



Annual Report **2023**



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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)

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

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

MS LIM TAU KIEN
(Independent Non-Executive Director)

PUAN NOORBAIZURA BINTI HERMEYNEY
(Non-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
Email address : cosec-glm@guocoland.com

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
Email address : inquiry@mtrustee.com

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
Email address : hlsrs@hongleong.com

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
Level 27, 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 RM797.2 million as at 30 June 2023. The combined total net lettable area of the portfolio is 966,028 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	382,606	324,000	41
Plaza Zurich	351,289	224,000	28
Menara Guoco	232,133	249,200	31
	966,028	797,200	100

ASSETS PROFILE



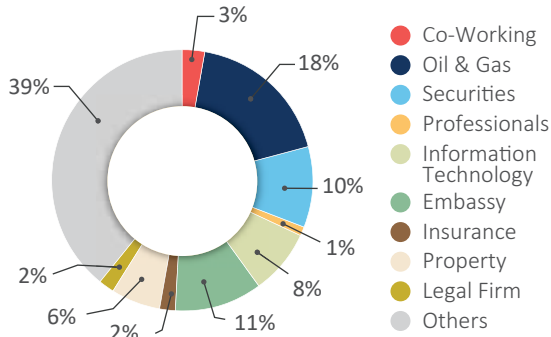
Menara HLX, a 32-storey office tower in Kuala Lumpur's Golden Triangle, has been refurbished to cater to the latest needs in office space. The building's lifts, lobbies, chillers and ancillary facilities have also been upgraded, along with the implementation of a cashless parking system. There is also more controlled access to high zone floors and 24-hour security.

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

Anchor tenants of Menara HLX include IPC Malaysia B.V., Hong Leong Investment Bank Berhad and South African Embassy. In the financial year under review, Menara HLX welcomed a host of new tenants including, Breitling Malaysia Sdn Bhd, Edenest Sdn Bhd, TTE Electronics Sdn Bhd, Target Media Sdn Bhd, MyNews Retail Sdn Bhd, Boilermaster Sdn Bhd and Great Grand Resources Sdn Bhd.

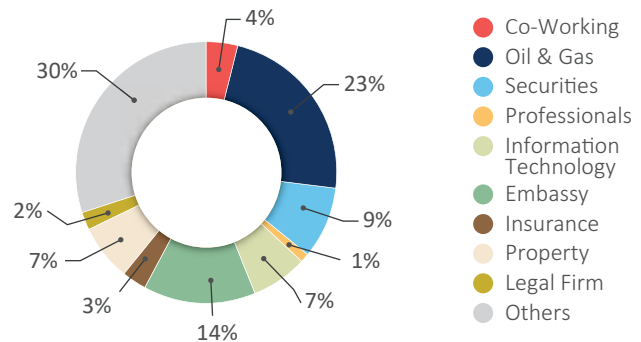
TENANTS MIX BY NET LETTABLE AREA

As at 30 June 2023



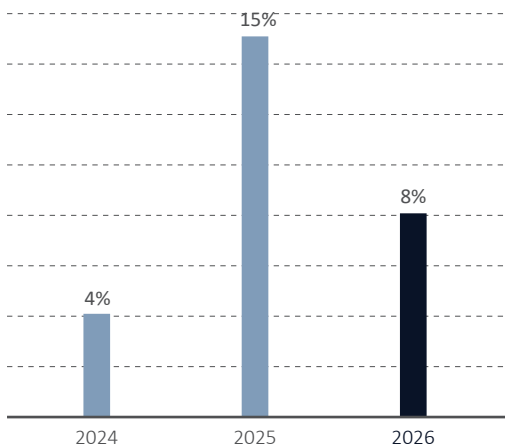
TENANTS MIX BY GROSS RENTAL INCOME

For the Month of June 2023



EXPIRY PROFILE

As at 30 June 2023



MAJOR TENANTS

as at 30 June 2023

Name	Trade Sector	% of Total Net Lettable Area
IPC Malaysia B.V.	Oil & Gas	5
Hong Leong Investment Bank Bhd	Financial services	3
South African Embassy	Embassy	2
		10

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

24 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

382,606 sq. ft.

OCCUPANCY RATES *

31%

PARKING SPACE

721 car park bays

DATE OF ACQUISITION

17 April 2006

ACQUISITION PRICE

RM221,000,000

MARKET VALUE

RM324,000,000

DATE OF LATEST VALUATION

30 June 2023

NAME OF VALUER

Savills (Malaysia) Sdn Bhd

NET BOOK VALUE

RM324,000,000 *

PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara)
Sdn Bhd

* As at 30 June 2023

ASSETS PROFILE

cont'd



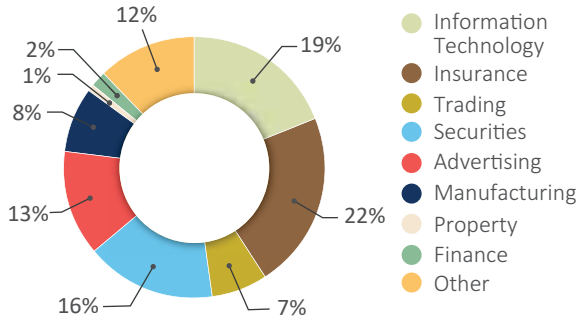
Nestled in the upmarket suburb of Damansara Heights and only 5km from Kuala Lumpur City Centre, Plaza Zurich is a neighborhood landmark that conveniently resides adjacent to the Semantan MRT station. It is also within walking distance of the lively and trendy Plaza Batai enclave and DC Mall.

Plaza Zurich comprises two office blocks and a retail podium, and features functional, high-quality office space, with easy access and ample parking. It has completed its refurbishment in 2020. The triple-volume lobby extends a sophisticated welcome to tenants and visitors, while secured access to office areas and 24-hour security ensure occupant safety and complete peace of mind. On the ground floor, an outdoor amphitheater offers a pleasant, tree-shaded green space for tenants and visitors to enjoy.

Plaza Zurich's anchor tenants include Zurich Life Insurance Malaysia Bhd, Zurich General Insurance Malaysia Bhd, Hong Leong Investment Bank Berhad, Hong Leong Asset Management Bhd and HP PPS Sales Sdn Bhd, while the retail podium features a vibrant selection of F&B tenants, including Sam's, Ali, Muthu & Ah Hock, The Hub Coffee Roasters and Limóné Café.

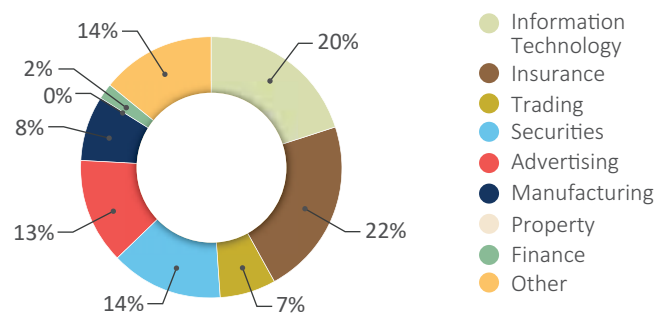
TENANTS MIX BY NET LETTABLE AREA

As at 30 June 2023



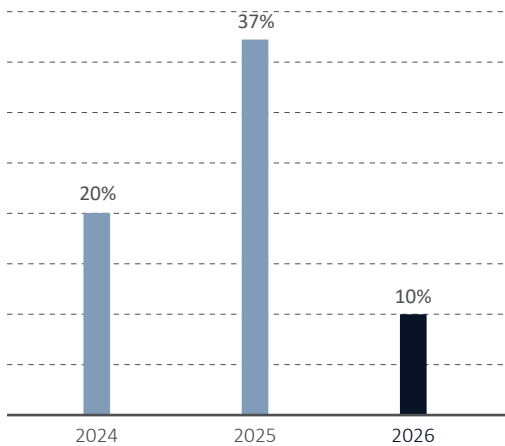
TENANTS MIX BY GROSS RENTAL INCOME

For the Month of June 2023



EXPIRY PROFILE

As at 30 June 2023



MAJOR TENANTS

as at 30 June 2023

Name	Trade Sector	% of Total Net Lettable Area
Zurich Life Insurance Malaysia Bhd and Zurich General Insurance Malaysia Bhd	Financial Services	14
HP PPS Sdn Bhd	Information Technology	8
Hong Leong Investment Bank Bhd & Asset Management Bhd	Financial Services	11
Stream Enterprise (M) Sdn Bhd	Manufacturing	4
TBWA Kuala Lumpur Sdn Bhd	Advertising	3
		40

ADDRESS

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

DESCRIPTION

2 blocks of 9 and 21-storey office buildings with 3-level of connecting podium and 4-level of basement car park

PROPERTY TYPE/USE

Commercial Office Building

AGE

30 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 *

67%

PARKING SPACE

575 car park bays

DATE OF ACQUISITION

17 April 2006

ACQUISITION PRICE

RM130,000,000

MARKET VALUE

RM224,000,000

DATE OF LATEST VALUATION

30 June 2023

NAME OF VALUER

Savills (Malaysia) Sdn Bhd

NET BOOK VALUE

RM224,000,000 *

PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara) Sdn Bhd

* As at 30 June 2023

ASSETS PROFILE

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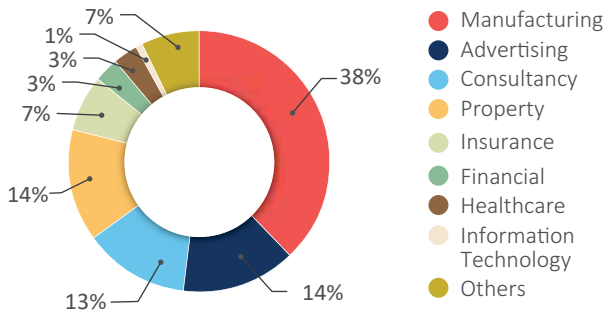
Located within Damansara City, Menara Guoco is a 19-storey premium Grade A office tower, connected to Sofitel Kuala Lumpur Damansara, DC Mall and Menara Hong Leong. It is Green Building Index (GBI) certified, Gold LEED 2009 Core & Shell Development-accredited and a designated MSC Malaysia Cybercentre.

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 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 (M) Bhd, Dentsu Holdings Malaysia Sdn Bhd, Aecom Perunding Sdn Bhd and GuocoLand (Malaysia) Berhad. During the financial year under review, Menara Guoco welcomed a host of new tenants including Everise Malaysia BPO Services and Chery Corporate Malaysia Sdn Bhd.

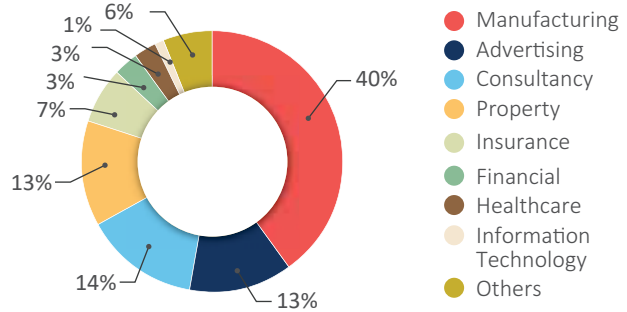
TENANTS MIX BY NET LETTABLE AREA

As at 30 June 2023



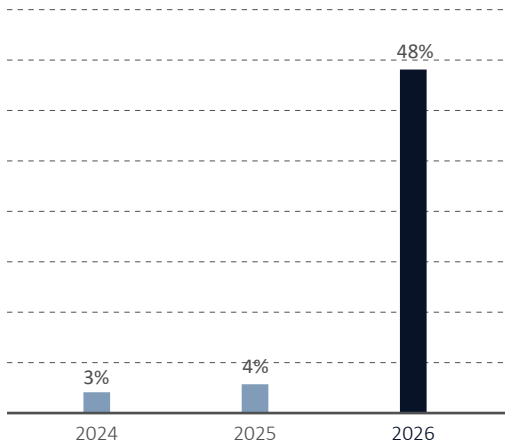
TENANTS MIX BY GROSS RENTAL INCOME

For the Month of June 2023



EXPIRY PROFILE

As at 30 June 2023



MAJOR TENANTS

as at 30 June 2023

Name	Trade Sector	% of Total Net Lettable Area
British American Tobacco (M) Bhd	Manufacturing	34
Dentsu Holdings Malaysia Sdn Bhd	Advertising	13
Aecom Perunding Sdn Bhd	Consultancy	12
GuocoLand (Malaysia) Bhd	Property	13
FWD Technology & Innovation Malaysia Sdn Bhd	Insurance	6
		78

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

7 years

TITLE DETAILS

Lot No. 58303,
Title No. Geran 74955/M1/B6/4,
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

232,133 sq. ft.

OCCUPANCY RATES *

89%

DATE OF ACQUISITION

19 August 2020

ACQUISITION PRICE

RM242,100,000

MARKET VALUE

RM249,200,000

DATE OF LATEST VALUATION

30 June 2023

NAME OF VALUER

Savills (Malaysia) Sdn Bhd

NET BOOK VALUE

RM249,200,000 *

PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara)
Sdn Bhd

* As at 30 June 2023

DEAR UNITHOLDERS,

On behalf of the Board of Directors and Management of GLM REIT Management Sdn Bhd (“Manager”), the Manager of Tower Real Estate Investment Trust (“Tower REIT”), it is my pleasure to present the Annual Report and audited financial statements of Tower REIT for the financial year ended 2023 (“FY2023”).

Despite operating under challenging conditions for FY2023, we achieved an improvement in our portfolio’s overall occupancy rate as more companies welcomed the physical return of their employees to the office after the pandemic. The level of economic activity increased although general business sentiment remained cautious.

ECONOMIC AND PROPERTY MARKET REVIEW

The global economy saw a steady recovery from the pandemic in 2023 as countries lifted restrictions and reopened borders. Inflationary pressures rose in tandem with improved business sentiment, resurgent consumer demand and disrupted supply chains while geopolitical tensions from the ongoing Russia-Ukraine conflict weighed on growth prospects and sentiment.

Nevertheless, Malaysia’s economy experienced a strong recovery in 2022, driven by robust domestic demand and external trade. The country recorded a Gross Domestic Product of 8.7% in 2022, supported by a strong economic performance in the fourth quarter of the calendar year which, among other things, saw the recovery of private spending and investment, and a decrease in unemployment.

The strong growth also led to higher inflation and as a response, Bank Negara Malaysia (“BNM”) adjusted the Overnight Policy Rate (“OPR”) upwards four times in 2022, from 1.75% to 2.75% with a further 0.25% rise in May 2023 to 3%. This effectively brought the OPR back to pre-pandemic levels which BNM positioned as a pre-emptive move to keep inflation in check.

According to the National Property Information Centre, the occupancy rate for private office buildings declined to 72.1%, from 72.3% recorded in 2021. In the first quarter of 2023, unoccupied office space remained high at 5.17 million square metres.

CHAIRMAN’S STATEMENT

CHAIRMAN'S STATEMENT

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BUSINESS AND FINANCIAL REVIEW

Tower REIT delivered a revenue of RM33.9 million for FY2023, an increase of 3.9% over the previous year due to a higher overall occupancy rate achieved for its portfolio. Net trust income for FY2023 however decreased by 68.8% year-on-year to approximately RM1.8 million, mainly due to increased property operating expenses and higher interest rates.

Tower REIT recorded a Net Asset Value per unit of RM1.7863 as at 30 June 2023, which was lower compared to the previous year of RM1.8587 as a result of a property revaluation deficit of RM21.5 million provided in the fourth quarter of FY2023.

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 has declared a final income distribution of 0.27 sen per unit, amounting to RM757,350. The final income distribution, together with the interim income distribution of 0.31 sen per unit paid on 28 February 2023, represents approximately 91.4% of the realised distributable net income for FY2023.

LOOKING AHEAD

The office rental market remains challenging with the imbalance between supply and demand of office space particularly in the Klang Valley, resulting in weak rental rates. This situation is further exacerbated by the increase in electricity tariffs, higher interest rates and maintenance costs. Although there have been improvements in leasing enquiries and viewings, prospective tenants remain cautious in making commitments.

We will continue to take proactive steps to address these challenges by improving our offerings to target markets, enhancing our facility management services, formulating new strategies and implementing various cost containment initiatives. We are committed to maximising returns and creating value for our unitholders.

We also recognise the importance of sustainability and will ensure that climate-related risks are taken into consideration when evaluating the resilience of our portfolio. For more information on our Environmental, Social and Governance ("ESG") commitments, please refer to our Sustainability Statement found in this Annual Report.

APPRECIATION

On behalf of the Board and Management, I would like to convey my sincere appreciation to our valued tenants, business associates and unitholders for your continued support and confidence in Tower REIT.

I wish to extend my sincere appreciation to my fellow Board members, for their dedication and guidance in steering Tower REIT towards a stronger future. I would also like to thank former Board members YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah, Ms Lim Chew Yan and Mr Tan Wee Bee for having served with distinction on the Board. Last but not least, I would like to extend a warm welcome to Puan Noorbaizura Binti Hermeyney to the Board and look forward to her contributions.

To the Management and employees, I would like to express my gratitude for your steady hand in navigating the challenges we have experienced over the recent years.

TANG HONG CHEONG

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS



DEAR UNITHOLDERS,

The operating landscape within the Klang Valley commercial property sector remains challenging with incoming office space competing for occupants in a market slowly recovering from the pandemic lockdowns and new workplace dynamics following increased propensity towards the work-from-home trend. Tower Real Estate Investment Trust (“Tower REIT” or the “Trust”) remains guardedly optimistic of its outlook supported by its property portfolio strategically located near transport hubs as the Trust continues to adapt and innovate to be competitive.

On this note, the following Management Discussion and Analysis (“MD&A”) aims to provide unitholders and other stakeholders insights into the market conditions and factors affecting the performance of the Trust as well as strategic initiatives carried out by the Manager during the financial year ended 30 June 2023 (“FY2023”). This MD&A also highlights the prospects and plans of the Trust 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 Malaysia”) since 12 April 2006. As at 30 June 2023, Tower REIT’s portfolio consists of three prime commercial buildings located in Kuala Lumpur, namely Menara HLX, Plaza Zurich and Menara Guoco.

Market Value as at 30 June 2023

	RM,000	%
Menara HLX	324,000	41
Plaza Zurich	224,000	28
Menara Guoco	249,200	31
	797,200	100

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

INVESTMENT OBJECTIVE

The Trust is to invest primarily in a portfolio of real estates including quality office buildings, commercial properties, residential properties and industrial properties with the objective of providing 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. continuous improvement of operational efficiencies.

The Manager also aims to embrace a more data-driven and fact-based approach towards decision-making in order to maximise value of its portfolio while mitigating any impending risk to the Trust’s portfolio.

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 amounts calculated as at 30 June and 31 December each year.

OPERATING LANDSCAPE

The Malaysian economy has remained resilient throughout the year under review. The national economy expanded by 8.7% in 2022 and 5.6% in the first quarter of 2023, according to Bank Negara Malaysia. Growth was supported by improvements in the labour market, continued implementation of multi-year projects and recovering inbound tourism activities.

However, the office rental market has continued to be weighed down by the over-supply of office space, particularly in the Klang Valley. Companies and organisations are also re-evaluating their workplace strategies and requirements following the COVID-19 pandemic and shifting workplace trends.

In 2022, purpose-built office space sub-segment had remained relatively flat with an occupancy rate of 78.5% (while rental rates had also remained stable at RM4.51 per sq. ft. (2021: RM4.51 per sq. ft.).

REVIEW OF FINANCIAL RESULTS

Gross revenue for the year ended 30 June 2023 recorded an increase of 3.9% as compared to last year. This is mainly due to higher occupancy rates in Menara HLX and Plaza Zurich.

Property operating expenses increased by 18.5% arising mainly from higher electricity cost following the tariff hike, higher housekeeping cost with the increase in minimum wages and higher commission paid reflecting the increased occupancy achieved. Interest expense increased by 26.5% year-on-year mainly arising from the increase in interest rates (Overnight Policy Rate).

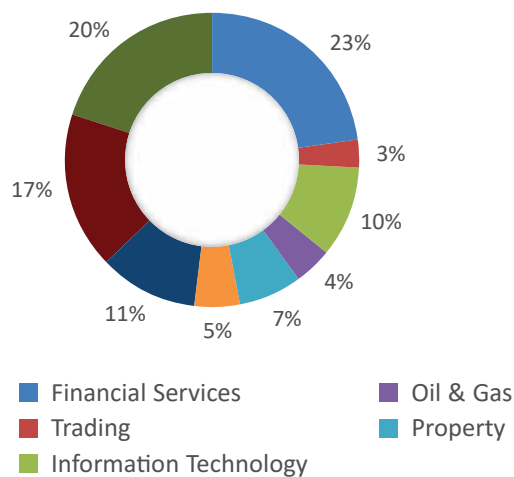
The investment properties recorded a revaluation deficit of RM21.5 million compared to a revaluation surplus of RM0.2 million in the previous financial year. This has contributed to a total comprehensive loss of RM17.6 million compared to a gain in comprehensive income of RM5.9 million in the previous financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

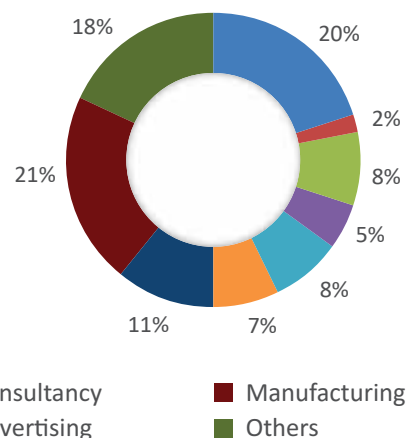
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Property	Net Lettable Area sq. ft.	Acquisition Date	Acquisition Cost RM'000	Incidental cost/ Addition/ Enhancement RM'000	Carrying Value at 30-Jun-23 (prior to revaluation) RM'000	At Market Value 30-Jun-23 RM'000	Fair Value Adjustment RM'000	% of Portfolio
Menara HLX	382,606	17-Apr-06	221,000	16,969	237,969	324,000	86,031	41
Plaza Zurich	351,289	17-Apr-06	130,000	10,976	140,976	224,000	83,024	28
Menara Guoco	232,133	19-Aug-20	242,100	3,458	245,558	249,200	3,642	31
Total	966,028		593,100	31,403	624,503	797,200	172,697	100

**TENANT MIX BY NET LETTABLE AREA
AS AT 30 JUNE 2023**



**TENANT MIX BY GROSS RENTAL INCOME
FOR THE MONTH OF JUNE 2023**



Major Tenants as at 30 June 2023	Trade Sector	% of Portfolio's Net Lettable Area
British American Tobacco (M) Bhd	Manufacturing	8
Dentsu Holdings Malaysia Sdn Bhd	Advertising	3
Zurich Life Insurance Malaysia Bhd and Zurich General Insurance Malaysia Bhd	Insurance	5
Aecom Perunding Sdn Bhd	Consultancy	3
HP PPS Sales Sdn Bhd	Information Technology	3

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

LEASE EXPIRY PROFILE	2024		2025		2026	
	No. of Tenants	% of Net Lettable Area	No. of Tenants	% of Net Lettable Area	No. of Tenants	% of Net Lettable Area
Menara HLX	6	4	11	15	9	8
Plaza Zurich	11	20	15	37	9	10
Menara Guoco	3	3	2	4	7	48
Total	20	10	28	20	25	18

INCOME DISTRIBUTION

The Manager of Tower Reit has declared a final income distribution of 0.27 sen per unit amounting to RM757,350. The final income distribution, together with the interim income distribution of 0.31 sen per unit paid on 28 February 2023, represent approximately 91.4% of the realised distributable net income for the financial year ended 30 June 2023. As such, the Trust has successfully distributed at least 90% of the distributable income in accordance with its dividend policy.

DISTRIBUTION YIELD	2019	2020	2021	2022	2023
Annualised Distribution Yield	5.50%	3.06%	3.64%	3.33%	1.26%

Annualised Distribution Yield of the Trust is derived by:

Gross Distribution per Unit of the year
Average Unit price of the year

FUND PERFORMANCE

	2019 (18-month)	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
STATEMENT OF FINANCIAL POSITION					
Total Asset Value	572,166	588,771	827,132	827,077	808,234
Total Borrowings	100	24,000	268,956	269,175	271,292
NAV before income distribution	540,076	533,306	522,107	521,364	501,071
NAV after income distribution	529,052	529,996	518,853	519,541	500,314
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	1.9254	1.9013	1.8613	1.8587	1.7863
- After income distribution	1.8861	1.8895	1.8497	1.8522	1.7836
- Highest NAV per unit (ex-distribution)	1.9408	1.9013	1.9002	1.8628	1.8556
- Lowest NAV per unit (ex-distribution)	1.8949	1.8934	1.8613	1.8549	1.7863

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

	2019 (18-month)	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
STATEMENT OF COMPREHENSIVE INCOME					
Total Revenue	44,054	21,604	31,848	32,608	33,871
Income After Taxation					
- Realised and distributable	23,625	7,490	6,201	5,712	1,780
- Unrealised from fair value adjustment	(9,798)	270	(11,146)	165	(19,380)
	13,827	7,760	(4,945)	5,877	(17,600)
Earnings Per Unit (sen) ⁽¹⁾					
- Realised	8.42	2.67	2.21	2.04	0.63
- Unrealised	(3.49)	0.10	(3.97)	0.06	(6.91)
	4.93	2.77	(1.76)	2.10	(6.28)
Income Distribution					
- 1st Interim	5,890	3,506	2,945	3,366	870
- 2nd Interim	5,610	-	-	-	-
- Final	11,024	3,310	3,254	1,823	757
	22,524	6,816	6,199	5,189	1,627
Distribution Per Unit (sen)					
- 1st Interim	2.10	1.25	1.05	1.20	0.31
- 2nd Interim	2.00	-	-	-	-
- Final	3.93	1.18	1.16	0.65	0.27
	8.03	2.43	2.21	1.85	0.58
Date of Distribution					
- 1st Interim	30-Aug-18	28-Feb-20	26-Feb-21	28-Feb-22	28-Feb-23
- 2nd Interim	28-Nov-18	-	-	-	-
- Final	28-Aug-19	28-Aug-20	30-Aug-21	30-Aug-22	30-Aug-23
RATIOS					
Management expenses ratio ("MER") ⁽²⁾ (%)	0.62	0.42	1.08	0.56	0.57
Interest expenses	251	487	7,970	9,538	12,064
Interest Cover Ratio ⁽³⁾ (times)	95.1	16.4	1.8	1.6	1.1
Gearing Ratio ⁽⁴⁾ (%)	0	4	33	33	34

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 to RM808.2 million as at 30 June 2023 compared to RM827.1 million as at 30 June 2022. Net Asset Value ("NAV") after income distribution was higher at RM500.31 million as at 30 June 2023 compared to RM519.5 million as at 30 June 2022, with NAV per unit after income distribution of RM1.7836, compared to RM1.8522 the year before.



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

	IPO	2019	2020	2021	2022	2023
UNIT PRICE PERFORMANCE	RM'000	RM	RM	RM	RM	RM
Unit price per unit at close of respective years	1.07	0.88	0.75	0.59	0.45	0.42
Highest traded price during the years		1.23	0.93	0.76	0.62	0.53
Lowest traded price during the years		0.87	0.55	0.55	0.45	0.41
Average unit price for the years ⁽¹⁾		0.97	0.79	0.61	0.56	0.46

Note:

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

ANNUAL TOTAL RETURN	2019	2020	2021	2022	2023
Total Return for the years	-18%	-19%	-28%	-6%	-19%
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	2019	2020	2021	2022	2023
1 year	-18%	-19%	-28%	-6%	-19%
3 years	-2%	-11%	-22%	-18%	-17%
Since inception	7%	6%	4%	2%	0%
Average Total Return of the Trust is derived by:	$\frac{\text{Total Return over the year}}{\text{Number of Years under review}}$				

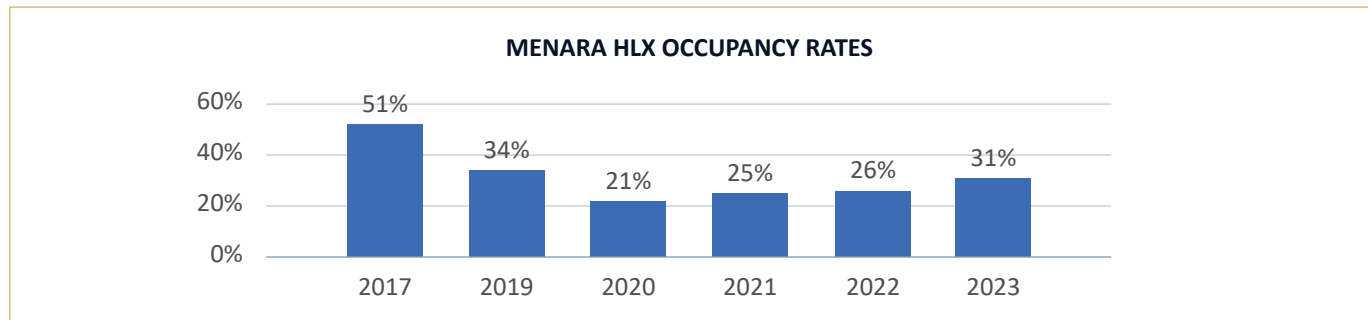
MANAGEMENT DISCUSSION AND ANALYSIS cont'd

OPERATIONS REVIEW

Shifting trends in how people work led by enhancements in communications technology, growing demand for work-life balance and the adoption of the hybrid-work model have led organisations to re-think the way office space is utilised and managed.

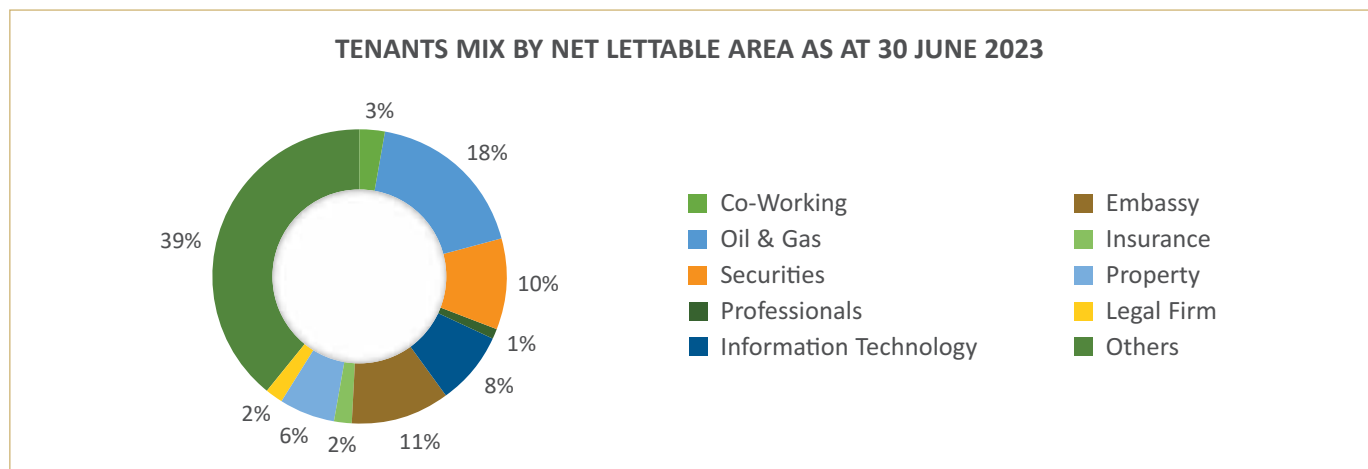
During the year under review, the Manager has taken proactive steps (as detailed below) to enhance the attractiveness of its commercial properties to cater to contemporary trends while striving to strengthen operational and cost efficiencies throughout its value chain.

Menara HLX



Menara HLX, a 32-storey office tower in Kuala Lumpur’s Golden Triangle, has been refurbished to cater to the latest needs in office space. The building’s lifts, lobbies, chillers and ancillary facilities have also been upgraded, along with the implementation of a cashless parking system. There is also more controlled access to high zone floors and 24-hour security.

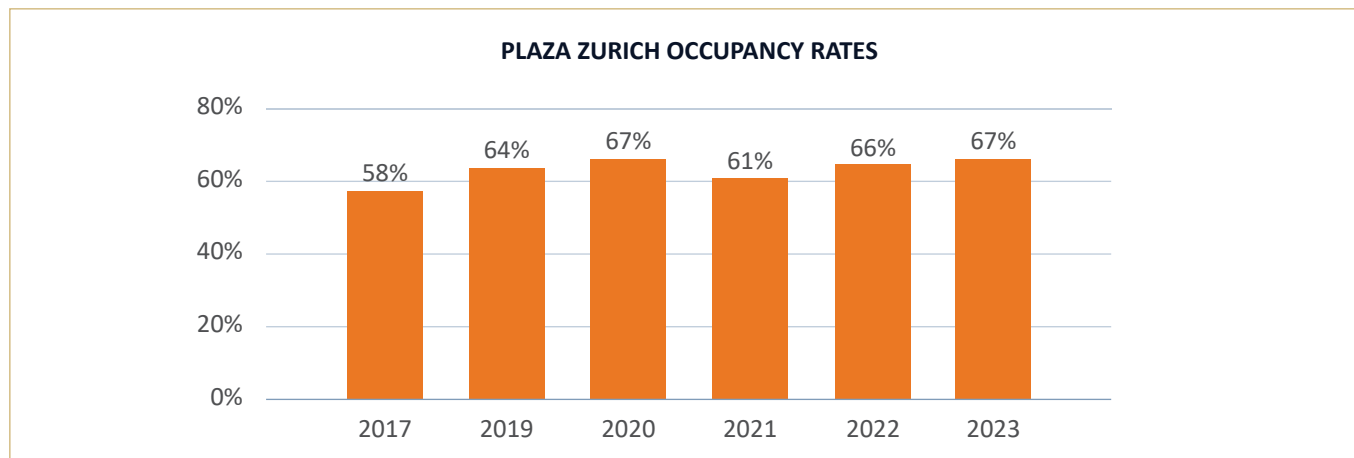
Anchor tenants of Menara HLX include IPC Malaysia B.V., Hong Leong Investment Bank Berhad and South African Embassy. In the financial year under review, Menara HLX welcomed a host of new tenants including, Breitling Malaysia Sdn Bhd, Edenest Sdn Bhd, TTE Electronics Sdn Bhd, Target Media Sdn Bhd, MyNews Retail Sdn Bhd, Boilermaster Sdn Bhd and Great Grand Resources Sdn Bhd.



MANAGEMENT DISCUSSION AND ANALYSIS

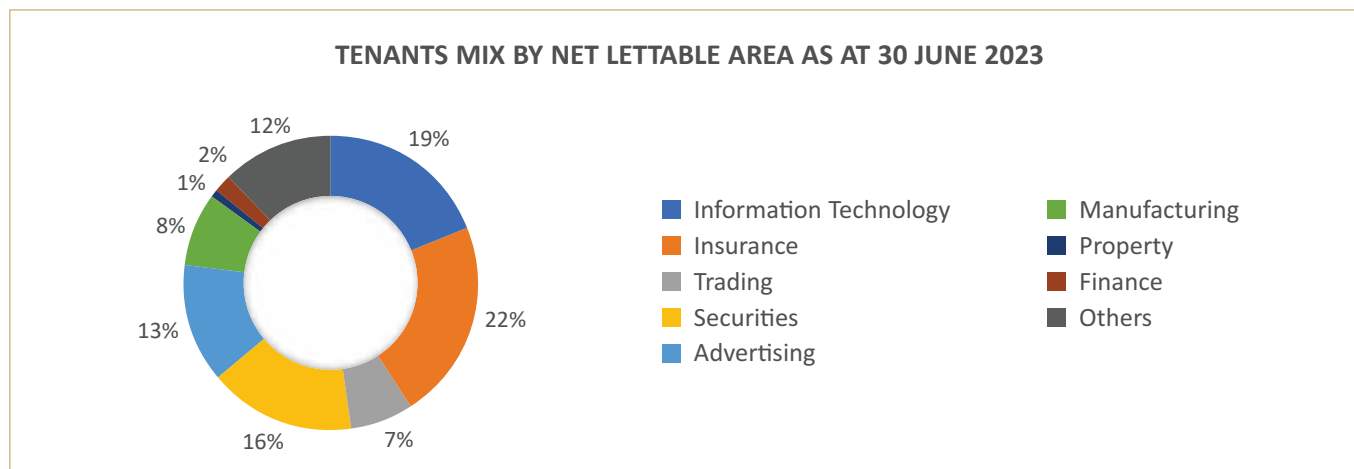
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Plaza Zurich



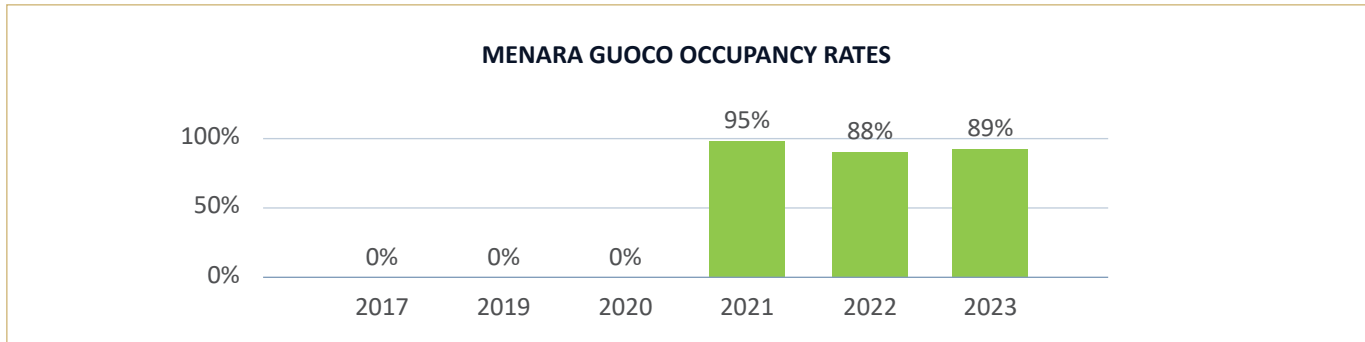
Plaza Zurich comprises two office blocks and a retail podium, and features functional, high-quality office space, with easy access and ample parking. It completed its refurbishment in 2020.

Plaza Zurich's anchor tenants include Zurich Life Insurance Malaysia Bhd, Zurich General Insurance Malaysia Bhd, Hong Leong Investment Bank Berhad, Hong Leong Asset Management Bhd and HP PPS Sales Sdn Bhd, while the retail podium features a vibrant selection of F&B tenants, including Sam's, Ali, Muthu & Ah Hock, The Hub Coffee Roasters and Limóné Café.

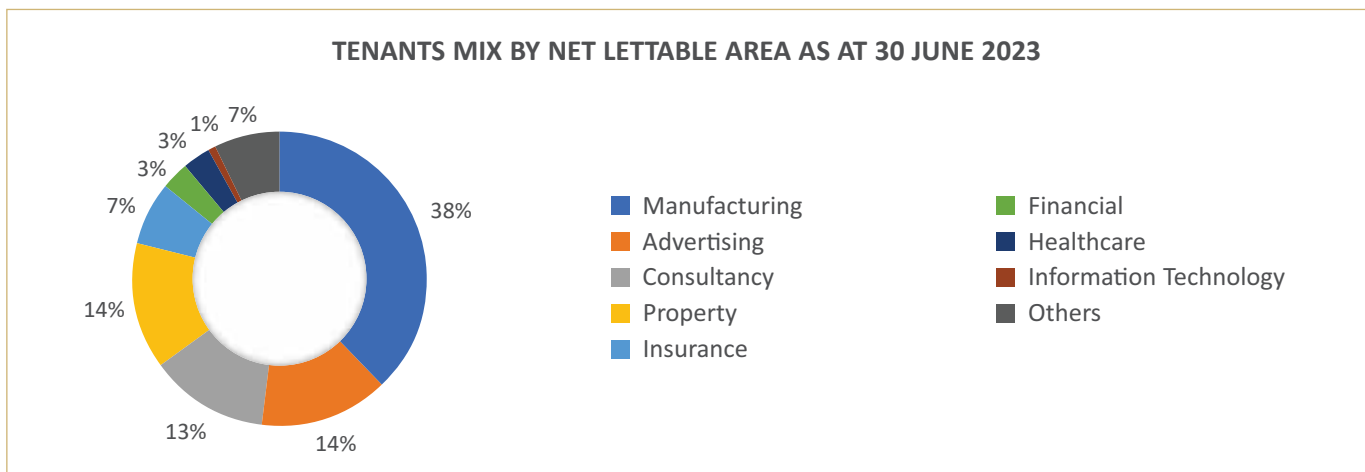


MANAGEMENT DISCUSSION AND ANALYSIS cont'd

Menara Guoco



Located within Damansara City, Menara Guoco is a 19-storey premium Grade A office tower, connected to Sofitel Kuala Lumpur Damansara, DC Mall and Menara Hong Leong. It is Green Building Index (GBI) certified, Gold LEED 2009 Core & Shell Development-accredited and a designated MSC Malaysia Cybercentre.



Menara Guoco was the winner of The Edge Malaysia Best Managed and Sustainable Property Awards 2022, for the *Below 10 years : Single Owned Office in a Mixed Strata* category.

During the financial year under review, Menara Guoco welcomed a host of new tenants including Everise Malaysia BPO Services and Chery Corporate Malaysia Sdn Bhd.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

MANAGING RISK

Risk management is a critical part of the Manager's capital and asset management philosophy. Economic risks including key indicators like unemployment rates, inflation rates, commodity prices, property price indices as well as business and consumer confidence levels can influence the growth of the property industry as a whole.

As such, the Manager remains vigilant to monitor and proactively anticipate economic trends and market risks in order to stay ahead of the curve.

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

SUSTAINABLE GROWTH

The Manager is cognisant of the importance of a sustainability strategy and Environmental, Social and Governance ("ESG") factors and goals to unitholders, and has in place a robust sustainability approach that is governed by the Board of Directors and which prioritises sustainable growth. Tower REIT's sustainability approach is found in the Sustainability Statement of this Annual Report.

MOVING FORWARD

The Malaysian economy is expected to grow, albeit at a slower pace, as we move into the second half of 2023. The economy is projected to expand by 4.0% to 5.0% in 2023, driven by domestic demand, according to Bank Negara Malaysia.

Moving forward, the Manager foresees that the office rental market will continue to be pressured by the imbalance between supply and demand of office space, particularly in the Klang Valley. Furthermore, the increase in electricity tariffs, inflation in input costs, rising interest rates and high labour costs may have an adverse impact on the performance of the Trust.

Nevertheless, the resumption of business activities to pre-pandemic levels coupled with the Government's efforts to re-energise the economy should improve leasing activities. We will continue to strive towards enhancing the attractiveness of our assets, implement appropriate measures to improve our ESG performance and focus on cost containment initiatives to deliver sustainable value for our unitholders.

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 2023.

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 2023, 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)
- Puan Noorbaizura Binti Hermeyney (Non-Independent Non-Executive Director) (Appointed on 18 May 2023)
- YBhg Dato' Tan Ang Meng (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) (Retired on 17 February 2023)
- Ms Lim Chew Yan (Non-Independent Non-Executive Director) (Resigned on 17 March 2023)
- Mr Tan Wee Bee (Non-Independent Non-Executive Director) (Resigned on 18 May 2023)

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 Management Sdn Bhd, 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 30.6.2023
	As at 01.07.2022	Acquired	Sold	
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.

MANAGER'S REPORT

cont'd

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 exiting 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 year 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 are 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;
 - 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 2023, 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.

NOORBAIZURA BINTI HERMEYNEY

Director

DATO' TAN ANG MENG

Director

31 July 2023

DIRECTORS' PROFILE

MR TANG HONG CHEONG

*Chairman
Non-Executive Director/
Non-Independent*

Age 68, 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"), a company 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 52, 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 Group 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.

Mr Cheng is a member of the management board of the Institute of Real Estate and Urban Studies at the NUS. He is also the Founding Chairman of Discover Tanjong Pagar – the Business Improvement District association for Tanjong Pagar, and currently serves as a Director of the association. Mr Cheng was appointed by the President of the Republic of Singapore as a Nominated Member of Parliament from January 2021 to July 2023.

Mr Cheng was appointed to the Board of GLM REIT on 1 July 2021. He is a member of the Board Audit & Risk Management Committee and 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

PUAN NOORBAIZURA BINTI HERMEYNEY

*Non-Executive Director/
Non-Independent*

Age 43, 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 brings with her 20 years of working experience which is primarily focused on investment and asset management, including experience in spearheading the real estate portfolios for public listed real estate investment trusts and government-linked companies. She has held various senior management positions in her previous employment, among others, Portfolio Manager-Savills Malaysia Asset Management, Chief Executive Officer of Amanahraya-Kenedix REIT Manager, Director for Naza Asset Management and Senior Vice President of Medini Iskandar Malaysia (Johor).

Puan Noorbaizura is currently the Managing Director ("MD") of GLM. Prior to her appointment as the MD of GLM, she served as the Chief Executive Officer of GLM REIT.

Puan Noorbaizura was appointed to the Board of GLM REIT on 18 May 2023.

YBHG DATO' TAN ANG MENG

*Non-Executive Director/
Independent*

Age 67, 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 Price Waterhouse, 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.

DIRECTORS' PROFILE

cont'd

MS LIM TAU KIEN

*Non-Executive Director/
Independent*

Age 67, 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.

Notes:

1. Family Relationship with Directors and/or Major Unitholders

None of the Directors has any family relationship with any Director and/or major unitholder of Tower REIT.

2. Conflict of Interests

None of the Directors has any conflict of interest with Tower REIT.

3. Conviction of Offences

None of the Directors 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 2023.

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's Sustainability Statement 2023. This statement reflects our sustainability commitments and how we have created value for stakeholders. This statement is issued annually to unitholders and is made publicly available on our website as part of the Annual Report.

We prepared this statement in accordance with Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements, including the Enhanced Sustainability Reporting Framework and the Global Reporting Initiative ("GRI") Standards – Core Option.

The scope of this statement covers our environmental, social and governance ("ESG") performance, management approach and initiatives for the financial period from 1 July 2022 to 30 June 2023 ("FY2023").

Any references to the "Trust", the "REIT", "we" and "our" refer to Tower REIT as a whole unless otherwise indicated in the text. Unless otherwise stated, this statement covers three assets, namely:

- Menara HLX
- Plaza Zurich
- Menara Guoco

We have applied four reporting principles established in sustainability standards when defining this statement's content and material ESG topics.

Sustainability Context	We present our business operations and performance in the context of ESG landscape requirements.
Materiality	We identify material ESG issues disclosed in this report through internal discussions within management and stakeholder engagement. These selected topics have the most significant impact on our business.
Stakeholder Inclusiveness	We host internal discussions within management and engage with various stakeholders to determine the content and context of this report. Stakeholder engagement allows us to understand the expectations and interests of all stakeholders.
Completeness	This statement covers various aspects of the material topics, including initiatives, boundaries and impact, within the reporting period.

The Sustainability Committee reviewed the accuracy of this statement before it was endorsed by the Board of Directors.

Tower REIT highly values all questions, comments and feedback related to the Sustainability Statement 2023 for continuous improvement. Unitholders may reach us at:

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
Email : glmreit@guocoland.com
Website : www.tower-reit.com

SUSTAINABILITY STATEMENT *cont'd*

OUR SUSTAINABILITY APPROACH

The growing interest in sustainability reflects an emerging generation of value-driven investors questioning the impact of businesses on society. For stakeholders, resilience measures at portfolio and property levels are critical to REIT competitiveness. We strategise portfolio and property resilience by integrating climate risk considerations into future developments and retrofitting current assets. Tower REIT emphasises ESG to meet investor interest and provide enhanced accountability for sustainability spending and returns.

SUSTAINABILITY GOVERNANCE

Tower REIT’s sustainability governance structure comprises the Board of the Directors of GLM REIT Management Sdn Bhd (the “Manager”) as the highest governing body. The Board Audit and Risk Management Committee (“BARMC”) supports the Board in overseeing the development and progress of the sustainability strategy and managing the relevant risks.

Tower REIT’s Sustainability Committee is chaired by the Chief Executive Officer of the Manager and consists representatives from Heads of Departments. The Sustainability Committee executes the approved sustainability strategy and implements the ESG programmes and initiatives. The Sustainability Committee is also responsible for monitoring Tower REIT’s performance against identified material ESG factors and providing updates to the BARMC and Board for review.

Board of Directors

Provides approval for sustainability commitments, strategy and initiatives undertaken by Tower REIT

Reviews and endorses the Sustainability Statement and its contents before publication

Board Audit & Risk Management Committee

Supports the Board in overseeing the management of the sustainability strategy and ESG risks

Chairman of Sustainability Committee

Oversees the implementation of sustainability initiatives and measures

Recommends sustainability commitments, strategy and initiatives to the Board

Sustainability Committee

Implements sustainability initiatives and actions on the ground

Identifies areas for improvement in sustainability performance and recommends initiatives to resolve gaps

SUSTAINABILITY STATEMENT

cont'd

OUR STAKEHOLDER UNIVERSE

Stakeholder trust is vital for the REIT's sustainable performance. We build stakeholder trust through constructive engagement, transparency and communication. Some interactions with stakeholders are periodic, such as annual general meetings, while others are ongoing and on a needs basis. The Manager proactively engages with stakeholders to drive the business effectively and efficiently.

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
		Investor relations events	
		Annual General Meetings	Annually
Trustees	<ul style="list-style-type: none"> Annual revenue Sustainable growth 	Quarterly statements	Quarterly
		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, security 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	Ongoing
		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 associations renewal	As and when required
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 Securities 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

cont'd

PRIORITISING WHAT IS MATERIAL

We conduct regular materiality reviews to identify the most salient ESG factors for Tower REIT's business, our stakeholders, and their impact on the economy, environment and people.

As part of our materiality analysis, we examined the following:

- Our operations potential and actual ESG impacts
- Climate-related risks and opportunities and their potential financial impact
- Tenant relationships and stakeholder expectations
- Global sustainability challenges relating to the real estate sector
- Reporting requirements mandated by regulators

We assess the materiality of the identified factors, determine any changes in potential impact and adjust our strategies where appropriate to promote business sustainability.

Our Materiality Process



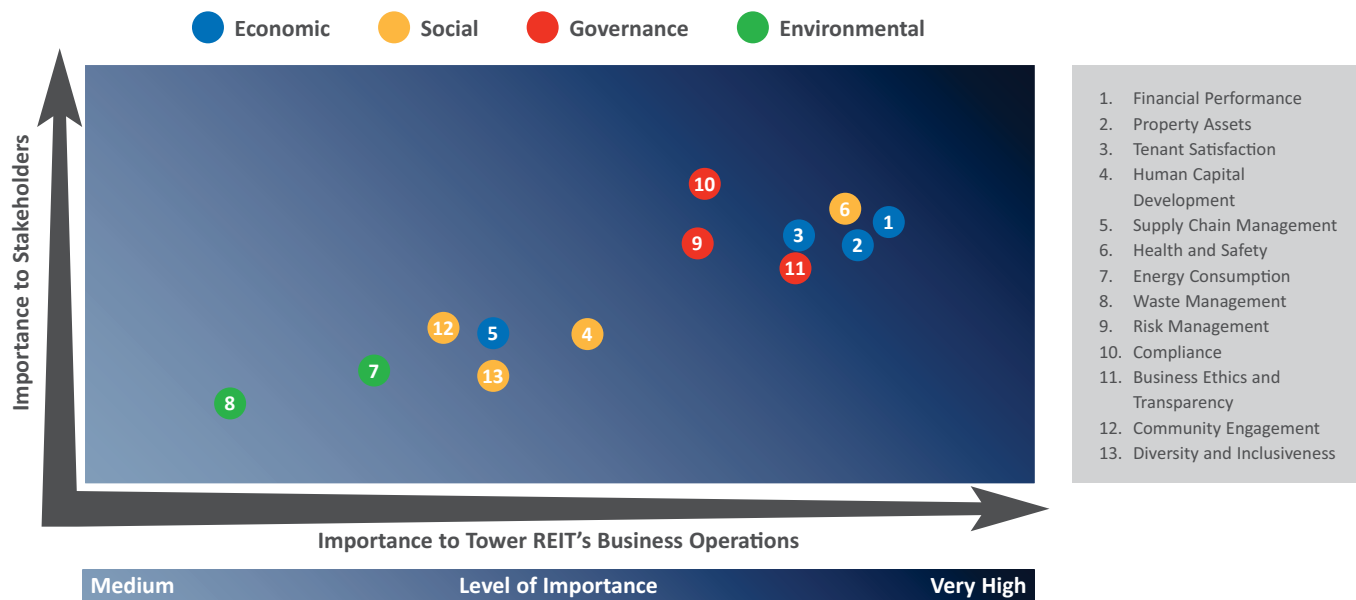
In FY2023, we reviewed our material topics to determine their relevance for this year's reporting cycle. Our review concluded that the ESG topics prioritised in the previous report remain material for this period.

SUSTAINABILITY STATEMENT

cont'd

We present the prioritised list of ESG factors below, as determined through the assessment process. The sustainability statement covers these material factors.

Materiality Matrix



We also conducted a comprehensive mapping exercise to evaluate our material topics against the United Nations Sustainable Development Goals (“UNSDGs”). This exercise helps us identify high-impact initiatives and develop a roadmap to drive change.

Material Sustainability Matters	Applicable GRI Indicators	Relevant Stakeholders	Relevant UNSDGs	Tower REIT's Contributions
1 Financial Performance	GRI 103: Management Approach GRI 201: Economic Performance	Investors, Unitholders and Employees	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	<ul style="list-style-type: none"> Tower REIT's business operations generate employment, opportunities for supply chain partners and tax revenues for the government.
2 Property Assets	GRI 103: Management Approach GRI 203: Indirect Economic Impacts	Investors and Unitholders	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	<ul style="list-style-type: none"> Maintain competitive building and service quality standards to promote our properties' resiliency and sustainability.












SUSTAINABILITY STATEMENT

cont'd

Material Sustainability Matters	Applicable GRI Indicators	Relevant Stakeholders	Relevant UNSDGs	Tower REIT's Contributions
3 Tenant Satisfaction	GRI 203: Indirect Economic Impacts GRI 102: General Disclosures	Tenants	 	<ul style="list-style-type: none"> Proactive tenant management, responsible neighbourhood, maintaining building security and delivering other value-added tenant services.
4 Human Capital Development	GRI 103: Management Approach GRI 404: Training and Education	Employees		<ul style="list-style-type: none"> Adherence to the Malaysian Employment Act and strives to uphold fair employment practices. Continuous training and development opportunities.
5 Supply Chain Management	GRI 103: Management Approach GRI 204: Procurement Practices	Suppliers, Contractors		<ul style="list-style-type: none"> Reinforce the principles of responsible and ethical practices throughout the entire value chain.
6 Health and Safety	GRI 103: Management Approach GRI 403: Occupational Health and Safety	Employees and Tenants	  	<ul style="list-style-type: none"> Adhere to industry best practices and comply with all relevant regulations to provide a safe work environment for all stakeholders. Implement initiatives to support the physical and mental well-being of employees. No fatalities, work-related severe injuries, or safety incidences in FY2023.
7 Energy Consumption	GRI 103: Management Approach GRI 302: Energy	Investors, Unitholders and Local Communities		<ul style="list-style-type: none"> Adopt energy-efficient measures, equipment and technology. Study the use of advanced energy and support using clean energy sources where feasible.
8 Waste Management	GRI 103: Management Approach GRI 306: Effluents and Waste	Investors, Unitholders and Local Communities		<ul style="list-style-type: none"> Minimise waste generated by increasing the waste recycling rate. Work with tenants and clients to promote responsible waste management.

SUSTAINABILITY STATEMENT

cont'd

Material Sustainability Matters	Applicable GRI Indicators	Relevant Stakeholders	Relevant UNSDGs	Tower REIT's Contributions
9 Risk Management	GRI 203: Indirect Economic Impacts GRI 102: General Disclosures	Investors, Unitholders, Trustee and Employees	 	<ul style="list-style-type: none"> Adopt effective risk management and internal controls through the Enterprise Risk Management ("ERM") framework.
10 Compliance	GRI 103: Management Approach GRI 409: Socioeconomic Compliance	Investors, Unitholders, Trustee, Regulatory Bodies, Employees, Tenants and Local Communities	 	<ul style="list-style-type: none"> Compliance with laws and regulations. No non-compliance or fines during the year.
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	 	<ul style="list-style-type: none"> Maintain sound and effective governance according to corporate governance policies and practices. No incidents of corruption, bribery or fraud or any non-compliance with laws and regulations recorded.
12 Community Engagement	GRI 103: Management Approach GRI 413: Local Communities	Local Communities	  	<ul style="list-style-type: none"> Endeavour to uplifting communities where we operate. Encouraging employees' participation in community outreach efforts.
13 Diversity and Inclusiveness	GRI 103: Management Approach GRI 202: Market Presence GRI 401: Employment GRI 405: Diversity and Equal Opportunity	Employees	 	<ul style="list-style-type: none"> Zero tolerance of discrimination of any kind. Fostering an inclusive working environment with emphasis on respect and understanding.

SUSTAINABILITY STATEMENT

cont'd

ECONOMIC VALUE CREATION

We continue to enhance our financial performance and stakeholders' economic well-being by managing human capital, asset, portfolio operations and project development. Proactive management is critical for ensuring commercial viability without compromising the environment for future generations. We work closely with all key stakeholders including asset, property and project manager in carrying out these strategies and relevant activities across our portfolio where possible.

The Manager proposes delivering sustainable financial returns for stakeholders alongside pursuing sustainability across business operations. In FY2023, we secured approximately 72,126 sq. ft. of new tenancies for the three towers.

COMMITMENT TO INDUSTRY ADVANCEMENT THROUGH PARTNERSHIP

We participate in relevant industry associations such as the Malaysian REIT Managers Association ("MRMA") as part of our initiative towards upholding best practices in sustainability and industry standards. We also participate in green certification and award schemes which address industry and topic-specific areas towards advancing the nation and the REIT.

ETHICS AND INTEGRITY

Tower REIT's ethical commitment:

- Upholding integrity and ethical standards in business conduct
- Adopting a zero-tolerance policy against bribery, fraud, embezzlement and other corrupt activities
- Maintaining the highest standards of corporate governance
- Upholding our reputation and retaining the trust of stakeholders we have built over the years

We have established a Code of Ethics that governs business dealings with tenants, suppliers, employees and other stakeholders. The Manager also issued an Anti-Corruption and Bribery Policy that aligns with the Malaysian Anti-Corruption Commission Act 2009. The Manager strictly does not condone any form of bribery and corruption. Tower REIT's whistleblowing policy provides a safe channel for stakeholders to report alleged unethical practices, including corruption, bribery, conflict of interest and other improprieties.

Whistleblowing Policy

We encourage all employees to raise genuine concerns about improper or wrongful conduct at the earliest opportunity and in an appropriate way.

Reportable incidents:

- Any criminal offences, including fraud, corruption, bribery and blackmail
- Any failure to comply with legal or regulatory obligations
- Any improper conduct which would be a disciplinary offence
- Any gross mismanagement of company affairs
- Any act or omission which jeopardises the health and safety of any employee of GLM Group or any member of the public
- Any work place sexual harassment

Any employee may send whistleblowing reports to the Chairman of the Board Audit & Risk Management Committee. The policy protects the whistleblower's identity and safeguards the whistleblower from receiving any discrimination, retaliation, harassment, or reprisal. Concerns raised by a whistleblower will be subject to independent investigations, follow-up plans and corrective actions to protect the business.

SUSTAINABILITY STATEMENT

cont'd

SUSTAINABILITY ACROSS THE SUPPLY CHAIN

Our effort to promote sustainability extends across our supply chain, where we identify and manage risks in our outsourcing and procurement practices. Tower REIT has a wide network of active vendors, including maintenance service providers, contractors, professional consultants, financial institutions and facility managers.

We implement appropriate sustainability measures across the value chain in line with our sustainability efforts, including proper risk management procedures for outsourcing and procurement of goods and services. Critical criteria include reputation, professional expertise, track record, pricing, financial standing and legal compliance. Our upcoming asset enhancement initiatives encourage key suppliers to adopt best sustainability practices, including energy-efficient features. Procurement obtains at least three quotations wherever applicable and feasible and conducts a pre-qualification and tender process for substantial contract sums. We award the tender to suppliers fulfilling the necessary criteria.

Supply Chain Sustainability

We have integrated environmental, social and financial business practices into our supply chain life cycle. Suppliers' materials selection, quality, treatment of workers and overall sustainable practices and considerations accompany more formal certification, including:

- ✓ ISO 9001:2015 Quality Management Systems including safety requirements
- ✓ Safety Management Standards

Our main supply chain responsibility agenda addresses labour and human rights, safety, ethics and environmental risks. 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 run checks on contractors and service providers against the United Nations Security Council Resolution ("UNSCR") and the Ministry of Home Affairs ("MOHA") lists. We verify whether these suppliers are red-flagged as required under the Anti-Money Laundering Act ("AMLA").

Local Procurement

Local procurement creates value for local communities. Improving our local content approach is similar to considering the impact of our actions on the local environment. Helping local vendors improve their capabilities also supports them in attaining higher technical, health and safety, and business standards. 100% of our vendors are local.

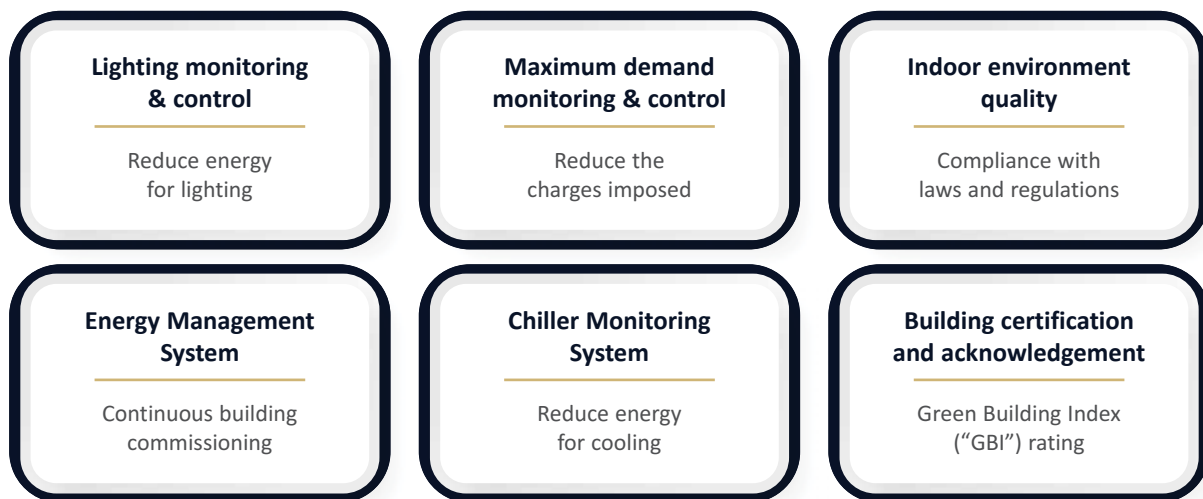
SUSTAINABILITY STATEMENT

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TOWARDS A GREENER FUTURE

Our approach to environmental issues is a constant evaluation of climate resilience of our existing portfolio. A low-carbon portfolio is central to maintaining the REIT's competitive edge. The demand for green commercial space grows in line with the Paris Agreement's goal of limiting global warming to below 2°C by 2030 and reaching net zero carbon emissions by 2050.

The Manager formalised the following implementation strategies to achieve this goal.



ENERGY AND CLIMATE ACTION

We continue to improve the energy efficiency of our properties by investing in energy-efficient infrastructure and technologies for lighting, cooling towers, chillers and air conditioning units, which account for most of our energy consumption.

The Manager supports climate action and the transition to a low-carbon economy by adopting feasible technologies and approaches to reduce emissions and energy consumption. To achieve these goals, the Manager, led by the Operation & Facilities Management Team,

- Evaluates the practicality of adopting energy-efficient equipment and technologies
- Explores the use of advanced energy management practices

Energy conservation actions taken during the financial year include

- Upgrading Menara HLX's chiller system
- Grounding of lifts during weekends, public holidays and after working hours
- Replacing conventional lights with energy saving LED lights
- Calculating costs and benefits of implementing motion sensors
- Upgrading Menara Guoco's Building Automation System
- Exploring options for a more energy-saving air-conditioning system at Plaza Zurich by 2024
- Planning for lift modernisation in Plaza Zurich in FY2024

SUSTAINABILITY STATEMENT

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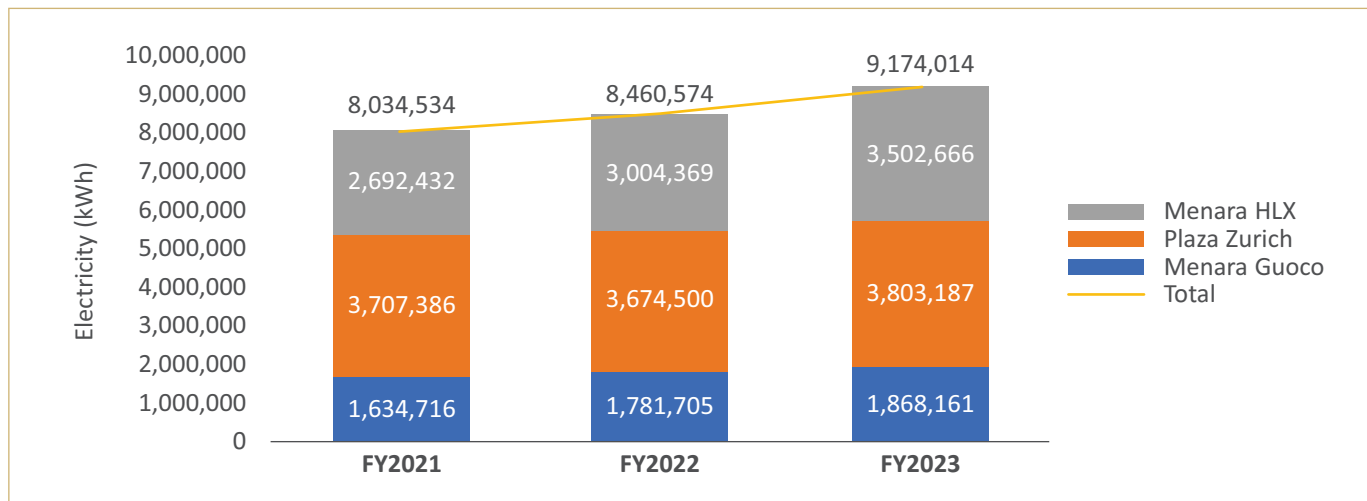
Chiller Plants Optimisation

We began optimising our chiller plants in FY2023 and target completion in FY2026.

Tower REIT installed variable speed drives on condenser water pumps in phases to conserve energy. The optimised chiller plants will result in energy efficiency and savings. Upon completion, Menara HLX's chiller management system will feature chilled water, a condenser water temperature reset, cooling tower fan control, optimal sequencing, low cooling load condition handling and bypass valve operation.

Our Energy and Climate Performance

Group Energy Consumption



The economic full recovery was in 2022, hence the consumption shows an increasing trend mainly due to the growth in economic activities such as expanding leasing activities with employees no longer working from home and higher building occupancy.

Energy Mix (GJ)

	FY2021	FY2022	FY2023
Electricity	28,924	30,458	33,026
Diesel	98	114	90
Total	29,023	30,572	33,116

Energy intensity is the energy used to produce a given output or activity. We express our energy intensity as the annual energy in megajoules consumed per gross floor area in sq. ft.

SUSTAINABILITY STATEMENT

cont'd

Energy Intensity (MJ/NLA)

	FY2021	FY2022	FY2023
Menara HLX	25	28	29
Plaza Zurich	38	38	39
Menara Guoco	25	28	33
Group Energy Intensity	30	32	34

Our Carbon Footprint

Scope	Coverage and details	Methodology	Our Performance								
Scope 1	Tower REIT uses petrol and diesel to fuel company-owned vehicles. We also consume small amounts of diesel to power our generator sets during power outages.	The REIT derives the CO ₂ emissions from fuel consumption from the emission factor published by the IPCC Guidelines for National Greenhouse Gas Inventories.	<table border="1"> <caption>Scope 1 CO₂-e Emissions (tonnes)</caption> <thead> <tr> <th>Fiscal Year</th> <th>CO₂-e Emissions (tonnes)</th> </tr> </thead> <tbody> <tr> <td>FY2021</td> <td>3</td> </tr> <tr> <td>FY2022</td> <td>8</td> </tr> <tr> <td>FY2023</td> <td>6</td> </tr> </tbody> </table>	Fiscal Year	CO ₂ -e Emissions (tonnes)	FY2021	3	FY2022	8	FY2023	6
Fiscal Year	CO ₂ -e Emissions (tonnes)										
FY2021	3										
FY2022	8										
FY2023	6										
Scope 2	Scope 2 emissions are indirect GHG emissions associated with purchasing electricity, steam, heat, or cooling.	The REIT derived the CO ₂ emissions from electricity using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular Grid.	<table border="1"> <caption>Scope 2 CO₂-e Emissions (tonnes)</caption> <thead> <tr> <th>Fiscal Year</th> <th>CO₂-e Emissions (tonnes)</th> </tr> </thead> <tbody> <tr> <td>FY2021</td> <td>470</td> </tr> <tr> <td>FY2022</td> <td>495</td> </tr> <tr> <td>FY2023</td> <td>537</td> </tr> </tbody> </table>	Fiscal Year	CO ₂ -e Emissions (tonnes)	FY2021	470	FY2022	495	FY2023	537
Fiscal Year	CO ₂ -e Emissions (tonnes)										
FY2021	470										
FY2022	495										
FY2023	537										
Scope 3	These emissions cover all other indirect emissions from activities occurring from sources we do not own or control. In Tower REIT's context, it includes emissions from business air travel.	The REIT calculated air travel GHG emissions point to point, including the number of employees on board, distance and flight class. The WRI GHG Protocol tool for mobile combustion Version 2.6 helped calculate the CO ₂ e emissions from air travel.	In 2023, Tower REIT's air travel was minimal, generating only 0.08 tonnes of CO ₂ equivalent.								

SUSTAINABILITY STATEMENT

cont'd

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”)

We have started to align our climate-related disclosures with TCFD recommendations in the four areas of governance, strategy, risk management, and metrics and targets.

Governance	The Board considers sustainability issues when formulating strategies, confirms the material ESG factors listed by the Manager and oversees the management and monitoring of material ESG factors.
Strategy	Climate change and emissions reduction are key ESG material issues identified as relevant and critical for Tower REIT. Climate change, including physical and transition risks, is a critical risk. The Manager sets guidelines for buildings to be more energy efficient with systematic performance metrics assessment.
Risk Management	The Manager conducts an annual risk assessment exercise, including ESG-relevant risks, essential controls, and mitigation measures. We assess the vital risk areas of climate change and evaluate climate change impact, such as floods. Mitigating steps are in place and are monitored to minimise the risk of occurrence.
Metrics and Targets	We continue to track emissions of our managed and owned operationally controlled properties. We strive to disclose our environmental performance in our annual report.

GREEN DEVELOPMENT – PATH TOWARDS REDUCING CARBON EMISSION

According to the World Economic Forum, buildings contribute 38% of all energy-related greenhouse gas emissions. We support the Intergovernmental Panel on Climate Change’s (“IPCC”) net-zero goal by taking steps to lower carbon emissions.

GBI is a rating system that evaluates the environmental performance of buildings in Malaysia. The Malaysia Green Building Confederation (“MGBC”) developed GBI and based it on the principles of the Leadership in Energy and Environmental Design (“LEED”) rating system.

GBI certification recognises a building’s environmental performance and may increase the value of the building.

FEATURING MENARA GUOCO

Menara Guoco is a GBI-rated and LEED Gold-certified building equipped with intelligent building solutions to ensure tenants enjoy an optimal indoor working environment while reducing the environmental footprint of the building.

SUSTAINABILITY STATEMENT

cont'd

Highlights of Green Features

Building Design & Material Selection	<ul style="list-style-type: none"> • Low Window to Wall Ratio (“WWR”) • High-performance glazing • Low Volatile Organic Compounds (“VOC”) Environment
Building Energy Index (“BEI”)	The BEI of Menara Guoco is 145 kWh/m ² compared with 250 kWh/m ² yr per annum for a typical building in Malaysia.
Lux Sensors & Motion Sensors	<ul style="list-style-type: none"> • Installed lux sensors at all perimeter zone and day-lit areas • Installed occupancy motion sensors at the lift lobby and toilet
Recycling Facilities	<ul style="list-style-type: none"> • Providing recycling facilities to encourage waste segregation and recycling among building tenants • Placing recycling bins in the common areas Installed a compactor machine at the refuse chamber • Collaborating with tenant to install a recycling machine at the building common area of Menara Guoco
Carbon Dioxide Monitoring and Control	<ul style="list-style-type: none"> • Monitoring and controlling CO₂ levels within the occupied space to deliver the right amount of fresh air to occupants • Installed CO₂ sensors to ensure levels are within 1,000 parts per million (“ppm”) in each space
Building Management System & Metering System	<ul style="list-style-type: none"> • Employing a Building Management System to monitor and analyse energy and water consumption • Recording water and electricity consumption with sub-meters
Water Efficient Fittings	<ul style="list-style-type: none"> • Installed lower flow rate water faucets to reduce water consumption
Desiccant Heat Recovery Wheel	The building has an independent central fresh air supply inlet and a general extract outlet. The heat recovery wheel serves the supply and extract the main duct. The cool extracted air from the general space of the building recovers energy by precooling the fresh air before being cooled by the ACMV system.
Non-Chemical Water Treatment System	The GRENECO chemical-free system integrates side stream filtration with agitation nozzles to remove suspended solids and organic matter in the condenser loop system.
Condensate Water Recovery And Use	Tower REIT installed a piping system with insulation to collect the condensate water, which is recycled as make-up water in the cooling tower and reduces the building’s potable water use.
Fire System Water Recycling During Regular Testing	<ul style="list-style-type: none"> • Recycling both sprinkler and wet riser systems during regular testing
Regenerative Lift	All lifts at Menara Guoco are regenerative, which returns the energy generated by the lift system to the power supply system of the building. The elevator motor uses a generator, generating an average of 20% of electrical energy.

SUSTAINABILITY STATEMENT

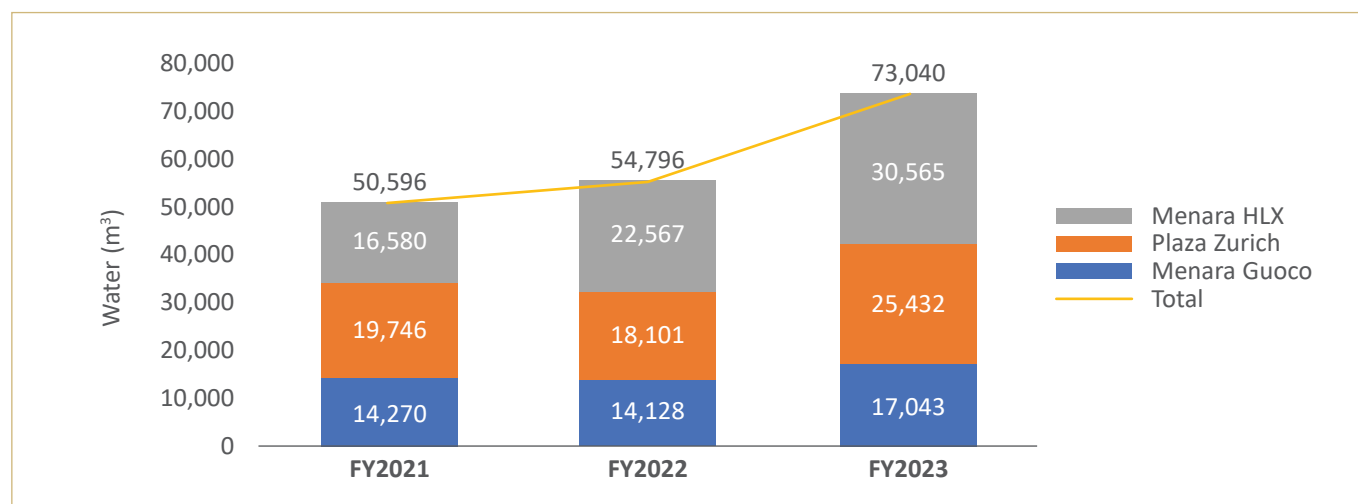
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WATER CONSERVATION

All Tower REIT properties obtain their water from municipal supplies. Cooling towers, toilets and landscaping use the bulk of this water. Water-saving and diverging measures reduce total water consumption.

We remind employees, tenants and other stakeholders to minimise water wastage in their day-to-day use. Our property managers regularly check water features and monitor water usage closely in order to repair leaks promptly.

Water Consumption



Water intensity is the water use rate in a given area. We measure our water efficiency as the annual water consumption (m³) per sq. ft.

Similar with energy consumption, the water consumption also shows an increasing trend since tenants have started to return back to office and building occupants have increased.

Water Intensity (M³/NLA)

Asset	FY2021	FY2022	FY2023
Menara HLX	0.04	0.06	0.08
Plaza Zurich	0.06	0.05	0.07
Menara Guoco	0.06	0.06	0.07
Group	0.05	0.06	0.08

SUSTAINABILITY STATEMENT

cont'd

GOOD WASTE MANAGEMENT PRACTICE

At Tower REIT, we continue to formulate measures to reduce municipal disposal. We are also working to improve our system in tracking and monitoring waste disposal. The Group will continue to practice waste reduction initiatives including recycling programme across our operations.

Solid Waste Disposal (kg)

Asset	FY2021	FY2022	FY2023
Menara HLX	35,270	31,750	31,750
Menara Guoco	75,988	91,575	121,550
Plaza Zurich	95,457	109,600	111,610
Total	206,715	232,925	264,910

Material Waste

We reduce the consumption of natural resources at our offices by switching to green office supplies. We replace mandatory consumables such as facial tissue, stationery items, paper and pantry supplies with biodegradable and environmental-friendly alternatives wherever possible.

Paper Waste

The Tower App ("TAPP") tracks paper consumption, allowing us to manage resources while generating reports and analytics. This statistics report helped introduce various paper minimisation steps, such as printing quota reduction, e-filing and e-forms.

Ongoing Recycling Initiatives

Guided by the effective separation and collective procedures for office and retail waste for third-party recycling, we recycled paper, plastics, metal containers, aluminium cans, glass bottles, batteries, fluorescent tubes, lamps, computer equipment and other electrical appliances during the reporting period.

The Manager collaborated with a Multinational Corporation to place a recycling vending machine in the building.

SUSTAINABILITY STATEMENT

cont'd

EMPOWERING OUR PEOPLE

A talented and engaged workforce is integral to Tower REIT's continued growth and success. To attract, develop and retain such talents, the Manager engages in fair employment practices and provides employees with learning and development opportunities.

To foster a conducive environment where people can thrive and a culture that celebrates collaboration, innovation, recognition and appreciation, the Manager focuses on the following key areas:



INVESTING IN TALENT

Recruiting and developing talent are essential in Tower REIT's people agenda. All full-time employees receive competitive compensation and comprehensive benefits, including group term life insurance, healthcare benefits, annual and medical leave, and local pension fund contributions.

Regular training drives individual competencies and the collective capacity of Tower REIT to achieve success. Training employees and offering development opportunities help them stay ahead of industry trends, gain essential knowledge and develop the necessary skills to advance their careers while creating value. The Manager also supports employees keen to upgrade themselves with a higher professional certification. Encouraging employees to keep up to date with developments related to their job ensures they remain competitive amid a changing landscape.

Tower REIT's Talent Management Model

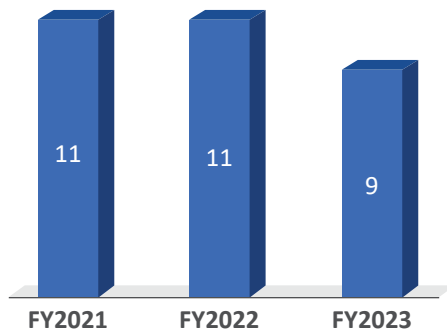
The Manager adopts a multi-pronged approach to build talent, from entry to mid-career levels, to meet the varied requirements of our business. We groom young tertiary-level talents through different programmes, coaching and mentoring from experienced leaders. Experienced hires are added to the talent pool to address skill gaps. This strategy creates a diverse workforce with a professional senior team mentoring young talents and future leaders.

SUSTAINABILITY STATEMENT cont'd

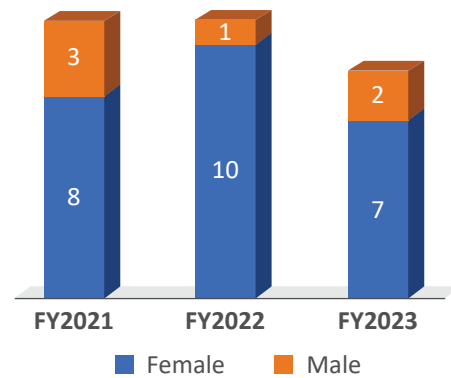
DIVERSITY AND INCLUSION

The Manager provides equal opportunities in hiring, career development, promotion and compensation, regardless of age, race, gender, religion or marital status. Fostering an inclusive workplace culture delivers a diversity of voices and ideas to cater to our diverse tenants and stakeholders.

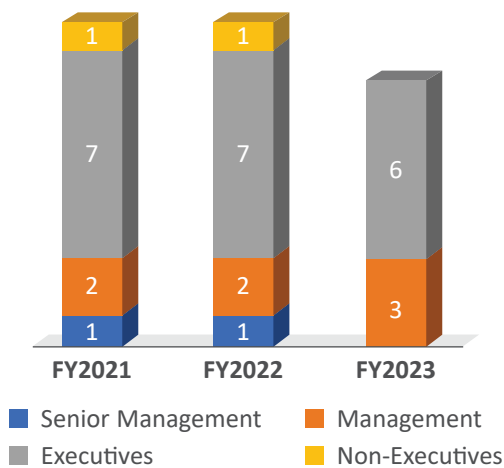
Total Workforce



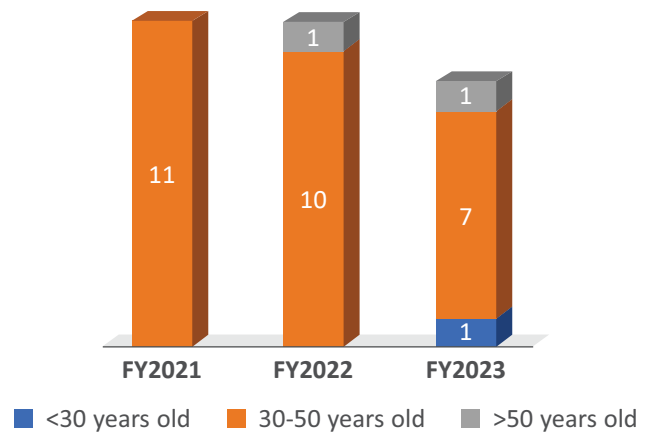
Workforce Breakdown by Gender



Workforce Breakdown by Employment Category



Workforce Breakdown by Age Group



SUSTAINABILITY STATEMENT

cont'd

SAFETY, HEALTH AND WELL-BEING

Tower REIT's safe working guide identifies and eliminates hazards and minimises risks. Periodic inspections and maintenance of facilities and equipment by qualified specialists help ensure the proper implementation of all relevant safety standards. We take proactive as well as corrective action upon identifying safety and health concerns, followed by improvement steps.

Tower REIT's safety and health guide applies to all employees, suppliers, contractors and other supply chain partners. We encourage every party to be proactive and report safety concerns to the safety team of each property to prevent or mitigate safety incidents. Employees receive regular safety training covering crucial components such as first aid, emergency response, fire evacuation, ergonomics and general safe behaviour. Continuous awareness, training and development reinforce our health and safety culture.

GROWING WITH THE COMMUNITY

Tower REIT believes in uplifting communities by building lasting positive relationships and conducting responsible business. Community initiatives include charitable donations, community engagement activities and employee volunteerism. As a socially responsible organisation, we strive to build a sustainable community by enhancing the quality of lives of people, especially those within our operations.

OPERATIONS RESPONSIBILITY

As a real estate investment trust, the quality of Tower REIT's properties is integral to success. Carefully selecting new acquisitions and developments is critical for maximising business and stakeholder value. A key consideration in this process is the surrounding environment and the risks and opportunities it presents to operations. We continue to identify, assess and manage these risks and opportunities to support the resilience of our assets, communities, tenants and employees.

Tower REIT's Responsible Operations Focus Areas



SUSTAINABILITY STATEMENT

cont'd

DELIVERING AN EXCELLENT TENANT EXPERIENCE

Building professional collaborative relationships with tenants is critical to our success. Regular tenant engagement helps us understand their needs, expectations and constraints more clearly.

With stringent and systematic building maintenance, we can proactively and proficiently mitigate any concerns to provide our tenants with a secure, safe and desirable physical environment. The Manager initiated a Planned Preventive Maintenance Strategy to identify and manage potential problems early.

We are motivated to optimise our tenants' experience and satisfaction and maximise commercial outcomes. This outlook helped us to seek innovative solutions, which led to the development and continual improvements to our proprietary tenant management system (TAPP System). The system facilitates better tenant communication and improves tenant feedback and service request responsiveness.

These strategic measures collectively complement physical features and amenities of the buildings, allowing us to deliver exceptional service levels and superior real estate solutions in line with our goal of providing the best experience for each tenant.

Keeping Our Service Promise

WHY DOES QUALITY MATTER FOR TOWER REIT

The rental rate of a building, tenant attraction and retention rates, property valuation, and synergy with surroundings depend significantly on the quality of assets. Identifying and maintaining high-quality assets is a crucial pillar of Tower REIT's investment strategy. Quality property management improves tenants' leasing experience and generates sustainable returns to unitholders via competitive rental rates at our properties. Consistent asset quality may reduce energy consumption and improve work efficiency.

At Tower REIT, we create value through our properties and the entire tenant journey.

SUSTAINABILITY STATEMENT

cont'd

Safety	Value-added	Collaboration	Continuous Upgrading, Enhancement and Maintenance
<ul style="list-style-type: none"> ◦ Each property has established an Emergency Response Team ("ERT") ◦ Each asset has 24/7 security, CCTVs and emergency buttons around the properties, including lifts 	<ul style="list-style-type: none"> ◦ Inclusive amenities and facilities include assistance for people with disabilities such as wheelchair ramps, dedicated parking bays and specialised toilets ◦ Electric Vehicles ("EV") bays for electric or plug-in hybrid vehicles 	<ul style="list-style-type: none"> ◦ Regular casual tenant visits ◦ The Tapp system is an avenue for the Manager to update tenants on upcoming programmes, ongoing events and other important notices. Tenants may channel their concerns through this channel 	<ul style="list-style-type: none"> ◦ Continuous operational improvements and the Asset Enhancement Initiative ("AEI") in FY2023 comprised replacing broken tiles, constructing additional toilet cubicles and a covered walkway

CYBERSECURITY AND DATA PRIVACY

With widespread digitalisation and the growing reliance on virtual work and collaboration platforms, protecting systems against cyber threats is increasingly vital. Adequate cybersecurity measures protect personal data and sensitive information.

We assess our information technology and operational technology systems, including technology, data and cyber risks. These systems guide the development and implementation of risk mitigation and control measures commensurate with the criticality of information assets.

Certain data in prior years of this sustainability statement were restated to conform with the current year presentation.

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 culture to sustain its value propositions 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 2023 (“FY2023”) 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;
- review and approve strategic initiatives of Tower REIT and ensure they support long-term value creation and take into account economic, environment and social considerations underpinning sustainability;
- 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.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

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.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

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

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 with regular reviews of strategies, plans and risks, including a focus on environmental, social and governance (“ESG”) aspects, to ensure achievement of a solid equality between value creation and corporate responsibility. 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.

Tower REIT and the Manager continue to operate in a sustainable manner and seeks to contribute positively to the well-being of unitholders and other 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 five (5) non-executive Directors, of which two (2) 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 MCCG 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 all 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, representing 40% of women participation, on the Board. This aligns with MCCG and complies with the requirement prescribed by the Corporate Governance Guidelines for Capital Market Intermediaries.

Based on the review of the Board composition in July 2023, 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 FY2023 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

cont'd

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

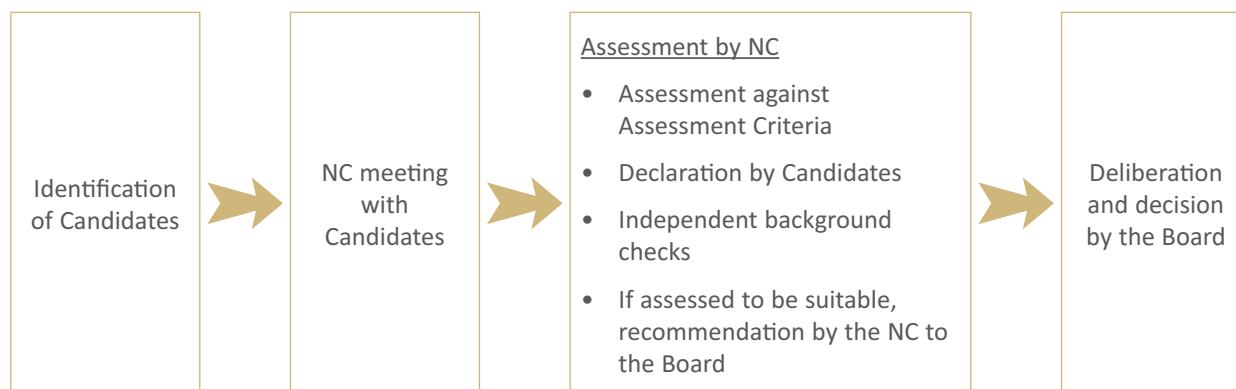
Mr Cheng Hsing Yao
Non-Independent Non-Executive Director

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 for optimal Boardroom diversity 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, covering, inter alia, probity, personal integrity, financial integrity and reputation. 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

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

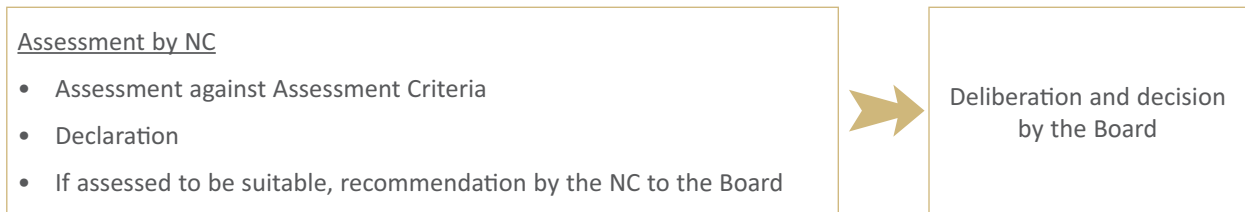
(i) New Appointments *cont'd*

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:



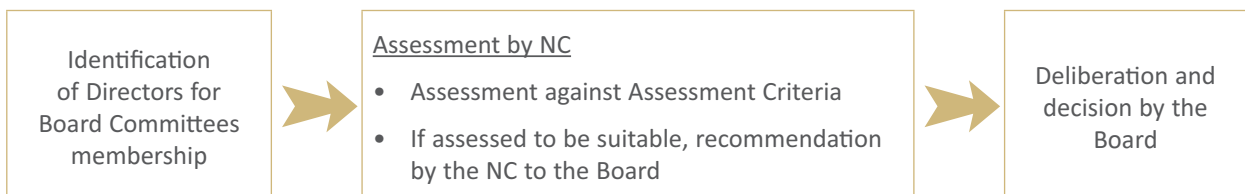
For re-elections, the Chairman and Directors will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Assessment (as defined below) results, contributions during 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 meets 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.

The NC met two (2) times during FY2023 where all the NC members attended.

The NC has carried out its duties in accordance with its TOR for FY2023. 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 Directors' F&P, Independence of Directors and Directors' Training;
- The performance of the Board, Board Committees, each Director and each Board Committee 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.

The NC has also assessed potential candidates to fill vacancy in the Board and BARMC in accordance with the Directors' F&P Policy and recommended to the Board for consideration and approval.

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 FY2023, the NC has evaluated the performance of the Board, Board Committees, each Director and each Board Committee member, benchmarked against the applicable TOR and assessment criteria. The NC was satisfied that they have continued to operate effectively in discharging their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

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.

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 FY2023, 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 listed issuers as defined in the MMLR. 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.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS cont'd

F. Commitment cont'd

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.

The Board met four (4) times during the FY2023. Details of attendance of each Director are as follows:

Directors	Attendance
Mr Tang Hong Cheong	4/4
Mr Cheng Hsing Yao	4/4
Puan Noorbaizura binti Hermeyney (Appointed on 18 May 2023)	0/0*
YBhg Dato' Tan Ang Meng	4/4
Ms Lim Tau Kien	4/4
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (Retired on 17 February 2023)	3/3#
Ms Lim Chew Yan (Resigned on 17 March 2023)	3/3#
Mr Tan Wee Bee (Resigned on 18 May 2023)	4/4#

* No Board meeting was held since her appointment to the Board on 18 May 2023.

Reflects the attendance and the number of meetings held during the period the director held office.

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 Part I of 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.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

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, ESG, risk management, cyber security, legal and regulatory framework, statutory/regulatory compliance, and matters related to the industry or business of Tower REIT, be recommended and arranged for the Directors to enhance their contributions to the Board.

In FY2023, 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, ESG, industry related and material changes to relevant legislations, rules and regulations.

During FY2023, 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 Sustainability, Corporate Governance, ESG, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities, Anti-Bribery and Corruption Framework, Engagement and Voting at Annual General Meetings, Listed Entity Director Essentials, Tax Corporate Governance Framework, Cyber Awareness, Climate Change and Carbon, Human Rights Risk Management, Human Capital Investments and other legal and regulatory developments.

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.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

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 not 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 FY2023, 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 FY2023 is set out in the Manager's Report of the Annual Report.

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 the FY2023 amounted to RM86,000 of which RM8,000 was payable in respect of non-audit services.

For FY2023, 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.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability and Audit *cont'd*

C. Internal Control *cont'd*

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.

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 FY2023.

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 FY2023 and up to the date of approval of this Statement for inclusion in the Annual Report for FY2023, 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 FY2023 was adequate and effective. The Board has received assurances from the Director of the Manager and the Chief Financial Officer 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, reviewing and reporting any changes in 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 appropriate mitigating actions in place, developed to manage the risks to an acceptable level and monitored on a continuous basis. Risk governance includes adoption of reasonable risk appetite based on a review by the BARMC on the Enterprise Risk Management ("ERM") risk profile for Tower REIT and the Manager at least twice a year with reference to the detailed risk register as and when required.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT cont'd

Accountability and Audit cont'd

E. Risk Management cont'd

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.

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 FY2023 is disclosed in the Annual Report under Notes to the Financial Statements.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

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.

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

In addition, unitholders and investors can have the following channel of communication with the Director 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 21 October 2022 to engage with unitholders and address issues of concern raised by the unitholders. The minutes and a summary of key pertinent matters discussed during the AGM are 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 Non-Executive Directors as follows:

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

Ms Lim Tau Kien
Independent Non-Executive Director

Mr Cheng Hsing Yao (Appointed on 18 May 2023)
Non-Independent Non-Executive Director

YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah (Retired on 17 February 2023)
Independent Non-Executive Director

Mr Tan Wee Bee (Appointed on 17 March 2023 and resigned on 18 May 2023)
Non-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 2023 ("FY2023"), four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Member	Attendance
YBhg Dato' Tan Ang Meng	4/4
Ms Lim Tau Kien	4/4
Mr Cheng Hsing Yao (Appointed on 18 May 2023)	0/0*
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (Retired on 17 February 2023)	3/3#
Mr Tan Wee Bee (Appointed on 17 March 2023 and resigned on 18 May 2023)	1/1#

* No Committee meeting was held since his appointment to the Committee on 18 May 2023.

Reflects the attendance and the number of Committee meetings held during the period the Committee member held office.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

cont'd

ACTIVITIES *cont'd*

The Committee carried out the following key activities for FY2023:

- 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 2023 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 and non-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 compliance policies and overseeing the management’s implementation of the same.
- Reviewed the quarterly report of Compliance Officer.
- Reviewed the quarterly report on Environmental, Social and Governance.

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 FY2023 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 FY2023.

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

An aerial photograph of a city, likely Singapore, showing a dense urban landscape with various buildings and a prominent road network. A semi-transparent grid is overlaid on the entire image. The text 'FINANCIAL STATEMENTS' is centered in the upper half of the page.

FINANCIAL STATEMENTS

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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 RM'000	2022 RM'000
Assets			
Plant and equipment	3	7,963	6,099
Investment properties	4	797,200	818,600
Total non-current assets		805,163	824,699
Trade and other receivables	5	1,747	635
Cash and bank balances	6	1,324	1,743
Total current assets		3,071	2,378
Total assets		808,234	827,077
Represented by:			
Unitholders' funds			
Unitholders' capital	7	285,345	285,345
Undistributed income – realised		60,095	61,008
Undistributed income – unrealised	8	155,631	175,011
		501,071	521,364
Liabilities			
Trade and other payables	9	9,116	6,130
Borrowings	10	260,292	260,075
Deferred tax liability	11	17,279	19,432
Total non-current liabilities		286,687	285,637
Trade and other payables	9	9,476	10,976
Borrowings	10	11,000	9,100
Total current liabilities		20,476	20,076
Total liabilities		307,163	305,713
Total unitholders' funds and liabilities		808,234	827,077
Net asset value		501,071	521,364

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

cont'd

	Note	2023 RM'000	2022 RM'000
Net asset value ("NAV")			
Before income distribution		501,071	521,364
After income distribution*		500,314	519,541
Number of units in circulation ('000)	7	280,500	280,500
NAV per unit (RM)			
- Before income distribution		1.7863	1.8587
- After income distribution*		1.7836	1.8522

* *after proposed final income distribution of 0.27 sen per unit (2022: 0.65 sen per unit)*

The notes on pages 77 to 108 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 RM'000	2022 RM'000
Revenue	12	33,871	32,608
Property operating expenses	13	(17,254)	(14,566)
Net rental income		16,617	18,042
Change in fair value of investment properties	4	(21,533)	183
Other income		38	61
Interest income		64	53
Total (expense)/income		(4,814)	18,339
Manager's fees	14	(2,215)	(2,256)
Trustee's fee	15	(156)	(157)
Auditors' fees		(78)	(75)
Administrative expenses		(361)	(363)
Valuation fee		(65)	(55)
Interest expense		(12,064)	(9,538)
Total expenses		(14,939)	(12,444)
(Loss)/Income before tax		(19,753)	5,895
Income tax expense	16	2,153	(18)
Net (loss)/income and total comprehensive (loss)/income for the year		(17,600)	5,877
Total comprehensive income/(loss) for the year is made up as follows:			
Realised		1,780	5,712
Unrealised		(19,380)	165
		(17,600)	5,877
Earnings/(Loss) per unit (sen)			
Realised		0.63	2.04
Unrealised		(6.91)	0.06
	17	(6.28)	2.10

The notes on pages 77 to 108 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Undistributed income		Total RM'000	
		Unitholders' capital RM'000	Non- Distributable - unrealised RM'000		Distributable - realised RM'000
At 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 2022/1 July 2022		285,345	175,011	61,008	521,364
Operations for the year ended 30 June 2023					
Net (loss)/income for the year		-	(19,380)	1,780	(17,600)
Total comprehensive (loss)/income for the year		-	(19,380)	1,780	(17,600)
Unitholders' transactions					
Distribution to unitholders					
- 2022 final	18	-	-	(1,823)	(1,823)
- 2023 interim	18	-	-	(870)	(870)
Decrease in net assets resulting from unitholders' transactions		-	-	(2,693)	(2,693)
At 30 June 2023		285,345	155,631	60,095	501,071
		Note 7	Note 8		

The notes on pages 77 to 108 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	2023 RM'000	2022 RM'000
Cash flows from operating activities		
(Loss)/Income before tax	(19,753)	5,895
Adjustments for:		
Change in fair value of investment properties	21,533	(183)
Depreciation	792	788
Interest expense	12,064	9,538
Interest income	(64)	(53)
Operating profit before changes in working capital	14,572	15,985
Changes in working capital:		
Trade and other receivables	(1,112)	179
Trade and other payables	1,486	451
Net cash from operating activities	14,946	16,615
Cash flows from investing activities		
Acquisition of plant and equipment	(2,789)	(1,539)
Interest received	64	53
Net cash used in investing activities	(2,725)	(1,486)
Cash flows from financing activities		
Distribution paid to unitholders	(2,693)	(6,620)
Interest paid	(11,847)	(9,319)
Proceeds from borrowings	6,000	4,200
Repayment of borrowings	(4,100)	(4,200)
Net cash used in financing activities	(12,640)	(15,939)
Net decrease in cash and cash equivalents	(419)	(810)
Cash and cash equivalents at beginning of year	1,743	2,553
Cash and cash equivalents at end of year	1,324	1,743

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

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	2023 RM'000	2022 RM'000
Cash and bank balances	6	1,324	1,743

The notes on pages 77 to 108 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 31 July 2023.

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 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 and International Tax Reform – Pillar Two Model Rules*

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 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

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 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; and
- from the annual period beginning on 1 July 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

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.

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 11 - Deferred tax liability.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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)).

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(a) Financial instruments cont'd

(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"

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Plant and equipment *cont'd*

(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.

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 30 June 2023 on Menara HLX, Menara Guoco and Plaza Zurich.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Leases *cont'd*

(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”.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(f) Impairment cont'd

Financial assets cont'd

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(k) Income tax cont'd

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 be realised simultaneously.

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

cont'd

3. PLANT AND EQUIPMENT

	Note	Fittings RM'000	Capital Work- in-Progress RM'000	Total RM'000
Cost				
At 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 2022/1 July 2022		7,893	-	7,893
Additions		40	2,749	2,789
Transfer to investment properties	4	-	(133)	(133)
At 30 June 2023		7,933	2,616	10,549
Accumulated depreciation				
At 1 July 2021		1,006	-	1,006
Charge for the year		788	-	788
At 30 June 2022/1 July 2022		1,794	-	1,794
Charge for the year		792	-	792
At 30 June 2023		2,586	-	2,586
Carrying amounts				
At 1 July 2021		6,873	5,092	11,965
At 30 June 2022/1 July 2022		6,099	-	6,099
At 30 June 2023		5,347	2,616	7,963

4. INVESTMENT PROPERTIES

	Note	2023 RM'000	2022 RM'000
At 1 July		818,600	811,800
Transfer from plant and equipment	3	133	6,617
Changes in fair value of investment properties		(21,533)	183
At 30 June		797,200	818,600

NOTES TO THE FINANCIAL STATEMENTS

cont'd

4. INVESTMENT PROPERTIES cont'd

Description of property	Tenure of land	Location	Existing use	Fair value	At cost	Percentage of fair value to net asset value
				RM'000	RM'000	%
2023						
Menara HLX	Freehold	Kuala Lumpur	Office and Retail	324,000	237,969	65
Plaza Zurich*	Freehold	Kuala Lumpur	Office and Retail	224,000	140,976	45
Menara Guoco*	Freehold	Kuala Lumpur	Office	249,200	245,558	50
				797,200	624,503	
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	

* These properties have been charged as security to the bank for borrowings as disclosed in Note 10.

The operating lease payments to be received are as follows:

	2023	2022
	RM'000	RM'000
Less than one year	21,092	23,397
One to two years	14,990	11,329
Two to three years	7,937	5,875
Total undiscounted lease payments	44,019	40,601

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
2023				
Menara HLX	-	-	324,000	324,000
Plaza Zurich	-	-	224,000	224,000
Menara Guoco	-	-	249,200	249,200
	-	-	797,200	797,200
2022				
Menara HLX	-	-	340,500	340,500
Plaza Zurich	-	-	228,900	228,900
Menara Guoco	-	-	249,200	249,200
	-	-	818,600	818,600

Level 3 fair value

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

	2023 RM'000	2022 RM'000
At 1 July	818,600	811,800
Enhancements	133	6,617
Changes in fair value recognised in profit or loss	(21,533)	183
At 30 June	797,200	818,600

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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: RM4.25 – RM7.50 (2022: RM4.10 – RM7.30)	
	ii) Retail: RM4.25 – RM9.00 (2022: RM6.00 – RM7.40)	
	Outgoing (p.s.f): RM1.20 – RM1.50 (2022: RM1.20 – RM1.40)	
	Term yield: 5.50% - 5.75% (2022: 5.50% - 5.75%)	
	Reversionary yield: 5.75% – 6.00% (2022: 5.75% – 6.00%)	
	Void periods: 2.50% - 10.00% (2022: 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

cont'd

5. TRADE AND OTHER RECEIVABLES

	2023 RM'000	2022 RM'000
Trade receivables	487	291
Other receivables, deposits and prepayments	1,260	344
	<u>1,747</u>	<u>635</u>

6. CASH AND CASH EQUIVALENTS

	2023 RM'000	2022 RM'000
Cash and bank balances	1,324	1,743

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

	2023 RM'000	2022 RM'000
Cash and bank balances	1,324	1,742

7. UNITHOLDERS' CAPITAL

	2023 '000	2022 '000
Issued and fully paid-up units	280,500	280,500

	2023 RM'000	2022 RM'000
Issued and fully paid-up units	285,345	285,345

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. UNITHOLDERS' CAPITAL cont'd

As at 30 June 2023, the Manager did not hold any units in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	2023		2022	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Direct unitholdings in Tower REIT of the related parties of the Manager:				
GLM Equities Sdn. Bhd.	60,769	25,219	60,769	27,042
Hong Leong Assurance Berhad	57,771	23,975	57,771	25,708
Asia Fountain Investment Company Limited	14,000	5,810	14,000	6,230
Associated Land Sendirian Berhad	13,409	5,565	13,409	5,967
Hong Leong Investment Bank Berhad	5,887	2,443	5,887	2,620

The market value is determined by multiplying the number of units with the market closing price of RM0.415 (2022: RM0.445) per unit as at 30 June 2023.

8. UNREALISED UNDISTRIBUTED INCOME

	2023 RM'000	2022 RM'000
Cumulative net change arising from fair value movement of:		
- investment properties	155,631	175,011

9. TRADE AND OTHER PAYABLES

		2023 RM'000	2022 RM'000
Non-current			
Tenants' deposits	9.1	9,116	6,130
		9,116	6,130

NOTES TO THE FINANCIAL STATEMENTS

cont'd

9. TRADE AND OTHER PAYABLES *cont'd*

		2023 RM'000	2022 RM'000
Current			
Trade			
Trade payables		1,562	17
Tenants' deposits	9.1	2,330	4,860
Contract liabilities	9.3	590	-
		4,482	4,877
Non-trade			
Other payables and accrued expenses	9.2	4,994	6,099
Total current		9,476	10,976
Total		18,592	17,106

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

	2023 RM'000	2022 RM'000
Payable within 12 months	480	803
Payable after 12 months	786	483
	1,266	1,286

9.2 Included in other payables and accrued expenses are amounts due to the Manager and the Trustee of RM195,036 (2022: RM378,131) and RM12,358 (2022: RM26,132) respectively which are unsecured, interest free and payable monthly in arrears.

9.3 The contract liabilities primarily relate to the advance consideration received from customers, for which this is recognised as revenue over time. The contract liabilities are expected to be recognised as revenue over a period of 8 months.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

10. BORROWINGS

		2023 RM'000	2022 RM'000
Non-current			
Term loan	10.1	261,171	261,171
Transaction costs for term loan		(879)	(1,096)
		260,292	260,075
Current			
Revolving credit	10.2	11,000	9,100
		271,292	269,175
Gearing ratio		33.57%	32.55%

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

10.1 The interest on term loan were at rates ranging from 3.64% to 4.77% (2022: 3.39% to 3.64%) per annum during the financial year.

10.2 The interest on revolving credit were at rates ranging from 3.14% to 4.27% (2022: 2.89% to 3.14%) per annum during the financial year. The revolving credit is repayable upon its maturity on 16 July 2023 and roll over on monthly basis. As at the date of financial statements, the revolving credit continues to be rolled over for another month.

10.3 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
2023				
Term loan	260,075	-	217	260,292
Revolving credit facility	9,100	1,900	-	11,000
	269,175	1,900	217	271,292
2022				
Term loan	259,856	-	219	260,075
Revolving credit facility	9,100	-	-	9,100
	268,956	-	219	269,175

NOTES TO THE FINANCIAL STATEMENTS

cont'd

11. DEFERRED TAX LIABILITY

Deferred tax liability is attributable to the following:

	2023 RM'000	2022 RM'000
Investment properties	17,279	19,432

12. REVENUE

	2023 RM'000	2022 RM'000
Rental income	21,394	20,913
Service charge	9,239	9,106
Car park income	1,799	1,262
Others	1,439	1,327
	33,871	32,608

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.

	2024 RM'000	2025 RM'000	2026 RM'000	Total RM'000
Year ended 30 June 2023				
Service charge	8,573	5,757	2,784	17,114

	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

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

cont'd

13. PROPERTY OPERATING EXPENSES

	2023	2022
	RM'000	RM'000
Assessment	3,600	4,011
Service contracts and maintenance	5,311	4,647
Property management fees	348	335
Utilities	5,720	3,835
Others	2,275	1,738
	17,254	14,566

Property management fees of RM348,039 (2022: RM335,048) 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.

	2023		2022	
	RM'000	%	RM'000	%
Base Fee and % of Gross Asset Value	1,621	0.20	1,629	0.20
Performance Fee and % of Net Property Income	594	3.35	627	3.35
	2,215		2,256	

15. TRUSTEE'S FEE

Pursuant to the Deed constituting Tower REIT, the Trustee is entitled to receive a fee of 0.03% (2022: 0.03%) per annum of the net asset value of Tower REIT with a cap of RM200,000 (2022: RM200,000).

	2023	2022
	RM'000	RM'000
Year ended 30 June	156	157

NOTES TO THE FINANCIAL STATEMENTS

cont'd

16. INCOME TAX EXPENSE

	2023 RM'000	2022 RM'000
Current tax expense		
- under provision in prior years	-	-
Deferred tax (income)/expense		
- current year	(2,153)	18
	(2,153)	18
Total income tax expense	(2,153)	18
Reconciliation of tax expense		
(Loss)/Income before tax	(19,753)	5,895
Income tax using Malaysian tax rate of 24% (2022: 24%)	(4,741)	1,415
Difference in tax rate arising from loss/(gain) on investment properties	3,015	(26)
Non-deductible expenses	354	400
Effect of income exempted from tax	(781)	(1,771)
Total income tax expense	(2,153)	18

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. (LOSS)/EARNINGS PER UNIT

The calculation of (loss)/earnings per unit is based on net (loss)/income for the financial year of RM17,600,000 (2022: RM5,877,000) and on the number of units in circulation during the financial year of 280,500,000 (2022: 280,500,000).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

18. DISTRIBUTION TO UNITHOLDERS

	Gross/Net distribution per unit sen	Total amount RM'000	Date of payment
Year ended 30.06.2023			
2022 Final income distribution	0.65	1,823	30 August 2022
2023 Interim income distribution	0.31	870	28 February 2023
		<u>2,693</u>	
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>	

On 31 July 2023, the Directors of the Manager declared a final income distribution of 0.27 sen (2022: 0.65 sen) per unit amounting to RM757,350 (2022: RM1,823,250) in respect of the financial year ended 30 June 2023. The distribution will be recognised in the subsequent year.

The total income distribution for the financial year ended 30 June 2023 which comprises the first interim income distribution of 0.31 sen (2022: 1.20 sen) per unit and the proposed final income distribution of 0.27 sen (2022: 0.65 sen) per unit are from the following sources:

	2023 RM'000	2022 RM'000
Net rental income	16,617	18,042
Interest income	64	53
Other income	38	61
	16,719	18,156
Less: Expenses	(14,939)	(12,444)
	1,780	5,712
Less: Prior year's undistributed gain	(153)	(523)
	<u>1,627</u>	<u>5,189</u>
Net income distribution		
- Interim income distribution of 0.31 sen per unit paid on 28 February 2023 (2022: 1.20 sen per unit paid on 28 February 2022)	870	3,366
- Final income distribution declared after the reporting year of 0.27 sen per unit payable on 30 August 2023 (2022: 0.65 sen per unit payable on 30 August 2022)	757	1,823
	<u>1,627</u>	<u>5,189</u>

NOTES TO THE FINANCIAL STATEMENTS

cont'd

18. DISTRIBUTION TO UNITHOLDERS

	2023	2022
Income distribution per unit		
- First interim* (sen)	0.31	1.20
- Final* (sen)	0.27	0.65
	0.58	1.85

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

	Withholding tax rate	
	2023	2022
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

	2023	2022
Management expense ratio ("MER") (%)	0.57	0.56

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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.

	2023 RM'000	2022 RM'000
Rental charged	4,429	4,350
Interest income	64	53

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
2023		
Financial assets		
Trade and other receivables excluding prepayment	961	961
Cash and bank balances	1,324	1,324
	2,285	2,285
Financial liabilities		
Borrowings	(271,292)	(271,292)
Trade and other payables	(18,002)	(18,002)
	(289,294)	(289,294)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. FINANCIAL INSTRUMENTS *cont'd*

21.1 Categories of financial instruments *cont'd*

	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
	<u>2,265</u>	<u>2,265</u>
Financial liabilities		
Borrowings	(269,175)	(269,175)
Trade and other payables	(17,106)	(17,106)
	<u>(286,281)</u>	<u>(286,281)</u>

21.2 Net gain and loss arising from financial instruments

	2023 RM'000	2022 RM'000
Net gain/(loss) arising on:		
- Loans and receivables	64	53
- Financial liabilities at amortised cost	(12,064)	(9,538)
	<u>(12,000)</u>	<u>(9,485)</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

cont'd

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
2023			
Not past due	106	-	106
Past due 31 – 60 days	-	-	-
Past due 61 – 90 days	135	-	135
Past due 91 – 120 days	10	-	10
>121 days	236	-	236
	487	-	487

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. FINANCIAL INSTRUMENTS *cont'd*

21.4 Credit risk *cont'd*

Receivables *cont'd*

Recognition and measurement of impairment loss cont'd

	Carrying amount	Loss allowance	Net balance
	RM'000	RM'000	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

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.

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.

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
2023							
<i>Non-derivative financial liabilities</i>							
Revolving credit	11,000	3.14 to 4.27	11,470	11,470	-	-	-
Term loan	260,292	3.64 to 4.77	297,864	12,416	12,416	273,032	-
Tenants' deposits	11,446	-	11,446	2,329	9,117	-	-
Trade and other payables	6,556	-	6,556	6,556	-	-	-
	<u>289,294</u>		<u>327,336</u>	<u>32,771</u>	<u>21,533</u>	<u>273,032</u>	<u>-</u>
2022							
<i>Non-derivative financial liabilities</i>							
Revolving credit	9,100	2.89 to 3.14	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>

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.

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:

	2023 RM'000	2022 RM'000
Floating rate instruments		
<i>Financial liabilities</i>		
Revolving credit	(11,000)	(9,100)
Term loan	(260,292)	(260,075)
	<u>(271,292)</u>	<u>(269,175)</u>

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 RM'000	100bp decrease RM'000
2023	(2,062)	2,062
2022	(2,046)	2,046

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 RM'000	Carrying amount RM'000
	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		
2023										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	(11,071)	(11,071)	(11,071)	(11,446)
Borrowings	-	-	-	-	-	-	(271,292)	(271,292)	(271,292)	(271,292)
	-	-	-	-	-	-	(282,363)	(282,363)	(282,363)	(282,738)

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		
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)

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 10 to the financial statements.

	Note	2023 RM'000	2022 RM'000
Gross borrowings	10	271,292	269,175
Total assets		808,234	827,077
Gearing		33.57%	32.55%

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
	2023 RM'000	2022 RM'000	
Denstu Aegis Network Malaysia	1,639	3,737	Menara Guoco
British American Tobacco Malaysia	6,032	4,819	Menara Guoco
Zurich Insurance Group	2,281	2,237	Plaza Zurich
Hong Leong Group	4,429	4,350	Plaza Zurich, Menara Guoco & Menara HLX

STATEMENT BY THE DIRECTORS OF THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 71 to 108 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 2023 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

NOORBAIZURA BINTI HERMEYNEY

YBHG DATO' TAN ANG MENG

Kuala Lumpur

Date: 31 July 2023

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 71 to 108 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 31 July 2023.

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 2023. 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 0.58 sen per unit for the financial year ended 30 June 2023 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: 31 July 2023

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 2023, 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 71 to 108.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Tower REIT as at 30 June 2023, 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.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF TOWER REAL ESTATE INVESTMENT TRUST
(INCORPORATED IN MALAYSIA)
cont'd

Key Audit Matters cont'd

Valuation of investment properties cont'd

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

The key audit matter cont'd

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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF TOWER REAL ESTATE INVESTMENT TRUST
(INCORPORATED IN MALAYSIA)

cont'd

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.

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.

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*

- 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.

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: 31 July 2023

Thong Foo Vung
Approval Number: 02867/08/2024 J
Chartered Accountant

OTHER INFORMATION

ANALYSIS OF UNITHOLDINGS AS AT 15 AUGUST 2023

DISTRIBUTION SCHEDULE OF UNITHOLDERS

Size of Holding	No. of Unitholders	% of Unitholders	No. of Units Held	% of Units Held
Less than 100	17	0.63	430	0.00
100 – 1,000	410	15.13	281,300	0.10
1,001 – 10,000	1,249	46.11	7,054,430	2.51
10,001 – 100,000	843	31.12	31,425,540	11.20
100,001 – less than 5% of issued units	188	6.94	132,104,200	47.10
5% and above of issued units	2	0.07	109,634,100	39.09
	2,709	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	21.67
2. Hong Leong Assurance Berhad - As Beneficial Owner (Life Non Par)	48,865,300	17.42
3. CIMSEC Nominees (Asing) Sdn Bhd - CIMB for Yong Yoon Kiong (PB)	14,000,000	4.99
4. Citigroup Nominees (Asing) Sdn Bhd - GSCO LLC for Asia Fountain Investment Company Limited	14,000,000	4.99
5. Associated Land Sendirian Berhad	13,409,300	4.78
6. Hong Leong Investment Bank Berhad - IVT-A	5,887,000	2.10
7. Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	5,807,700	2.07
8. Loh Cheng Yean	4,600,000	1.64
9. Lian Mong Yee @ Lian Mung Yee	3,983,900	1.42
10. CIMB Group Nominees (Asing) Sdn Bhd - Exempt AN for DBS Bank Ltd (SFS)	3,961,300	1.41
11. Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Law Kiu Kiong	3,110,700	1.11
12. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Poh Soon Sim (CEB)	3,084,500	1.10

OTHER INFORMATION

cont'd

ANALYSIS OF UNITHOLDINGS AS AT 15 AUGUST 2023 cont'd

LIST OF THIRTY LARGEST UNITHOLDERS cont'd

	Name of Unitholders	No. of Units	%
13.	Citigroup Nominees (Tempatan) Sdn Bhd - MCIS Insurance Berhad (Life Par FD)	2,254,700	0.80
14.	Hong Leong Assurance Berhad - As Beneficial Owner (Shareholders Non Par Fund)	2,078,000	0.74
15.	Tan Kim Chuan	1,774,100	0.63
16.	CGS-CIMB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Chen Yik (Penang-CL)	1,520,000	0.54
17.	CGS-CIMB Nominees (Asing) Sdn Bhd - Exempt AN for CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,460,200	0.52
18.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Law Kiu Kiong (6000710)	1,454,800	0.52
19.	Liew Kon Mun	1,248,100	0.45
20.	Ong Ee Nah	1,100,000	0.39
21.	Citigroup Nominees (Tempatan) Sdn Bhd - MCIS Insurance Berhad (Ann FD)	1,074,000	0.38
22.	Lim Kew Seng	1,065,000	0.38
23.	Ong Ah How @ Ong Beng Hwa	1,048,200	0.37
24.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Ann Par)	1,020,000	0.36
25.	HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liew Sun Yick	940,000	0.34
26.	HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ting Ching Kok (CCTS)	931,700	0.33
27.	Chow Hon Keong	869,200	0.31
28.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for RAM Holdings Berhad (PB)	821,900	0.29
29.	Gan Peoy Hong	754,800	0.27
30.	Ling Thik Ping	713,700	0.26
		203,606,900	72.58

OTHER INFORMATION

cont'd

ANALYSIS OF UNITHOLDINGS AS AT 15 AUGUST 2023 *cont'd*

MAJOR UNITHOLDERS

	Name of Unitholders	No. of Units Held			
		Direct	%	Indirect	%
1.	GLM Equities Sdn Bhd	60,768,800	21.66	-	-
2.	Hong Leong Assurance Berhad	58,271,000	20.77	-	-
3.	HLA Holdings Sdn Bhd	-	-	58,271,000	20.77 #
4.	Mitsui Sumitomo Insurance Company, Limited	-	-	58,271,000	20.77 #
5.	Hong Leong Financial Group Berhad	-	-	64,158,000	22.87 *
6.	GuocoLand (Malaysia) Berhad	-	-	60,768,800	21.66 **
7.	GLL (Malaysia) Pte Ltd	-	-	60,768,800	21.66 **
8.	GuocoLand Limited	-	-	60,768,800	21.66 **
9.	GuocoLand Assets Pte Ltd	-	-	60,768,800	21.66 **
10.	Guoco Group Limited	-	-	138,926,800	49.53 ^
11.	GuoLine Overseas Limited	-	-	138,926,800	49.53 ^
12.	GuoLine Capital Assets Limited	-	-	138,926,800	49.53 ^
13.	Hong Leong Company (Malaysia) Berhad	-	-	77,567,300	27.65 *
14.	HL Holdings Sdn Bhd	-	-	77,567,300	27.65 ~
15.	Tan Sri Quek Leng Chan	-	-	152,336,100	54.31 ^
16.	Kwek Leng Beng	-	-	152,336,100	54.31 ^
17.	Kwek Holdings Pte Ltd	-	-	152,336,100	54.31 ^
18.	Hong Realty (Private) Limited	-	-	152,336,100	54.31 ^
19.	Hong Leong Investment Holdings Pte Ltd	-	-	152,336,100	54.31 ^
20.	Kwek Leng Kee	-	-	152,336,100	54.31 ^
21.	Davos Investment Holdings Private Limited	-	-	152,336,100	54.31 ^
22.	Quek Leng Chye	-	-	152,336,100	54.31 ^

Notes:

Held through Hong Leong Assurance Berhad

* Held through subsidiaries

** Held through GLM Equities Sdn Bhd

^ Held through subsidiaries and companies in which the major unitholder has an interest

~ Held through Hong Leong Company (Malaysia) Berhad

OTHER INFORMATION

cont'd

DIRECTORS' INTERESTS AS AT 15 AUGUST 2023

Subsequent to the financial year ended 30 June 2023, 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 Eleventh Annual General Meeting (“Eleventh 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 Monday, 16 October 2023 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 2023.

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 2023 (“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 2023

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 6 October 2023 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 Damanlela, 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 21 October 2022 and which will lapse at the conclusion of the forthcoming Eleventh 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 2023 which is available on Tower REIT's website at <https://www.tower-reit.com/investor-information/reports>.

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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 Eleventh Annual General Meeting ("Eleventh 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 Monday, 16 October 2023 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 _____ 2023

 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 6 October 2023 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 Eleventh 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>