFELY

After a long period of shutdowns and remote working, Tower REIT was excited to welcome its tenants and people with the gradual resumption of on-site operations. With a wide variety of tenants in our portfolio, work environments differ vastly. There are no one-size-fits-all guidelines to #ReopeningSafely. However, one principle was particularly effective: tailoring safety measures as the business world charts a path toward the new normal.

Tower REIT's Guides to #ReopeningSafely



PERSONAL AND PROPERTY SECURITY

Guard patrols and security officers secure external areas and the building perimeter. An appointed security vendor monitors all our buildings via 24-hour CCTV. Any security breaches will trigger an alert to the centralised security command.

Sustainability Statement

cont'd

ENHANCED TENANTS EXPERIENCE

Tower REIT recently launched a tenant management system called Tapp. It provides tenants with an app and website access to a platform that allows us to communicate more effectively with our tenants. Modules include facility management feedback, announcements, community board, billing, contacts and emergency evacuation information. We have also placed QR codes in building common areas for tenants and visitors to provide feedback on the facilities.



We want to serve you better!

Please scan the QR code to report any issues.



Tapp
By Tower REIT

Latest Notices



Corporate Governance Overview, Risk Management and Internal Control Statement

GLM REIT Management Sdn Bhd (the “Manager”), the Manager of Tower Real Estate Investment Trust (“Tower REIT” or the “Trust”), has adopted an overall corporate governance framework that is designed to meet best practice principles and which recognises that an effective corporate governance culture is critical to the performance of the Manager and consequently, to the success of Tower REIT which it manages.

In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of unitholders. This obligation ties in with the Manager’s primary responsibility to manage the assets and liabilities of Tower REIT for the benefit of unitholders. In this regard, the Manager will endeavour to continue enhancing returns to unitholders.

Tower REIT is regulated by the Securities Commission (“SC”) pursuant to the provisions of Listed Real Estate Investment Trusts (“REIT”) Guidelines (“REIT Guidelines”) and Capital Markets and Services Act 2007 (“CMSA”) as well as Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”). This Corporate Governance Overview, Risk Management and Internal Control Statement (“Statement”) outlines the Manager’s corporate governance practices during the financial year ended 30 June 2022 (“FY2022”) as guided by the principles set out in the Malaysian Code on Corporate Governance 2021 (“MCCG”).

THE MANAGER OF TOWER REIT

The Manager’s primary responsibility is to manage and administer Tower REIT in accordance with the investment policy of the Trust for the benefit of the unitholders. Amongst others, the Manager will be responsible for the following:

- determine the investment policies of Tower REIT;
- formulate the strategic direction of Tower REIT;
- approve the environmental, social and governance (“ESG”) sustainability framework;
- develop business plans for investments in the short, medium and long-term, and the budgets of Tower REIT;
- formulate Tower REIT’s risk management policies;
- recommend acquisition, divestment or asset enhancement of the Tower REIT’s assets to the Trustee;
- devise the strategies for leasing and tenancy management;
- ensure compliance with the applicable provisions of the Deed constituting Tower REIT (as amended and restated by the restated deed dated 29 May 2014 and the second restated deed dated 23 October 2019) (the “Deed”), the REIT Guidelines, the SC Guidelines on Unit Trust Funds, Bursa Securities MMLR and other relevant rules, guidelines and laws;
- supervise the property manager (Henry Butcher Malaysia (Mont Kiara) Sdn Bhd) for the Tower REIT buildings; and
- perform any other duties and obligations as provided under the Deed, the REIT Guidelines and the SC Guidelines on Unit Trust Funds.

The Manager holds a Capital Markets Services Licence issued by the SC to carry out the regulated activity of asset management in relation to Tower REIT. The Manager has two licensed representatives in compliance with the minimum requirements prescribed by the SC.

Corporate Governance Overview, Risk Management and Internal Control Statement

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BOARD LEADERSHIP AND EFFECTIVENESS

A. Roles and Responsibilities of the Board

The Board of Directors of the Manager (the “Board”) assumes responsibility for effective stewardship and control of Tower REIT and the Manager and has established terms of reference (“TOR”) to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Tower REIT’s website. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and strategies; overseeing and evaluating the performance and conduct of the Manager; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, major capital expenditure as well as acquisitions and disposals.

The day-to-day business of Tower REIT and the Manager is managed by the Chief Executive Officer (“CEO”) who is assisted by the management team. The CEO and the management team are accountable to the Board for the performance of Tower REIT and the Manager. In addition, the Board delegates certain of its responsibilities to Board Committees, which operate within clearly defined TOR primarily to support the Board in the performance of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external controls and risk management to the Board Audit & Risk Management Committee. The Nominating Committee is delegated the authority to, inter alia, assess and review the (i) appointments of new Directors, members of the Board Committees and the CEO; (ii) re-election of Directors and (iii) the performance of Directors, Board Committees members and the CEO.

Although the Board has granted such authorities to the Board Committees, the ultimate responsibility and the final decision rest with the Board. The Chairpersons of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

The CEO is responsible for formulating the vision and recommending policies and the strategic direction of Tower REIT and the Manager for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing unitholders’ wealth, providing management of the day-to-day operations of Tower REIT and the Manager and tracking compliance and business progress.

Independent Non-Executive Directors (“ID” or “IDs”) are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board’s deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of ID’s independent judgment or their ability to act in the best interests of Tower REIT, the Manager and the unitholders of Tower REIT.

Corporate Governance Overview, Risk Management and Internal Control Statement

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BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A. Roles and Responsibilities of the Board *cont'd*

Tower REIT and the Manager continue to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. Tower REIT and the Manager take a progressive approach in integrating sustainability into its business as set out in the Sustainability Statement which forms part of the Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM"), which has been adopted by the Board and published on the Tower REIT's website.

B. Board Composition

The Board currently comprises seven (7) non-executive Directors, of which three (3) are independent. The number of IDs is in line with MMLR and REIT Guidelines. The profiles of the members of the Board are set out in the Annual Report.

The recommendation in MCGG to have at least half of the board comprising IDs has been considered by the Board. The Board is of the view that the current composition of the IDs is adequate for the Board to function objectively and effectively. The IDs are able to exercise sound judgement without fear or favour and provide check and balance with their unbiased views so as to foster objectivity in Board's deliberations and decisions. The IDs have performed their oversight role effectively and understood their responsibilities to stakeholders.

The Board recognises the merits of Board diversity in adding value to the collective skills, perspectives and strengths of the Board. There are two (2) women Directors on the Board, and this complies with the requirement prescribed by the Corporate Governance Guidelines for Capital Market Intermediaries.

Based on the review of the Board composition in July 2022, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Manager's business.

C. Board Committees

Two Board Committees have been established by the Board to assist in the discharge of its duties.

- Board Audit & Risk Management Committee ("BARMC")

The composition of BARMC and a summary of its activities in the discharge of its functions and duties for FY2022 are set out in the Board Audit & Risk Management Committee Report in the Annual Report.

The TOR of the BARMC are published on the Tower REIT's website.

Corporate Governance Overview, Risk Management and Internal Control Statement

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BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- Nominating Committee (“NC”)

The NC was established on 24 June 2022. The TOR of the NC are published on the Tower REIT’s website.

The composition of the NC is as follows:-

Ms Lim Tau Kien
Chair, Independent Non-Executive Director

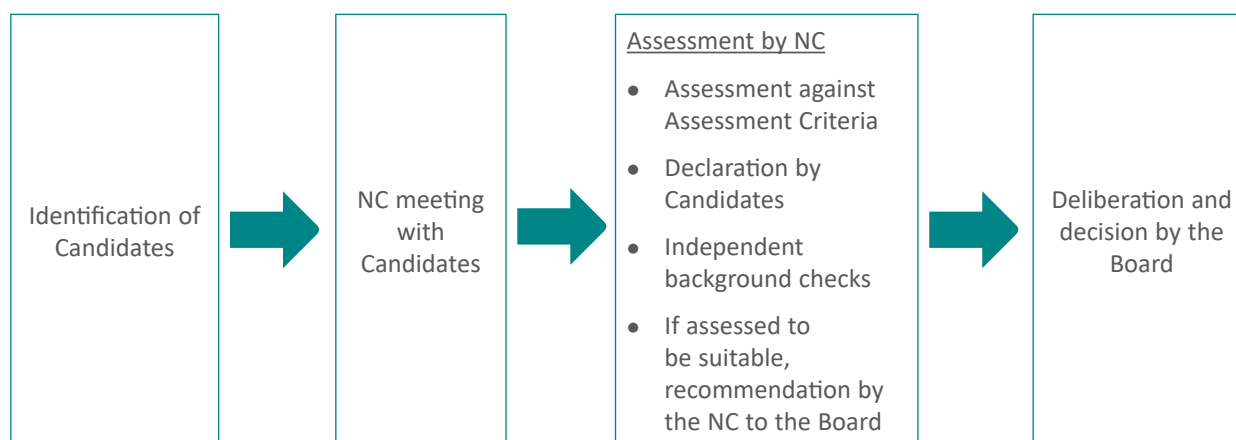
Mr Cheng Hsing Yao
Non-Independent Non-Executive Director

YBhg Dato’ Tan Ang Meng
Independent Non-Executive Director

The Manager has in place the Directors’ Fit and Proper (“F&P”) Policy as a guide for the assessment of the (i) appointment of new Directors and Board Committee members; and (ii) re-election of Directors and the criteria and guidelines used for such assessments. The F&P Policy is published on the Tower REIT’s website.

(i) New Appointments

The nomination, assessment and approval process for new appointments is as follows:



In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise and experience of the Board as a whole and the candidates’ attributes, qualifications and their F&P Declarations. The Manager will also conduct independent background checks to verify the information disclosed in the F&P Declarations. The Manager maintains a pool of potential Board candidates from internal and external introductions as well as independent sources with director databases to aid in its search for suitable Board candidates.

Corporate Governance Overview, Risk Management and Internal Control Statement

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BOARD LEADERSHIP AND EFFECTIVENESS cont'd

C. Board Committees cont'd

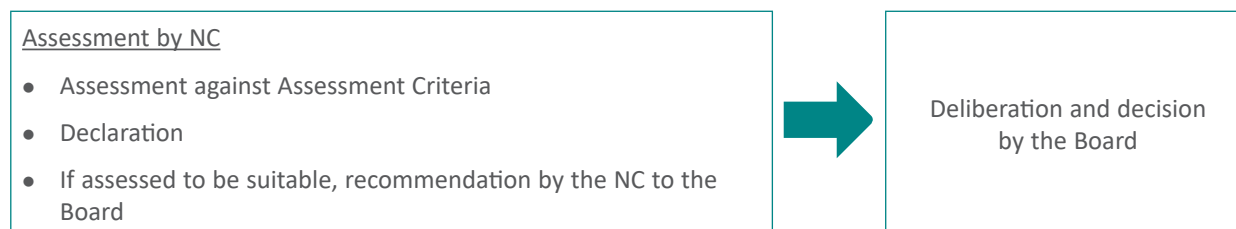
(i) New Appointments cont'd

In evaluating any new appointment of the CEO and other key positions, the Manager is guided by the Hong Leong Group Recruitment Policy where candidates are assessed based on qualifications, experience and potential, with no discrimination based on gender, race or religion.

In the case of the CEO, the NC will take into account the candidate's management and leadership qualities as well as knowledge and experience in the industry, market and segment.

(ii) Re-election of Director

The assessment and approval process for re-election of a Director is as follows:



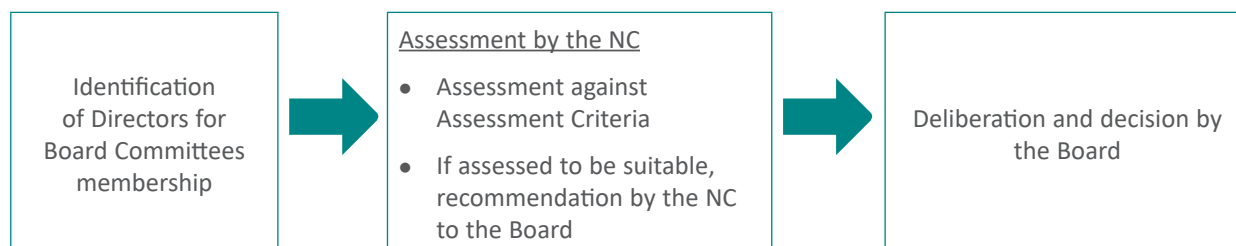
For re-elections, the Chairman and Directors will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Assessment (as defined below) results, contributions during the term of office, attendance at Board meetings and F&P Declarations; and for IDs, their continued independence.

(iii) Removal of Director

For removal of Directors, the Manager shall carry out such removal in accordance with the provisions of the Companies Act 2016 and any other relevant regulatory requirements. The NC may recommend to the Board the removal of a Director who is ineligible, disqualified, incapacitated or who has failed in the discharge of fiduciary duties.

(iv) Board Committee Appointments

For Board Committee appointments, the nomination, assessment and approval process shall be as follows:



Corporate Governance Overview, Risk Management and Internal Control Statement

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

(iv) Board Committee Appointments *cont'd*

The assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

In addition, a formal evaluation process has been put in place to assess the (i) effectiveness of the Board as a whole, (ii) each Board Committee as a whole; and (iii) the contribution and performance of each Director, Board Committee member and the CEO on an annual basis ("Annual Assessment").

For newly appointed Chairman, Directors and CEO, the Annual Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

For management succession planning, it has been embedded in the Manager's process over the years to identify, groom and develop continuously key talents from within the Manager.

The NC shall meet at least once in each financial year and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of circular resolutions.

There was no NC meeting held during FY2022 as the NC was established on 24 June 2022.

Subsequent to its establishment, the NC has carried out its duties in accordance with its TOR for FY2022. The NC has considered and reviewed, inter alia, the following:

- NC Charter;
- Processes and procedures for assessing the appointments of new Directors, Board Committee members and the CEO, re-election of Directors and removal of Directors;
- Policies on Independence of Directors and Directors' Training;
- The performance of the Board, BARMC, each Director and each BARMC member;
- Composition of the Board and Board Committees and their existing skillsets, qualifications, experience and other attributes of the Directors;
- Independence of IDs and their tenure;
- Trainings undertaken by Directors and recommendation of training programmes for Directors; and
- Re-election of Directors.

Having reviewed the Board composition, the NC was satisfied that the current Board comprises a good mix of skills and that the current size and composition of the Board are appropriate and effective in discharging its functions.

At the annual assessment conducted for FY2022, the NC has evaluated the performance of the Board, BARMC, each Director and each BARMC member, benchmarked against the applicable TOR and assessment criteria.

D. Remuneration

Tower REIT, constituted as a trust, is externally managed by the Manager and accordingly, it has no personnel of its own. The Manager, led by an experienced Board with wide-ranging qualifications and breadth of experience and expertise, appoints experienced and well-qualified management personnel to handle the day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Tower REIT.

Corporate Governance Overview, Risk Management and Internal Control Statement

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS cont'd

E. Independence

The Manager has in place an Independence of Directors Policy ("ID Policy") which sets out the criteria for assessing the independence of IDs. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops.

The ID Policy states that the tenure of an ID shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Manager.

The IDs have declared their independence, and the NC and the Board have determined, at the annual assessment carried out for FY2022, that the IDs have continued to bring independent and objective judgment to Board deliberations and decision-making.

Currently, none of the IDs has tenure of service that exceeds 9 years.

F. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each financial year pursuant to the MMLR.

All Directors are supplied with adequate and timely information prior to the Board meetings. The Manager has moved towards electronic Board reports to facilitate access to reports and to encourage a paperless environment for Board meetings. Board reports are circulated electronically prior to the Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of Tower REIT and the Manager as well as matters requiring the approval of the Board.

All Directors have access to the advice and services of an experienced and qualified Company Secretary to facilitate the discharge of their duties. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow between the Board, Board Committees and Senior Management. All Directors also have access to the advice and services of the internal and external auditors and in addition, to independent professional advice, where necessary, at the Manager's expense, in consultation with the Chairman of the Board.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has an interest in the subject matter to be deliberated is required to declare such interest and abstain from deliberation and voting on the same during the meetings.

Corporate Governance Overview, Risk Management and Internal Control Statement

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

The Board met 5 times during the FY2022. Details of attendance of each Director are as follows:

Directors	Attendance
Mr Tang Hong Cheong	5/5
Mr Cheng Hsing Yao	5/5
Mr Tan Wee Bee	5/5
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	5/5
Ms Lim Tau Kien	5/5
Ms Lim Chew Yan	5/5
YBhg Dato' Tan Ang Meng	5/5

The Board recognises the importance of continuous professional development and training for its Directors. All Directors are aware of the continuing education programme requirements pursuant to the MMLR.

The Manager is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Manager. An Induction Programme which includes visits to Tower REIT's various properties and meetings with Senior Management of the Manager is organised for newly appointed Directors to provide knowledge of Tower REIT's properties and business. The CPD encompasses areas related to the industry and business of Tower REIT, governance, risk management and relevant regulations. A training budget is allocated for the CPD.

All Directors of the Manager have completed the Mandatory Accreditation Programme as prescribed by Bursa Securities.

The Board is updated on any material changes to relevant laws, regulations and accounting standards during Board meetings and is kept informed of available training programmes, seminars and briefings including any talks organised by the regulatory bodies.

In assessing the training needs of Directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on corporate governance, finance/accounting, legal, risk management, information technology and security, cyber resilience, internal control, anti-bribery and corruption management, ESG, industry-related and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

In FY2022, the Directors of the Manager received regular internal briefings and updates on the Manager's businesses, strategies, operations, risk management and compliance, internal controls, corporate governance, finance/accounting, anti-bribery and corruption and material changes to relevant legislations, rules and regulations.

During FY2022, the Directors of the Manager, collectively or on their own, attended various external training programmes, seminars, briefings and/or workshops covering a range of pertinent matters including ESG related matters, Anti-Money Laundering and Countering the Financing of Terrorism, Anti-Bribery and Corruption, Risk Management Post-Pandemic, Digital Transformation of the Accounting Profession, Artificial Intelligence in Business, Board Dynamics and Performance, Stakeholder Engagement, Malaysian Code on Corporate Governance 2021 and other legal and regulatory developments.

Corporate Governance Overview, Risk Management and Internal Control Statement

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BOARD LEADERSHIP AND EFFECTIVENESS cont'd

G. Strengthening Corporate Governance Culture

- Whistleblowing Policy

A policy on whistleblowing has been established by the Manager and it provides a structured channel for all employees of the Manager and any other persons providing services to, or having a business relationship with, Tower REIT and the Manager, to report any concern about improper conduct or wrongful act committed involving Tower REIT and the Manager. The Whistleblowing Policy is published on the Tower REIT's website.

The Board has identified the Chairman of the BARMC as the person to whom reports of any such concerns may be conveyed.

- Anti-Bribery and Corruption Policy

An Anti-Bribery and Corruption ("ABC") Policy has been established by the Manager and it provides a guidance on how to prevent, deal with and combat bribery and corrupt activities and issues that may arise in the course of business.

The ABC Policy which applies to all employees of the Manager, Directors and any person who performs services for or on behalf of Tower REIT and the Manager, is published on the Tower REIT's website.

The Board has identified the Chairman of the BARMC as the person to whom reports of any concerns about or suspicion of ABC breaches may be conveyed.

EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board recognises its overall responsibility for the adequacy and effectiveness of Tower REIT's system of internal controls and risk management framework as set up by the Manager to safeguard the assets of Tower REIT and interest of the unitholders.

The Board is supported by the BARMC, chaired by an ID who is distinct from the Chairman of the Board.

Accountability and Audit

A. Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of Tower REIT including the presentation of a balanced, clear and meaningful assessment of the financial position and overall performance of Tower REIT. The Directors are satisfied that in preparing the financial statements of Tower REIT for FY2022, Tower REIT has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements. The Manager's responsibility in respect of the preparation of the financial statements of Tower REIT for FY2022 is set out in the Manager's Report of the Annual Report.

Corporate Governance Overview, Risk Management and Internal Control Statement

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EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability and Audit *cont'd*

B. Relationship with Auditors

The external auditors are nominated by the Manager and appointed by the Trustee. The auditors appointed must be independent of the Manager and the Trustee. The remuneration of the auditors is approved by the Trustee.

The Board, through the BARMC, maintains a formal and professional relationship with the external auditors, KPMG PLT. The BARMC reviews the performance, suitability, independence and objectivity of the external auditors annually. The BARMC also reviews the nature and fees of non-audit services provided by the external auditors in assessing the independence of the external auditors. In accordance with the Malaysian Institute of Accountants By-Laws (On Professional Ethics, Conduct and Practice), KPMG PLT rotates its engagement partner once every 7 years to ensure objectivity, independence and integrity of the audit opinions.

At least once a year, the BARMC will have a private session with the external auditors. The fees payable to the external auditors for FY2022 in respect of statutory audit services rendered to Tower REIT amounted to RM74,000 and as there was no provision of non-audit services, such fee was not incurred.

For FY2022, the BARMC has conducted an annual assessment on the performance, suitability, independence and objectivity of the external auditors, and no major concerns were noted. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement including the internal processes undertaken by them to determine their independence.

C. Internal Control

The Board is committed to maintain a sound and effective system of internal controls and has set procedures and processes to ensure that Tower REIT will achieve its objectives to safeguard the interest of the unitholders including reliability of financial reporting, compliance with applicable laws and regulations and effectiveness and efficiency of operations.

The Manager does not have its own in-house Internal Audit ("IA") function. The IA function is outsourced to the Group IA Department of its holding company, GuocoLand (Malaysia) Berhad ("GLM"), to assist the Board in discharging its duties and responsibilities.

The key elements of Tower REIT's system of internal controls are described below:

- A management structure exists with clearly defined delegation of responsibilities to the Management of the Manager, including authorisation levels for all aspects of the business and operations;
- Documented corporate policies and procedures covering various aspects of the business and operations of Tower REIT;
- Promotion of a strong internal control culture through the Manager's values and ethics and also the "tone at the top";
- Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances;
- Risk-based internal audits carried out by the GLM's IA Department focusing on key risk areas; and
- Periodic reporting to the BARMC on the results of control assurance and audit activities and also the management of risks by Tower REIT and the Manager.

Corporate Governance Overview, Risk Management and Internal Control Statement

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EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability and Audit *cont'd*

C. Internal Control *cont'd*

The Manager takes cognisance of recommendations to enhance internal controls made by the external auditors, Messrs KPMG PLT, and by the internal auditor in respect of the accounting and operational controls in their audit reports issued during FY2022.

D. Management and Decision-Making Processes

The internal control and risk management processes embedded within the operations of Tower REIT and the Manager are in place for FY2022 and up to the date of approval of this Statement for inclusion in the Annual Report for FY2022, and have been reviewed periodically by the BARMC. These processes are intended to manage and mitigate rather than eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board has appraised and is of the view that the system of internal controls and risk management in place for FY2022 was adequate and effective. The Board has received assurances from the CEO of the Manager and Financial Controller of GLM that Tower REIT's system of internal controls and risk management framework are operating adequately and effectively, in all material aspects, based on the internal control system and risk management framework of Tower REIT.

E. Risk Management

Risk management of Tower REIT involves an iterative process for identifying, evaluating, managing and reviewing any changes in the significant risks including emerging risks that may have impact on the achievement of business objectives and strategies of Tower REIT.

Risks identified are systematically evaluated with proper mitigating actions in place, developed to manage the risks to an acceptable level and monitored on a continuous basis. The Enterprise Risk Management ("ERM") risk profile for Tower REIT and the Manager is reviewed by the BARMC at least twice a year with reference to the detailed risk register as and when required.

The Manager has adopted KPMG Board Assurance Framework as a structured process in making risk-based strategies and decisions to:

- establish the context of risk in relation to the Tower REIT's risk appetite;
- identify the risks faced by the Tower REIT in the operating environment;
- assess the likelihood and impact of such risks identified and hence its risk levels;
- evaluate the priority to be given to managing each risk based on its respective risk level;
- assess the adequacy and effectiveness of the existing risk mitigating measures;
- evaluate risk treatment options (i.e. changing the likelihood or consequence of the risk; and sharing, retaining or avoiding the risk) in relation to the Tower REIT's context of risk;
- develop any necessary further measures to manage these risks; and
- monitor and review risk mitigating measures, risk levels and emerging risks.

Corporate Governance Overview, Risk Management and Internal Control Statement

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EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability and Audit *cont'd*

E. Risk Management *cont'd*

On an on-going basis, each department/division of the Manager has clear accountabilities to:

- monitor its existing risks, identify emerging risks and hence update the enterprise-wide risk registers;
- maintain the adequacy, effectiveness and relevance of action plans and control systems developed to manage risks; and
- assess the likelihood and impact of such risks identified, using qualitative and also quantitative measures where applicable, to determine the risk level, i.e. “Severe”, “Major”, “Moderate”, “Minor” or “Insignificant”.

F. Related party transactions and conflict of interests

The Manager has established procedures that will ensure that related party transactions and conflict of interests are undertaken in full compliance with the REIT Guidelines, the Deed and the MMLR, on an arm’s length basis and on terms which are not more favourable than those extended to unrelated parties.

Directors are under fiduciary duties to Tower REIT to act in its best interest in relation to decisions affecting Tower REIT when voting as a member of the Board and to refrain from any deliberation or decision which concerns their personal, commercial or professional interests. In addition, the Directors and the officers of the Manager are expected to act with honesty and integrity at all times.

All related party transactions entered into by Tower REIT are subject to regular periodic reviews by the BARMC.

Information on transactions entered with related party during FY2022 is disclosed in the Annual Report under Notes to the Financial Statements.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Disclosure

The Board believes in providing prompt and accurate disclosure of material information to unitholders. All disclosures and material information documents will be posted on the Tower REIT’s website after release to Bursa Securities.

B. Dialogue with Unitholders and Investors

The Board acknowledges the importance of regular communication with unitholders and investors via the annual reports, quarterly financial reports and the various announcements made during the year, through which unitholders and investors can have an overview of Tower REIT’s performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Tower REIT’s website, Bursa Securities website, in the media and by post to unitholders. This allows unitholders to make the necessary arrangements to attend and participate in the general meetings either in person, by corporate representative, by proxy or by attorney.

Corporate Governance Overview, Risk Management and Internal Control Statement

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INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS cont'd

B. Dialogue with Unitholders and Investors cont'd

Unitholders can access information at the Tower REIT's website which includes corporate information, announcements, financial information and summary of key matters discussed at the general meetings.

In addition, unitholders and investors can have the following channel of communication with the CEO of the Manager to direct queries and provide feedback to the Manager:-

Name : Puan Noorbaizura binti Hermeyney
Tel No. : 603-2726 1000
Fax No. : 603-2726 1120
Email address : glmreit@guocoland.com

C. Annual General Meeting ("AGM") and other Unitholders' Meetings (collectively the "General Meetings")

The Board regards the General Meetings as important forums for effective communication and proactive engagement between the Board and unitholders of Tower REIT.

The AGM provides an opportunity for the unitholders to seek and clarify any issues and to have a better understanding of the performance of Tower REIT. Unitholders are encouraged to meet and communicate with the Board of Directors of the Manager at the AGM and to vote on all resolutions. Senior Management and the external auditors are also available to respond to unitholders' queries during the AGM. All Directors during their tenure of service, attended the last AGM held on 13 October 2021.

In view of the COVID-19 pandemic and in the interest of the health and safety of all stakeholders, the last AGM of Tower REIT held on 13 October 2021 was conducted in a fully virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All Directors attended the AGM to engage with unitholders and address issues of concern raised by the unitholders. The minutes of last AGM is published on the Tower REIT's website.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to vote by way of a poll and the voting results will be announced at the meeting and through Bursa Securities.

Tower REIT has adopted electronic voting for the conduct of poll on all resolutions at the AGM.

This Statement is made in accordance with the resolution of the Board.

Board Audit & Risk Management Committee Report

CONSTITUTION

The Board Audit & Risk Management Committee (“Committee”) of GLM REIT Management Sdn Bhd (“GLM REIT” or the “Manager”), the Manager of Tower Real Estate Investment Trust (“Tower REIT”) was established on 31 July 2018 in compliance with the revamped Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) that came into effect on 9 April 2018 where the establishment of an audit committee in a management company of a real estate investment trust is now mandatory.

The Committee has the delegated oversight responsibilities on the financial reporting process, the management of risk and system of internal controls, the audit process of Tower REIT and the Manager as well as to review conflicting interest situations and related party transactions, from the Board of Directors of the Manager (“Board”) to ensure that the interests of the unitholders of Tower REIT are safeguarded.

COMPOSITION

The Committee comprises three (3) members, all of whom are Independent Non-Executive Directors as follows:

YBhg Dato’ Tan Ang Meng
Chairman, Independent Non-Executive Director

Ms Lim Tau Kien
Independent Non-Executive Director

YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah
Independent Non-Executive Director

SECRETARY

The Secretary to the Committee is Ms Chin Min Yann who is the Company Secretary of GLM REIT.

AUTHORITY

The Committee is authorised by the Board to review any activity of the Manager in managing Tower REIT within its Terms of Reference, details of which are available on Tower REIT’s website at <https://www.tower-reit.com>. The Committee is authorised to seek any information it requires from any director or member of management and all employees of the Manager are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary and reasonable resources to enable it to discharge its functions properly.

Board Audit & Risk Management Committee Report

cont'd

MEETINGS

The Committee meets at least four (4) times in each financial year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements of Tower REIT are held prior to such quarterly reports and annual financial statements being submitted to the Board for approval.

The Chief Executive Officer, head of finance, head of internal audit and senior management of the Manager may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

Two (2) members of the Committee, who shall be independent, shall constitute a quorum and the majority of members present must be Independent Directors.

After each Committee meeting, the Chairman of the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.

The Committee meets with the external auditors and internal auditors, without the presence of management at least once annually.

ACTIVITIES

During the financial year ended 30 June 2022 ("FY2022"), five (5) Committee meetings were held and the attendance of the Committee members was as follows:

Member	Attendance
YBhg Dato' Tan Ang Meng	5/5
Ms Lim Tau Kien	5/5
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	5/5

Board Audit & Risk Management Committee Report

cont'd

ACTIVITIES *cont'd*

The Committee carried out the following key activities for FY2022:

- Reviewed the quarterly reports and annual financial statements of Tower REIT, and accompanying announcements prior to submission to the Board for consideration and approval.
- Reviewed the Internal Audit Charter as part of its annual review and recommended to the Board for approval.
- Reviewed the Enterprise Risk Management (“ERM”) Framework and ERM risk profile.
- Reviewed the Terms of Reference of the Committee and recommended amendments to the Board for approval.
- Held two (2) separate sessions with the external auditors without the presence of the management. During the separate session, no critical issues were raised and the external auditors conveyed that they had been maintaining a good professional Auditor-Client working relationship.
- Met with the external auditors and discussed the Annual Audit Plan 2022 on the nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, reviewed the management letter and management’s response, reviewed pertinent issues which had significant impact on the results of Tower REIT and discussed applicable accounting and auditing standards.
- Evaluated the suitability, performance, independence and objectivity of the external auditors and their services.
- Reviewed and recommended to the Board for approval the audit fees payable to the external auditors in respect of services provided to Tower REIT.
- Reviewed the quarterly report on recurrent related party transactions of Tower REIT.
- Reviewed the proposed Unitholders’ Mandate involving recurrent related party transactions which are carried out by Tower REIT with Hong Leong Company (Malaysia) Berhad (“HLCM”) (a major unitholder of Tower REIT), GuoLine Capital Assets Limited (“GCA”) (the ultimate holding company of the Manager and a major unitholder of Tower REIT) and persons connected with HLCM and GCA.
- Met with the internal auditors and approved the annual audit plan and also reviewed the internal audit findings and recommendations.
- Reviewed the Board Audit & Risk Management Committee Report and the Statement on Risk Management and Internal Control and recommended to the Board for inclusion in the Tower REIT’s Annual Report.
- Reviewed the establishment of the compliance function and the position of Compliance Officer.
- Reviewed the compliance policies and overseeing the management’s implementation of the same.

Board Audit & Risk Management Committee Report

cont'd

INTERNAL AUDIT ("IA")

The IA function is undertaken by an in-house IA Department of the Manager's parent company, GuocoLand (Malaysia) Berhad. The IA Department, led by the Head of IA, reports directly to the Committee. The IA Department supports the Committee in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Manager in managing Tower REIT. The Committee takes cognisance of the fact that an independent and adequately resourced internal audit function is essential in obtaining the assurance it requires regarding the effectiveness of the system of internal controls.

The IA activities carried out during FY2022 include, inter alia, the following:

- Ascertained the extent of compliance with the established policies, procedures and statutory requirements;
- Reviewed the system of internal controls and key operating processes based on the approved annual IA plan by adopting a risk based approach and recommending improvements to the existing system of controls;
- Conducted investigation audits on the request of management;
- Carried out planned audit reviews on Tower REIT's operations; and
- Observed and witnessed tender opening processes during the year.

Arising from the above activities, IA reports, incorporating the audit findings, audit recommendations and management's responses were presented to the Committee. Follow-up audit was also conducted and the status of implementation on the agreed recommendations was reported to the Committee.

The cost incurred for the IA function is included in the management fees paid by the Manager which amounted to RM180,000 for FY2022.

This Board Audit & Risk Management Committee Report is made in accordance with the resolution of the Board of Directors.



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Statement of Financial Position

AS AT 30 JUNE 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Non-current assets			
Plant and equipment	3	6,099	11,965
Investment properties	4	818,600	811,800
		824,699	823,765
Current assets			
Trade and other receivables	5	635	814
Cash and bank balances	6	1,743	2,553
Total current assets		2,378	3,367
Total assets		827,077	827,132
Represented by:			
Unitholders' funds			
Unitholders' capital	7	285,345	285,345
Undistributed income – realised		61,008	61,916
Undistributed income – unrealised	8	175,011	174,846
		521,364	522,107
Liabilities			
Trade and other payables	9	6,130	6,248
Borrowings	11	260,075	259,856
Deferred tax liability	10	19,432	19,414
Total non-current liabilities		285,637	285,518
Trade and other payables	9	10,976	10,407
Borrowings	11	9,100	9,100
Total current liabilities		20,076	19,507
Total liabilities		305,713	305,025
Total unitholders' funds and liabilities		827,077	827,132
Net asset value		521,364	522,107

Statement of Financial Position

AS AT 30 JUNE 2022

cont'd

	Note	2022 RM'000	2021 RM'000
Net asset value ("NAV")			
Before income distribution		521,364	522,107
After income distribution*		519,541	518,853
Number of units in circulation ('000)	7	280,500	280,500
NAV per unit (RM)			
- Before income distribution		1.8587	1.8613
- After income distribution*		1.8522	1.8497

* after proposed final income distribution of 0.65 sen per unit (2021: 1.16 sen per unit)

The notes on pages 74 to 106 are an integral part of these financial statements.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 RM'000	2021 RM'000
Revenue	12	32,608	31,848
Property operating expenses	13	(14,566)	(14,449)
Net rental income		18,042	17,399
Change in fair value of investment properties	4	183	(12,385)
Other income		61	37
Interest income		53	50
Total income		18,339	5,101
Manager's fees	14	(2,256)	(2,229)
Trustee's fee	15	(157)	(159)
Auditors' fees		(75)	(58)
Administrative expenses		(363)	(819)
Valuation fee		(55)	(50)
Interest expense		(9,538)	(7,970)
Total expenses		(12,444)	(11,285)
Income/(Loss) before tax		5,895	(6,184)
Income tax expense	16	(18)	1,239
Net income/(loss) and total comprehensive income/(loss) for the year		5,877	(4,945)
Total comprehensive income/(loss) for the year is made up as follows:			
Realised		5,712	6,201
Unrealised		165	(11,146)
		5,877	(4,945)
Earnings/(Loss) per unit (sen)			
Realised		2.04	2.21
Unrealised		0.06	(3.97)
	17	2.10	(1.76)

The notes on pages 74 to 106 are an integral part of these financial statements.

Statement of Changes in Net Asset Value

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Undistributed income			Total RM'000
		Unitholders' capital RM'000	Non- Distributable - unrealised RM'000	Distributable - realised RM'000	
At 1 July 2020		285,345	185,992	61,969	533,306
Operations for the year ended 30 June 2021					
Net (loss)/income for the year		-	(11,146)	6,201	(4,945)
Total comprehensive (loss)/income for the year		-	(11,146)	6,201	(4,945)
Unitholders' transactions					
Distribution to unitholders					
- 2020 final	18	-	-	(3,309)	(3,309)
- 2021 interim	18	-	-	(2,945)	(2,945)
Decrease in net assets resulting from unitholders' transactions		-	-	(6,254)	(6,254)
At 30 June 2021/1 July 2021		285,345	174,846	61,916	522,107
Operations for the year ended 30 June 2022					
Net income for the year		-	165	5,712	5,877
Total comprehensive income for the year		-	165	5,712	5,877
Unitholders' transactions					
Distribution to unitholders					
- 2021 final	18	-	-	(3,254)	(3,254)
- 2022 interim	18	-	-	(3,366)	(3,366)
Decrease in net assets resulting from unitholders' transactions		-	-	(6,620)	(6,620)
At 30 June 2022		285,345	175,011	61,008	521,364
		Note 7	Note 8		

The notes on pages 74 to 106 are an integral part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Income/(Loss) before tax	5,895	(6,184)
Adjustments for:		
Change in fair value of investment properties	(183)	12,385
Depreciation	788	758
Interest expense	9,538	7,970
Interest income	(53)	(50)
Plant and equipment expensed off	-	431
Operating profit before changes in working capital	15,985	15,310
Changes in working capital:		
Trade and other receivables	179	1,393
Trade and other payables	451	5,843
Net cash from operating activities	16,615	22,546
Cash flows from investing activities		
Acquisition of plant and equipment	(1,539)	(6,424)
Acquisition of investment properties	-	(245,558)
Interest received	53	50
Net cash used in investing activities	(1,486)	(251,932)
Cash flows from financing activities		
Distribution paid to unitholders	(6,620)	(6,254)
Interest paid	(9,319)	(8,153)
Proceeds from borrowings	4,200	259,640
Repayment of borrowings	(4,200)	(14,900)
Net cash (used in)/from financing activities	(15,939)	230,333
Net (decrease)/increase in cash and cash equivalents	(810)	947
Cash and cash equivalents at beginning of year	2,553	1,606
Cash and cash equivalents at end of year	1,743	2,553

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022
cont'd

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2022 RM'000	2021 RM'000
Cash and bank balances	6	1,743	2,553

The notes on pages 74 to 106 are an integral part of these financial statements.

Notes to the Financial Statements

Tower Real Estate Investment Trust ("Tower REIT") is a Malaysian-domiciled real estate investment trust constituted pursuant to the principal Deed dated 17 February 2006 as amended and restated by the restated Deed dated 29 May 2014 and the second restated Deed dated 23 October 2019 ("the Deed") between GLM REIT Management Sdn. Bhd. ("the Manager") and MTrustee Berhad ("the Trustee"). The Deed is regulated by the Securities Commission ("SC") Guidelines on Listed Real Estate Investment Trusts ("REITs"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Rules of the Depository and taxation laws and rulings. Tower REIT was listed on the Main Market of Bursa Malaysia Securities on 12 April 2006.

The address of the principal place of business of the Manager is at Level 13, Guoco Tower, Damansara City, 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

The principal activity of Tower REIT is to own or invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies of which principal assets comprise real estate with the primary objectives of achieving an attractive level of return from rental income and of achieving medium to long term capital growth. There has been no significant change in the nature of this activity during the year.

The financial statements were approved by the Board of Directors of GLM REIT Management Sdn. Bhd. on 29 July 2022.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of Tower REIT have been prepared in accordance with the provisions of the Deed dated 17 February 2006 as amended and restated by the restated Deed dated 29 May 2014 and the second restated deed dated 23 October 2019, the SC Guidelines on Listed REITs, applicable securities laws, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards. These financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Securities.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by Tower REIT:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)* #
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework* #
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)* #

Notes to the Financial Statements

cont'd

1. BASIS OF PREPARATION cont'd

(a) Statement of compliance cont'd

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts* – Initial application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101, *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates
- Amendments to MFRS 112, *Income Taxes* – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Tower REIT plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for those marked (“#”) which are not applicable to Tower REIT.
- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to Tower REIT.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is Tower REIT’s functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes to the Financial Statements

cont'd

1. BASIS OF PREPARATION cont'd

(d) Use of estimates and judgements cont'd

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 4 - Investment properties and Note 10 - Deferred tax liability.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

(a) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, Tower REIT becomes a party to the contractual provisions of the instrument.

A financial asset or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless Tower REIT changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

All financial assets are subject to impairment assessment (see Note 2(f)).

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement *cont'd*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment, except for assets under construction, are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain and loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(b) Plant and equipment cont'd

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Tower REIT, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. Plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- Fittings 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting year, and adjusted as appropriate.

(c) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

(ii) Determination of fair value

Investment properties are measured initially at cost and subsequently at fair values with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property or enhancement of the property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Investment properties *cont'd*

(ii) Determination of fair value *cont'd*

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Tower REIT's investment property portfolio:

- (a) in the event of an acquisition or disposal of investment property by Tower REIT; and
- (b) at least once a financial year as required by the SC Guidelines on Listed REITs.

The last valuation by an independent valuer was done on 31 March 2022 on Menara HLX, Menara Guoco and Plaza Zurich.

(d) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Tower REIT assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, Tower REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which Tower REIT is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(d) Leases cont'd

(ii) Recognition and initial measurement

As a lessor

When Tower REIT acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Tower REIT makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, Tower REIT applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

Tower REIT recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Tower REIT uses the interest rate implicit in the lease to measure the net investment in the lease.

When Tower REIT is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which Tower REIT applies the exemption described above, then it classifies the sublease as an operating lease.

Covid-19-Related rent concessions

Tower REIT has applied Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*. Tower REIT applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications.

The changes in lease payments arising from rent concessions to which the Tower REIT has applied the practical expedient for Covid-19-related rent concessions are recognised in profit or loss.

(iii) Subsequent measurement

As a lessor

Tower REIT recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with licensed banks, which have an insignificant risk of changes in value with original maturities of three months or less, and are used by Tower REIT in the management of its short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

(f) Impairment

Financial assets

Tower REIT recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

Tower REIT measures loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, Tower REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Tower REIT's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset. The maximum period considered when estimating expected credit losses is the maximum contractual period over which Tower REIT is exposed to credit risk.

Tower REIT estimates the expected credit losses on trade receivables on an individual basis.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, Tower REIT assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when Tower REIT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Tower REIT's procedures for recovery of amounts due.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(g) Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

Cost directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(h) Provisions

A provision is recognised if, as a result of a past event, Tower REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Revenue and other income

(i) Service charge

Service charge is recognised in profit or loss upon services being rendered to the tenants over the lease term.

(ii) Car park income

Car park income is recognised in profit or loss upon services being rendered.

(iii) Other income

Other income consists of income from services, signage rental, compensation charges and other associated income. Other income is recognised over time when services are delivered.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(j) Expenses

(i) Property operating expenses

Property operating expenses consist of property management fee, quit rent and assessment and other property outgoings in relation to investment properties where such expenses are the responsibility of Tower REIT. Property management fees are recognised on an accrual basis.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(j) Expenses *cont'd*

(ii) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(iii) Manager's and Trustee's fees

The Manager's and Trustee's fees are recognised on an accrual basis.

(k) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in unitholders' fund.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will realised simultaneously.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(k) Income tax *cont'd*

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement date assumes that the transaction to sell the asset or transfer the liability take place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, Tower REIT uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Tower REIT can access at the measurement date.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

Tower REIT recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements

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3. PLANT AND EQUIPMENT

	Note	Fittings RM'000	Capital Work- in-Progress RM'000	Total RM'000
Cost				
At 1 July 2020		3,082	19,524	22,606
Additions		1,853	4,571	6,424
Borrowing costs capitalised		132	-	132
Expense off		-	(431)	(431)
Transfer		2,812	(2,812)	-
Transfer to investment properties	4	-	(15,760)	(15,760)
At 30 June 2021/1 July 2021		7,879	5,092	12,971
Additions		14	1,525	1,539
Transfer to investment properties	4	-	(6,617)	(6,617)
At 30 June 2022		7,893	-	7,893
Accumulated depreciation				
At 1 July 2020		248	-	248
Charge for the year		758	-	758
At 30 June 2021/1 July 2021		1,006	-	1,006
Charge for the year		788	-	788
At 30 June 2022		1,794	-	1,794
Carrying amounts				
At 1 July 2020		2,834	19,524	22,358
At 30 June 2021/1 July 2021		6,873	5,092	11,965
At 30 June 2022		6,099	-	6,099

4. INVESTMENT PROPERTIES

	Note	2022 RM'000	2021 RM'000
At 1 July		811,800	562,600
Additions		-	245,558
Transfer from plant and equipment	3	6,617	15,760
Changes in fair value of investment properties		183	(12,385)
Others		-	267
At 30 June		818,600	811,800

Notes to the Financial Statements

cont'd

4. INVESTMENT PROPERTIES cont'd

Description of property	Tenure of land	Location	Existing use	Fair value RM'000	At cost RM'000	Percentage of fair value to net asset value %
2022						
Menara HLX	Freehold	Kuala Lumpur	Office and Retail	340,500	237,836	65
Plaza Zurich*	Freehold	Kuala Lumpur	Office and Retail	228,900	140,976	44
Menara Guoco*	Freehold	Kuala Lumpur	Office	249,200	245,558	48
				818,600	624,370	
2021						
Menara HLX	Freehold	Kuala Lumpur	Office and Retail	340,500	231,219	65
Plaza Zurich*	Freehold	Kuala Lumpur	Office and Retail	225,400	140,976	43
Menara Guoco*	Freehold	Kuala Lumpur	Office	245,900	245,558	47
				811,800	617,753	

* These properties have been charged as security to the bank for borrowings as disclosed in Note 11.

The operating lease payments to be received are as follows:

	2022 RM'000	2021 RM'000
Less than one year	23,397	19,938
One to two years	11,329	8,668
Two to three years	5,875	416
Total undiscounted lease payments	40,601	29,022

Notes to the Financial Statements

cont'd

4. INVESTMENT PROPERTIES *cont'd*

Fair value information

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
Menara HLX	-	-	340,500	340,500
Plaza Zurich	-	-	228,900	228,900
Menara Guoco	-	-	249,200	249,200
	-	-	818,600	818,600
2021				
Menara HLX	-	-	340,500	340,500
Plaza Zurich	-	-	225,400	225,400
Menara Guoco	-	-	245,900	245,900
	-	-	811,800	811,800

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	2022 RM'000	2021 RM'000
At 1 July	811,800	562,600
Additions	-	245,558
Enhancements	6,617	15,760
Changes in fair value recognised in profit or loss	183	(12,385)
Others	-	267
At 30 June	818,600	811,800

Notes to the Financial Statements

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4. INVESTMENT PROPERTIES cont'd

The following are the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models:

Valuation techniques	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The investment method entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. The annual net income is capitalised using yield rate to arrive at the capital value of the property.	Expected market rental rate (p.s.f):	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> Expected net rental income were higher (lower); Void periods were shorter (longer); and Expected yield were lower (higher).
	i) Office: RM4.10 – RM7.30 (2021: RM4.30 – RM7.35)	
	ii) Retail: RM6.00 – RM7.40 (2021: RM3.50 – RM9.57)	
	Outgoing (p.s.f): RM1.20 – RM1.40 (2021: RM1.17 – RM1.37)	
	Term yield: 5.50% – 5.75% (2021: 5.75% – 6.00%)	
	Reversionary yield: 5.75% – 6.00% (2021: 6.00% – 6.50%)	
	Void periods: 2.50% – 10.00% (2021: 2.50% – 10.00%)	

Valuation processes applied by the Manager for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation method and estimates are reflective of current market condition.

Highest and best use

Tower REIT's investment properties are currently office buildings. Each property on its own is the highest and best use as the property is located on prime land in the city centre.

Notes to the Financial Statements

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5. TRADE AND OTHER RECEIVABLES

	2022 RM'000	2021 RM'000
Trade receivables	291	486
Other receivables, deposits and prepayments	344	328
	635	814

6. CASH AND CASH EQUIVALENTS

	2022 RM'000	2021 RM'000
Cash and bank balances	1,743	2,553

Included in the cash and cash equivalents are balances arising from normal business transactions with a company related to the Manager, amounting to:

	2022 RM'000	2021 RM'000
Cash and bank balances	1,742	2,549

7. UNITHOLDERS' CAPITAL

	2022 '000	2021 '000
Issued and fully paid-up units	280,500	280,500

	2022 RM'000	2021 RM'000
Issued and fully paid-up units	285,345	285,345

Notes to the Financial Statements

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7. UNITHOLDERS' CAPITAL cont'd

As at 30 June 2022, the Manager did not hold any units in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	2022		2021	
	Number of units	Market value	Number of units	Market value
	'000	RM'000	'000	RM'000
Direct unitholdings in Tower REIT of the related parties of the Manager:				
GLM Equities Sdn. Bhd.	60,769	27,042	60,769	35,550
Hong Leong Assurance Berhad	57,771	25,708	57,771	33,796
Asia Fountain Investment Company Limited	14,000	6,230	14,000	8,190
Associated Land Sendirian Berhad	13,409	5,967	13,409	7,844
Hong Leong Investment Bank Berhad	5,887	2,620	5,887	3,444

The market value is determined by multiplying the number of units with the market closing price of RM0.445 (2021: RM0.585) per unit as at 30 June 2022.

8. UNREALISED UNDISTRIBUTED INCOME

	2022 RM'000	2021 RM'000
Cumulative net change arising from fair value movement of:		
- investment properties	175,011	174,846

9. TRADE AND OTHER PAYABLES

		2022 RM'000	2021 RM'000
Non-current			
Tenants' deposits	9.1	6,130	6,248
		6,130	6,248

Notes to the Financial Statements

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9. TRADE AND OTHER PAYABLES *cont'd*

		2022 RM'000	2021 RM'000
Current			
Trade			
Trade payables		17	862
Tenants' deposits	9.1	4,860	4,253
		4,877	5,115
Non-trade			
Other payables and accrued expenses	9.2	6,099	5,292
Total current		10,976	10,407
Total		17,106	16,655

9.1 Included in tenants' deposits are rental deposits received from companies related to the Manager, amounting to:

	2022 RM'000	2021 RM'000
Payable within 12 months	1,122	215
Payable after 12 months	483	1,054
	1,605	1,269

9.2 Included in other payables and accrued expenses are amounts due to the Manager and the Trustee of RM378,131 (2021: RM170,035) and RM26,132 (2021: RM12,841) respectively which are unsecured, interest free and payable monthly in arrears.

10. DEFERRED TAX LIABILITY

Deferred tax liability is attributable to the following:

	2022 RM'000	2021 RM'000
Investment properties	19,432	19,414

Notes to the Financial Statements

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11. BORROWINGS

	Note	2022 RM'000	2021 RM'000
Non-current			
Term loan	11.1	261,171	261,171
Transaction costs for term loan		(1,096)	(1,315)
		260,075	259,856
Current			
Revolving credit	11.2	9,100	9,100
		269,175	268,956
Gearing ratio		32.55%	32.52%

Plaza Zurich and Menara Guoco have been charged as securities to the bank for borrowings as disclosed in Note 4.

11.1 The interest on term loan were at rates ranging from 3.39% to 3.64% (2021: 3.39% to 3.65%) per annum during the financial year.

11.2 The interest on revolving credit were at rates ranging from 2.89% to 3.14% (2021: 2.89% to 2.90%) per annum during the financial year. The revolving credit is repayable upon its maturity on 15 July 2022.

11.3 Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 July RM'000	Net changes from financing cash flows RM'000	Amortisation of transaction costs RM'000	At 30 June RM'000
2022				
Term loan	259,856	-	219	260,075
Revolving credit facility	9,100	-	-	9,100
	268,956	-	219	269,175
2021				
Term loan	-	259,640	216	259,856
Revolving credit facility	24,000	(14,900)	-	9,100
	24,000	244,740	216	268,956

Notes to the Financial Statements

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12. REVENUE

	2022 RM'000	2021 RM'000
Rental income	20,913	19,466
Service charge	9,106	9,428
Car park income	1,262	1,635
Others	1,327	1,319
	32,608	31,848

12.1 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	2023 RM'000	2024 RM'000	2025 RM'000	Total RM'000
Year ended 30 June 2022				
Service charge	6,651	3,461	1,542	11,654

	2022 RM'000	2023 RM'000	2024 RM'000	Total RM'000
Year ended 30 June 2021				
Service charge	6,754	3,036	222	10,012

The REIT applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligation that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised service to a customer and when the customer pays for that service is one year or less.

Notes to the Financial Statements

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13. PROPERTY OPERATING EXPENSES

	2022 RM'000	2021 RM'000
Assessment	4,011	3,990
Service contracts and maintenance	4,647	4,595
Property management fees	335	419
Utilities	3,835	3,775
Others	1,738	1,670
	14,566	14,449

Property management fees of RM335,048 (2021: RM419,657) were charged by property managers, in accordance with the Valuers, Appraisers and Estate Agent Acts 1981 with permissible discount.

14. MANAGER'S FEES

Pursuant to the Deed constituting Tower REIT, the Manager's fees consist of a base fee of up to 0.75% per annum of the gross asset value and a performance fee of up to 4% per annum of the net property income, but before deduction of property management fee, and an acquisition fee of 1% of acquisition price. These fees are based on the agreed scale rate.

	2022		2021	
	RM'000	%	RM'000	%
Base Fee and % of Gross Asset Value	1,629	0.20	1,626	0.20
Performance Fee and % of Net Property Income	627	3.35	603	3.35
	2,256		2,229	
Acquisition Fee and % of Asset Value acquired	-	-	2,421	1.00
	2,256		4,650	

The acquisition fee was capitalised as part of the acquisition cost of investment properties.

Notes to the Financial Statements

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15. TRUSTEE'S FEE

Pursuant to the Deed constituting Tower REIT, the Trustee is entitled to receive a fee of 0.03% (2021: 0.03%) per annum of the net asset value of Tower REIT with a cap of RM200,000 (2021: RM200,000).

	2022 RM'000	2021 RM'000
Year ended 30 June	157	159

16. INCOME TAX EXPENSE

	2022 RM'000	2021 RM'000
Current tax expense		
- under provision in prior years	-	-
Deferred tax expense/(income)		
- current year	18	(1,239)
	18	(1,239)
Total income tax expense	18	(1,239)
Reconciliation of tax expense		
Income/(Loss) before tax	5,895	(6,184)
Income tax using Malaysian tax rate of 24% (2021: 24%)	1,415	(1,484)
Difference in tax rate arising from (gain)/loss on investment properties	(26)	1,734
Non-deductible expenses	400	463
Effect of income exempted from tax	(1,771)	(1,952)
Total income tax expense	18	(1,239)

Pursuant to Section 61A of the Income Tax Act, 1967, total income of the trust for a year of assessment shall be exempted from tax when the trust distributes 90% or more of its total income to its unitholders in the basis period for that year of assessment.

With effect from 1 January 2019, corporate RPGT rate on disposal of properties held more than 5 years is 10%.

17. EARNINGS/(LOSS) PER UNIT

The calculation of earnings/(loss) per unit is based on net income/(loss) for the financial year of RM5,877,000 (2021: RM4,945,000) and on the number of units in circulation during the financial year of 280,500,000 (2021: 280,500,000).

Notes to the Financial Statements

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18. DISTRIBUTION TO UNITHOLDERS

	Gross/Net distribution per unit sen	Total amount RM'000	Date of payment
Year ended 30.06.2022			
2021 Final income distribution	1.16	3,254	30 August 2021
2022 Interim income distribution	1.20	3,366	28 February 2022
		<u>6,620</u>	
Year ended 30.06.2021			
2020 Final income distribution	1.18	3,309	28 August 2020
2021 Interim income distribution	1.05	2,945	26 February 2021
		<u>6,254</u>	

On 29 July 2022, the Directors of the Manager declared a final income distribution of 0.65 sen (2021: 1.16 sen) per unit amounting to RM1,823,250 (2021: RM3,253,800) in respect of the financial year ended 30 June 2022. The distribution will be recognised in the subsequent year.

The total income distribution for the financial year ended 30 June 2022 which comprises the first interim income distribution of 1.20 sen (2021: 1.05 sen) per unit and the proposed final income distribution of 0.65 sen (2021: 1.16 sen) per unit are from the following sources:

	2022 RM'000	2021 RM'000
Net rental income	18,042	17,399
Interest income	53	50
Other income	61	37
	<u>18,156</u>	<u>17,486</u>
Less: Expenses	(12,444)	(11,285)
	<u>5,712</u>	<u>6,201</u>
Less: Prior year's undistributed gain	(523)	(2)
	<u>5,189</u>	<u>6,199</u>
Net income distribution		
- Interim income distribution of 1.20 sen per unit paid on 28 February 2022 (2021: 1.05 sen per unit paid on 26 February 2021)	3,366	2,945
- Final income distribution declared after the reporting year of 0.65 sen per unit payable on 30 August 2022 (2021: 1.16 sen per unit payable on 30 August 2021)	1,823	3,254
	<u>5,189</u>	<u>6,199</u>

Notes to the Financial Statements

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18. DISTRIBUTION TO UNITHOLDERS cont'd

	2022	2021
Income distribution per unit		
- First interim* (sen)	1.20	1.05
- Final* (sen)	0.65	1.16
	1.85	2.21

* Withholding tax will be deducted for distributions made to the following categories of unitholders:

	Withholding tax rate	
	2022	2021
Resident corporate	Nil [^]	Nil [^]
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

[^] To tax at prevailing corporate tax rate.

19. MANAGEMENT EXPENSE RATIO

	2022	2021
Management expense ratio ("MER") (%)	0.56	1.08

The calculation of MER is based on total fees incurred by Tower REIT, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administrative expenses, to the average net asset value during the financial year. Since the average net asset value is calculated on a quarterly basis, comparison of the MER of Tower REIT with that of other real estate investment trusts which use different basis of calculation, may not be accurate. The decrease in MER is primarily due to additional Manager's fees and acquisition fees charged as a consequence of the acquisition of Menara Guoco in prior financial year. The acquisition fee was capitalised as part of the acquisition cost of investment properties.

Notes to the Financial Statements

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20. TRANSACTIONS WITH RELATED PARTIES

For the purposes of these financial statements, the parties which the Manager has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Manager and the party are subject to common control are related parties. Related parties may be individuals or other entities.

	2022 RM'000	2021 RM'000
Acquisition of Menara Guoco	-	242,100
Acquisition fees of Menara Guoco	-	2,421
Rental charged	4,350	4,665
Interest income	53	50

The above transactions have been established based on negotiated terms. The outstanding balances arising from the above transactions have been disclosed in Note 9 to the financial statements.

21. FINANCIAL INSTRUMENTS

21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost ("AC"); and
- (b) Financial liability measured at amortised cost ("FL").

	Carrying amount RM'000	AC/ (FL) RM'000
2022		
Financial assets		
Trade and other receivables excluding prepayment	522	522
Cash and bank balances	1,743	1,743
	2,265	2,265
Financial liabilities		
Borrowings	(269,175)	(269,175)
Trade and other payables	(17,106)	(17,106)
	(286,281)	(286,281)

Notes to the Financial Statements

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21. FINANCIAL INSTRUMENTS *cont'd*

21.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	AC/ (FL) RM'000
2021		
Financial assets		
Trade and other receivables excluding prepayment	679	679
Cash and bank balances	2,553	2,553
	<u>3,232</u>	<u>3,232</u>
Financial liabilities		
Borrowings	(268,956)	(268,956)
Trade and other payables	(16,655)	(16,655)
	<u>(285,611)</u>	<u>(285,611)</u>

21.2 Net gain and loss arising from financial instruments

	2022 RM'000	2021 RM'000
Net gain/(loss) arising on:		
- Loans and receivables	53	50
- Financial liabilities at amortised cost	(9,538)	(8,369)
	<u>(9,485)</u>	<u>(8,319)</u>

21.3 Financial risk management

Risk management is integral to the whole business of Tower REIT. Tower REIT has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors Tower REIT's risk management process to ensure that an appropriate balance between risk and control is achieved.

Tower REIT has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Notes to the Financial Statements

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21. FINANCIAL INSTRUMENTS cont'd

21.4 Credit risk

Credit risk is the risk of a financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the Trust, as and when they fall due. Cash and bank deposits are placed with financial institutions which are regulated.

Receivables

Risk management objectives, policies and processes for managing the risk

The Manager monitors tenants' balances on an ongoing basis. Credit evaluations are performed by the Manager before lease agreements are entered into with tenants.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Manager uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

Recognition and measurement of impairment loss

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables.

	Carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2022			
Not past due	92	-	92
Past due 31 – 60 days	43	-	43
Past due 61 – 90 days	76	-	76
Past due 91 – 120 days	44	-	44
>121 days	297	-	297
Unallocated receipts	(261)	-	(261)
	291	-	291

Notes to the Financial Statements

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21. FINANCIAL INSTRUMENTS *cont'd*

21.4 Credit risk *cont'd*

Receivables *cont'd*

Recognition and measurement of impairment loss cont'd

	Carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2021			
Not past due	182	-	182
Past due 31 – 60 days	160	-	160
Past due 61 – 90 days	83	-	83
Past due 91 – 120 days	-	-	-
>121 days	73	-	73
Unallocated receipts	(12)	-	(12)
	486	-	486

As at the end of the reporting period, Tower REIT did not provide for allowance for impairment loss on trade receivables.

21.5 Liquidity risk

Liquidity risk is the risk that Tower REIT will not be able to meet its financial obligations as they fall due. Tower REIT's exposure to liquidity risk arises principally from its various payables and borrowings. There is no significant changes as compared to prior year.

Tower REIT maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Notes to the Financial Statements

cont'd

21. FINANCIAL INSTRUMENTS cont'd

21.5 Liquidity risk cont'd

Maturity analysis

The table below analyses the maturity profile of Tower REIT's financial liabilities as at the end of the reporting period, based on undiscounted contractual payments.

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
2022							
<i>Non-derivative financial liabilities</i>							
Revolving credit	9,100	2.93	9,111	9,111	-	-	-
Term loan	260,075	3.39 to 3.64	318,211	9,507	9,507	299,197	-
Tenants' deposits	10,990	-	10,990	4,860	6,130	-	-
Trade and other payables	6,116	-	6,116	6,116	-	-	-
	<u>286,281</u>		<u>344,428</u>	<u>29,594</u>	<u>15,637</u>	<u>299,197</u>	<u>-</u>
2021							
<i>Non-derivative financial liabilities</i>							
Revolving credit	9,100	2.9	9,122	9,122	-	-	-
Term loan	259,856	3.39 to 3.65	313,953	8,635	8,635	113,259	183,424
Tenants' deposits	10,501	-	10,501	4,253	6,248	-	-
Trade and other payables	6,154	-	6,154	6,154	-	-	-
	<u>285,611</u>		<u>339,730</u>	<u>28,164</u>	<u>14,883</u>	<u>113,259</u>	<u>183,424</u>

21.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates and other prices will affect Tower REIT's financial position or cash flows.

Notes to the Financial Statements

cont'd

21. FINANCIAL INSTRUMENTS *cont'd*

21.6 Market risk *cont'd*

21.6.1 Interest rate risk

Tower REIT's exposure to changes in interest rate relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

Where necessary, Tower REIT adopts an appropriate hedging policy to minimise interest rate exposure. This may involve fixing certain portion of the interest payable on its underlying debt liabilities via financial derivatives or other suitable financial products. There is no significant changes as compared to prior year.

Exposure to interest rate risk

The interest rate profile of Tower REIT's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting year was:

	2022 RM'000	2021 RM'000
Floating rate instruments		
<i>Financial liabilities</i>		
Revolving credit	(9,100)	(9,100)
Term loan	(260,075)	(259,856)
	(269,175)	(268,956)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

Tower REIT does not account for any fixed rate instruments at fair value. Therefore, a change in interest rate at the end of the financial year would not affect profit or loss.

Notes to the Financial Statements

cont'd

21. FINANCIAL INSTRUMENTS cont'd

21.6 Market risk cont'd

21.6.1 Interest rate risk cont'd

Interest rate risk sensitivity analysis cont'd

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rate, remained constant.

	Equity/(Profit or loss)	
	100bp increase	100bp decrease
	RM'000	RM'000
2022	(2,046)	2,046
2021	(2,044)	2,044

21.7 Fair value information

The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments. There is no material differences between the carrying amount and fair value of borrowings.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	(10,788)	(10,788)	(10,788)	(10,990)
Borrowings	-	-	-	-	-	-	(269,175)	(269,175)	(269,175)	(269,175)
	-	-	-	-	-	-	(279,963)	(279,963)	(279,963)	(280,165)

Notes to the Financial Statements

cont'd

21. FINANCIAL INSTRUMENTS cont'd

21.7 Fair value information cont'd

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	(10,286)	(10,286)	(10,286)	(10,501)
Borrowings	-	-	-	-	-	-	(268,956)	(268,956)	(268,956)	(268,956)
	-	-	-	-	-	-	(279,242)	(279,242)	(279,242)	(279,457)

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of Tower REIT at the reporting date.

The discount rates used above have incorporated credit risk of Tower REIT. The inputs for these risks are unobservable because there are no identical or similar instruments to benchmark to.

22. CAPITAL MANAGEMENT

Tower REIT's objectives when managing capital are to safeguard Tower REIT's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise unitholders' value.

The Manager monitors capital based on gearing ratio. Under the SC Guidelines on REITs, Tower REIT is required to maintain a gearing threshold of not exceeding 50% of total assets.

Notes to the Financial Statements

cont'd

22. CAPITAL MANAGEMENT cont'd

The gearing is calculated as gross borrowings divided by total assets, based on the latest valuations. Gross borrowings refer to the gross interest-bearing borrowings as set out in Note 11 to the financial statements. There is no significant changes as compared to prior year.

	Note	2022 RM'000	2021 RM'000
Gross borrowings	11	269,175	268,956
Total assets		827,077	827,132
Gearing		32.55%	32.52%

23. OPERATING SEGMENTS

Segment information is presented based on the information reviewed by Tower REIT's Chief Operating Decision Makers ("CODM") for performance assessment and resource allocation. For the purpose of the assessment of segment performance, the Trust's CODMs have focused on its investment properties. This forms the basis of identifying the operating segments of Tower REIT under MFRS 8, Operating Segments.

As each investment property is mainly used for commercial purposes, these investment properties are similar in terms of economic characteristics and nature of services. The CODMs are of the view that Tower REIT only has one reportable segment – leasing of investment properties.

Accordingly, no operating segment information has been prepared as Tower REIT only has one reportable segment.

No geographical segment information has been prepared as all the investment properties of Tower REIT are located in Malaysia.

Major customers

The following are major customers with revenue equal or more than 10% of the REIT's total revenue:

	Revenue		Property
	2022 RM'000	2021 RM'000	
Denstu Aegis Network Malaysia	3,737	3,263	Menara Guoco
British American Tobacco Malaysia	4,819	-	Menara Guoco
Zurich Insurance Group	2,237	1,849	Plaza Zurich
Hong Leong Group	4,350	4,665	Plaza Zurich, Menara Guoco & Menara HLX

Statement by the Directors of the Manager

AS AT 30 JUNE 2022

In the opinion of the Directors of the Manager, the financial statements set out on pages 68 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of Tower REIT as at 30 June 2022 and of its financial performance and cash flows for the year then ended.

Signed for and on behalf of the Manager

GLM REIT Management Sdn. Bhd.

in accordance with a resolution of the Directors of the Manager

TAN WEE BEE

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

Kuala Lumpur

Date: 29 July 2022

Statutory Declaration

I, Yeap Yen Yen, being the person primarily responsible for the financial management of Tower Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 68 to 106 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Yeap Yen Yen, MIA No.: 37879, at Kuala Lumpur on 29 July 2022.

Yeap Yen Yen

Before me,

Pesuruhjaya Sumpah
Commissioner for Oaths
Kuala Lumpur

Trustee's Report

TO THE UNITHOLDERS OF TOWER REAL ESTATE INVESTMENT TRUST
(Established in Malaysia)

We have acted as Trustee of Tower Real Estate Investment Trust ("Tower REIT") for the financial year ended 30 June 2022. To the best of our knowledge, GLM REIT Management Sdn. Bhd. ("the Manager") has managed Tower REIT in accordance with the following:

- (a) limitations imposed on the investment powers of the Manager and the Trustee under the Deed constituting Tower REIT (the "Deed"), the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Capital Markets and Services Act 2007, and other applicable laws;
- (b) valuation/pricing is carried out in accordance with the Deed and relevant regulatory requirements; and
- (c) the distribution of returns of 1.85 sen per unit for the financial year ended 30 June 2022 by Tower REIT is tied to and reflects the objectives of the fund.

For and on behalf of the Trustee
MTrustee Berhad

NURIZAN JALIL
Chief Executive Officer

Petaling Jaya, Selangor

Date: 29 July 2022

Independent Auditors' Report

TO THE UNITHOLDERS OF TOWER REAL ESTATE INVESTMENT TRUST
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tower Real Estate Investment Trust ("Tower REIT"), which comprise the statement of financial position as at 30 June 2022, and the statement of comprehensive income, changes in net asset value and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 68 to 106.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Tower REIT as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of Tower REIT in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of Tower REIT for the current year. These matters were addressed in the context of our audit of the financial statements of Tower REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Refer to *Note 2(c)* – Significant accounting policy: investment properties and *Note 4 – Investment properties*.

The key audit matter

Tower REIT owns investment properties comprising three commercial office buildings located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position.

These investment properties are measured at their fair values based on valuations performed by GLM REIT Management Sdn. Bhd. ("the Manager") with the assistance of an external valuer.

The valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and the underlying assumptions to be applied. The fair values of the investment properties were derived using investment method, of which were highly sensitive to key assumptions, in particular those unobservable inputs as disclosed in Note 4 to the financial statements.

This is a key audit matter because of the complexities involved in the valuation and the significant judgement required from us to evaluate the unobservable inputs.

Independent Auditors' Report

TO THE UNITHOLDERS OF TOWER REAL ESTATE INVESTMENT TRUST
(Incorporated in Malaysia)
cont'd

How the matter was addressed in our audit

In this area, our audit procedures, among others, include:

- a) assessed the valuation methodology applied by Tower REIT against those applied by external valuer for similar type of property;
- b) considered the qualifications and competence of the external valuer and assessed the scope of work of the external valuer to determine whether the valuation was appropriate to be applied for financial reporting purposes;
- c) read the valuation report produced by the external valuer and challenged the key assumptions applied by comparing with internal and external sources; and
- d) determined that the rental data input used by the valuer is consistent with agreements with tenants.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Manager are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of Tower REIT and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of Tower REIT does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of Tower REIT, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of Tower REIT or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Manager are responsible for the preparation of financial statements of Tower REIT that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards. The Directors of the Manager are also responsible for such internal control as the Directors of the Manager determine is necessary to enable the preparation of financial statements of Tower REIT that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Tower REIT, the Directors of the Manager are responsible for assessing the ability of Tower REIT to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Manager either intend to liquidate Tower REIT or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report

TO THE UNITHOLDERS OF TOWER REAL ESTATE INVESTMENT TRUST

(Incorporated in Malaysia)

cont'd

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of Tower REIT as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of Tower REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Tower REIT.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- Conclude on the appropriateness of the Directors of the Manager use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Tower REIT to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of Tower REIT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Tower REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of Tower REIT, including the disclosures, and whether the financial statements of Tower REIT represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the Directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditors' Report

TO THE UNITHOLDERS OF TOWER REAL ESTATE INVESTMENT TRUST
(Incorporated in Malaysia)
cont'd

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of Tower REIT for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the unitholders of Tower REIT, in accordance with the trust deed of Tower REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Selangor

Date: 29 July 2022

Thong Foo Vung
Approval Number: 02867/08/2022 J
Chartered Accountant

Other Information

ANALYSIS OF UNITHOLDINGS AS AT 15 AUGUST 2022

DISTRIBUTION SCHEDULE OF UNITHOLDERS

Size of Holding	No. of Unitholders	% of Unitholders	No. of Units Held	% of Units Held
Less than 100	16	0.58	400	0.00
100 – 1,000	421	15.20	293,400	0.10
1,001 – 10,000	1,282	46.28	7,218,860	2.57
10,001 – 100,000	863	31.16	31,439,240	11.21
100,001 – less than 5% of issued units	186	6.71	131,914,000	47.03
5% and above of issued units	2	0.07	109,634,100	39.09
	2,770	100.00	280,500,000	100.00

LIST OF THIRTY LARGEST UNITHOLDERS

	Name of Unitholders	No. of Units	%
1.	GLM Equities Sdn Bhd	60,768,800	21.66
2.	Hong Leong Assurance Berhad - <i>As Beneficial Owner (Life Non Par)</i>	48,865,300	17.42
3.	Citigroup Nominees (Asing) Sdn Bhd - <i>GSCO LLC for Asia Fountain Investment Company Limited</i>	14,000,000	4.99
4.	CIMSEC Nominees (Asing) Sdn Bhd - <i>CIMB for Yong Yoon Kiong (PB)</i>	14,000,000	4.99
5.	Associated Land Sendirian Berhad	13,409,300	4.78
6.	Hong Leong Investment Bank Berhad - <i>IVT-A</i>	5,887,000	2.10
7.	Hong Leong Assurance Berhad - <i>As Beneficial Owner (Life Par)</i>	5,807,700	2.07
8.	Loh Cheng Yean	4,600,000	1.64
9.	CIMB Group Nominees (Asing) Sdn Bhd - <i>Exempt AN for DBS Bank Ltd (SFS)</i>	3,961,300	1.41
10.	Lian Mong Yee @ Lian Mung Yee	3,760,800	1.34
11.	Maybank Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Law Kiu Kiong</i>	3,110,700	1.11
12.	RHB Capital Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Poh Soon Sim (CEB)</i>	3,084,500	1.10
13.	Citigroup Nominees (Tempatan) Sdn Bhd - <i>MCIS Insurance Berhad (Life Par FD)</i>	2,254,700	0.81

Other Information

cont'd

ANALYSIS OF UNITHOLDINGS AS AT 15 AUGUST 2022 *cont'd*

LIST OF THIRTY LARGEST UNITHOLDERS *cont'd*

	Name of Unitholders	No. of Units	%
14.	Hong Leong Assurance Berhad - <i>As Beneficial Owner (Shareholders Non Par Fund)</i>	2,078,000	0.74
15.	CGS-CIMB Nominees (Asing) Sdn Bhd - <i>Exempt AN for CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)</i>	1,660,200	0.59
16.	Tan Kim Chuan	1,574,100	0.56
17.	CGS-CIMB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Lim Chen Yik (Penang-CL)</i>	1,520,000	0.54
18.	AllianceGroup Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Law Kiu Kiong (6000710)</i>	1,454,800	0.52
19.	Ong Ee Nah	1,100,000	0.39
20.	Citigroup Nominees (Tempatan) Sdn Bhd - <i>MCIS Insurance Berhad (Ann FD)</i>	1,074,000	0.38
21.	Lim Kew Seng	1,065,000	0.38
22.	Ong Ah How @ Ong Beng Hwa	1,048,200	0.38
23.	Liew Kon Mun	1,045,600	0.37
24.	Hong Leong Assurance Berhad - <i>As Beneficial Owner (Life Ann Par)</i>	1,020,000	0.37
25.	HLIB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Ting Ching Kok (CCTS)</i>	931,700	0.33
26.	HLIB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Liew Sun Yick</i>	920,000	0.33
27.	Chow Hon Keong	869,200	0.31
28.	CIMSEC Nominees (Tempatan) Sdn Bhd - <i>CIMB for RAM Holdings Berhad (PB)</i>	821,900	0.29
29.	Gan Peoy Hong	754,800	0.27
30.	Ling Thik Ping	713,700	0.26
		203,161,300	72.43

Other Information

cont'd

ANALYSIS OF UNITHOLDINGS AS AT 15 AUGUST 2022 cont'd

MAJOR UNITHOLDERS

	Name of Unitholders	No. of Units	%
1.	GLM Equities Sdn Bhd	60,768,800	21.66
2.	Hong Leong Assurance Berhad - As Beneficial Owner	57,771,000	20.60

DIRECTORS' INTERESTS AS AT 15 AUGUST 2022

Subsequent to the financial year ended 30 June 2022, there is no change in the Directors' interests in the units of Tower Real Estate Investment Trust ("Tower REIT") appearing in the Manager's Report.

MATERIAL CONTRACTS

There was no material contract entered into by Tower REIT that involved the Directors of the Manager or major unitholders of Tower REIT during the financial year under review.

SANCTION AND/OR PENALTIES

There was no public sanction or penalty imposed on the Manager by the relevant regulatory bodies during the financial year under review.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting (“Tenth AGM”) of the unitholders of Tower Real Estate Investment Trust (“Tower REIT”) will be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Friday, 21 October 2022 at 2.30 p.m. in order:-

1. To lay before the meeting the audited financial statements of Tower REIT together with the reports of the Trustee and Auditors thereon for the financial year ended 30 June 2022.

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions, with or without modifications:

2. **Ordinary Resolution 1**
Proposed Renewal Of Unitholders’ Mandate To Allot And Issue Up To 56,100,000 New Units In Tower Real Estate Investment Trust (“Tower REIT”), Representing Up To 20% Of The Existing Total Number Of Units Issued Of Tower REIT Of 280,500,000 Units (“Proposed Renewal Of Authority Mandate”)

“**THAT** pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Main Market of Bursa Securities”), and subject to the passing of Ordinary Resolution 2 below and the requisite approvals being obtained, approval be and is hereby given to the Directors of GLM REIT Management Sdn Bhd, the Manager of Tower REIT (the “Manager”), to issue new units from time to time to such persons and for such purposes as the Directors of the Manager may deem fit provided that the aggregate number of the new units to be issued, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the total number of units issued of Tower REIT for the time being comprising 280,500,000 units and the Directors of the Manager be and are hereby also empowered to obtain the approval for the listing of and quotation for such new units on the Main Market of Bursa Securities;

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the unitholders at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) revoked or varied by resolution passed by the unitholders in a unitholders’ meeting,

whichever is the earlier;

AND THAT such new units shall, upon allotment and issue, rank equally in all respects with the existing units except that the new units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issue of such new units;

AND THAT authority be and is hereby given to the Directors of the Manager and MTrustee Berhad, acting as Trustee of Tower REIT (the “Trustee”), acting for and on behalf of Tower REIT, to give effect to the Proposed Renewal of Authority Mandate with full powers to assent to any condition, modification, variation and/or amendment as they may deem fit in the best interest of Tower REIT and/or as may be imposed by the relevant authorities; **AND FURTHER THAT** the Directors of the Manager and the Trustee, acting for and on behalf of Tower REIT, are to implement, finalise, complete and do all such acts and things (including executing such documents as may be required) in relation to the Proposed Renewal of Authority Mandate.”

(Resolution 1)

Notice of Annual General Meeting

cont'd

3. Ordinary Resolution 2

Proposed Increase In The Existing Total Number Of Units Issued Of Tower REIT From 280,500,000 Units To A Maximum Of 336,600,000 Units Pursuant To The Proposed Renewal Of Authority Mandate ("Proposed Increase In Units Issued")

"**THAT** subject to the passing of Ordinary Resolution 1 above and the requisite approvals being obtained, the total number of units issued of Tower REIT be and is hereby increased from 280,500,000 units to a maximum of 336,600,000 units by the creation of up to 56,100,000 new units;

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Tower REIT, to give effect to the Proposed Increase In Units Issued, with full power to assent to any condition, modification, variation and/or amendment as they may deem fit in the best interest of Tower REIT and/or as may be imposed by the relevant authorities; **AND FURTHER THAT** the Directors of the Manager and the Trustee, acting for and on behalf of Tower REIT, are to implement, finalise, complete and do all such acts and things (including executing such documents as may be required) in relation to the Proposed Increase In Units Issued."

(Resolution 2)

4. Ordinary Resolution 3

Proposed Renewal Of Unitholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM") And GuoLine Capital Assets Limited ("GCA"); And Persons Connected With HLCM And GCA ("Proposed Renewal Of RRPT Mandate")

"**THAT** approval be and is hereby given for Tower REIT to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Unitholders dated 30 August 2022 ("Circular"), with HLCM and GCA; and persons connected with HLCM and GCA provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not, detrimental to the minority unitholders of Tower REIT;

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the unitholders at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) revoked or varied by resolution passed by the unitholders in a unitholders' meeting,

whichever is the earlier;

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Tower REIT, to give effect to the Proposed Renewal Of RRPT Mandate, with full power to assent to any condition, modification, variation and/or amendment as they may deem fit in the best interest of Tower REIT and/or as may be imposed by the relevant authorities; **AND FURTHER THAT** the Directors of the Manager and the Trustee, acting for and on behalf of Tower REIT, are to implement, finalise, complete and do all such acts and things (including executing such documents as may be required) in relation to the Proposed Renewal Of RRPT Mandate."

(Resolution 3)

Notice of Annual General Meeting

cont'd

5. To consider any other business of which due notice shall have been given.

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

CHIN MIN YANN (SSM PC No. 202008002583) (MAICSA 7034011)
Company Secretary

Kuala Lumpur
 30 August 2022

Notes

1. For the purpose of determining unitholders' eligibility to attend this meeting, only unitholders whose names appear in the Record of Depositors as at 13 October 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a unitholder who is an exempt authorised nominee, a unitholder entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a unitholder of Tower REIT. A unitholder who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A unitholder who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the proportions of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which, the appointments shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of GLM REIT Management Sdn Bhd at Level 32, Menara Hong Leong, No. 6, Jalan Damansara, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.
5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of a poll.

Explanatory Notes

1. Ordinary Resolution 1 - Proposed Renewal Of Authority Mandate

The Proposed Renewal Of Authority Mandate, if passed, will give a renewed mandate to the Directors of the Manager of Tower REIT to issue units of Tower REIT from time to time provided that the aggregate number of the new units to be issued, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the total number of issued units of Tower REIT for the time being. The Proposed Renewal Of Authority Mandate, unless revoked or varied at a unitholders' meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the unitholders of Tower REIT.

As at to date, no new units of Tower REIT have been issued pursuant to the mandate granted to the Directors of the Manager at the last AGM of Tower REIT held on 13 October 2021 and which will lapse at the conclusion of the forthcoming Tenth AGM of Tower REIT.

The Proposed Renewal Of Authority Mandate will enable the Directors of the Manager to take swift action in case of, inter-alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new units, and to avoid delay and cost in convening unitholders' meetings to approve such issue of units.

Notice of Annual General Meeting

cont'd

2. **Ordinary Resolution 2 - Proposed Increase In Units Issued**

The purpose of the Proposed Increase In Units Issued is to accommodate the issuance of such new units pursuant to the Proposed Renewal Of Authority Mandate.

3. **Ordinary Resolution 3 - Proposed Renewal Of RRPT Mandate**

The Proposed Renewal Of RRPT Mandate, if passed, will give a renewed mandate to Tower REIT to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of Tower REIT, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Manager's opinion, detrimental to the minority unitholders of Tower REIT.

Detailed information on the Proposed Renewal Of RRPT Mandate is set out in the Circular to Unitholders dated 30 August 2022 which is available on Tower REIT's website at <https://www.tower-reit.com/investor-information/reports>.

I/We _____

NRIC/Passport/Company No. _____ of _____

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

NRIC/Passport No. _____ of _____

or failing him/her _____

NRIC/Passport No. _____ of _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Tenth Annual General Meeting ("Tenth AGM") of unitholders of Tower REIT to be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Friday, 21 October 2022 at 2.30 p.m. and at any adjournment thereof.

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

NO.	RESOLUTIONS	FOR	AGAINST
1.	As special business, to approve the ordinary resolution on the proposed renewal of unitholders' mandate to allot and issue new units in Tower REIT		
2.	As special business, to approve the ordinary resolution on the proposed increase in the existing total number of units issued of Tower REIT		
3.	As special business, to approve the ordinary resolution on the proposed renewal of unitholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and GuoLine Capital Assets Limited ("GCA"); and persons connected with HLCM and GCA		

Dated this _____ day of _____ 2022

Number of units held

Signature(s) of Unitholder

CDS Account No.: _____

NOTES:

- For the purpose of determining unitholders' eligibility to attend this meeting, only unitholders whose names appear in the Record of Depositors as at 13 October 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and to vote on their behalf.
- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy may but need not be a unitholder of Tower REIT.
- Save for a unitholder who is an exempt authorised nominee, a unitholder shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a unitholder of Tower REIT is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with units of Tower REIT standing to the credit of the said securities account. A unitholder who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
- Where two (2) or more proxies are appointed, the proportions of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which, the appointments shall be invalid (please see note 9 below).
- In the case where a unitholder is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of GLM REIT Management Sdn Bhd at Level 32, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.
- In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of unitholdings to be represented

- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Tenth Annual General Meeting will be put to vote by way of a poll.

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

The Company Secretary
GLM REIT MANAGEMENT SDN BHD
Registration No. 200401020808 (659312-H)
The Manager of Tower Real Estate Investment Trust
Level 32, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

1st Fold Here

GLM REIT MANAGEMENT SDN BHD (Registration No. 200401020808 (659312-H))

The Manager of Tower Real Estate Investment Trust

Level 13, Menara Guoco
Damansara City
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2726 1000
Fax : 03-2726 1001

<https://www.tower-reit.com>