



ANNUAL REPORT 2021

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TOWER REAL ESTATE INVESTMENT TRUST



ABOUT TOWER REIT

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

INVESTMENT OBJECTIVE

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR TANG HONG CHEONG

(Chairman, Non-Independent
Non-Executive)

MR CHENG HSING YAO (ZHENG XINYAO)

(Non-Independent Non-Executive Director)

MR TAN WEE BEE

(Non-Independent Non-Executive Director)

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

(Independent Non-Executive Director)

MS LIM TAU KIEN

(Independent Non-Executive Director)

MS LIM CHEW YAN

(Non-Independent Non-Executive Director)

YBHG DATO' TAN ANG MENG

(Independent Non-Executive Director)

► MANAGER

GLM REIT Management Sdn Bhd

Registration No. 200401020808
(659312-H)

► MANAGER'S PRINCIPAL ADDRESS

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

► MANAGER'S REGISTERED ADDRESS

Level 10, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Tel No. : 03-2164 1818
Fax No. : 03-2164 2476

► COMPANY SECRETARY OF THE MANAGER

Chin Min Yann (MAICSA 7034011)

(SSM PC No. 202008002583)
Level 10, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Tel No. : 03-2164 1818
Fax No. : 03-2164 2476

► TRUSTEE

MTrustee Berhad

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

► PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara) Sdn Bhd

Unit D4-3-3 & 3A, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Tel No. : 03-6205 3330
Fax No. : N/A

► REGISTRAR

Hong Leong Share Registration Services Sdn Bhd

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

► AUDITORS

KPMG PLT

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

► PRINCIPAL BANKERS OF THE TRUST

Hong Leong Bank Berhad

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

Public Bank Berhad

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

► WEBSITE

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

FUND INFORMATION

NAME OF TRUST	Tower Real Estate Investment Trust (“Trust”)
TRUST TYPE	Income and growth
TRUST CATEGORY	Real Estate Investment Trust (“REIT”)
TERM OF TRUST	The Trust has no fixed termination date. However, the Deed provides a number of circumstances under which the Trust may be terminated.
INVESTMENT OBJECTIVES	<p>To invest in a portfolio of real estate including quality office buildings, commercial properties, residential properties and industrial properties in order to:</p> <ul style="list-style-type: none"> • provide unitholders with stable distributions per unit as well as sustainable long term growth of such distributions; and • achieve medium to long term growth in the net asset value per unit.
FUND PERFORMANCE BENCHMARK	<p>The benchmark of a fund should ideally be representative of the investment universe of the fund. Where it is not possible, returns from a directly competing investment product may be used. A REIT’s performance may be domestically benchmarked against any existing REIT listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).</p> <p>Other common domestic benchmarks that can be used as a guide when assessing the performance of a REIT are the FBM Bursa Malaysia KLCI and Kuala Lumpur Properties Index.</p>
DISTRIBUTION POLICY	<p>The Manager intends to distribute at least 90% of the Distributable Income for the relevant financial years.</p> <p>The Manager intends to make semi-annual distributions to unitholders with the amount calculated as at 30 June and 31 December each year or such other percentages and at such other intervals as determined by the Manager at its discretion.</p>
AUTHORISED INVESTMENTS	<p>i) At least 75% of Total Assets Value (“TAV”) are invested in real estate and/or single purpose companies at all times; and</p> <p>ii) the aggregate investments in property development activities (property development costs) and real estate under construction must not exceed 15% of TAV,</p> <p>or such other limits as may be prescribed or permitted by the Securities Commission (“SC”) of the 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’s Guidelines on Listed REITs.

OVERVIEW OF PORTFOLIO

Tower REIT's portfolio consists of three prime commercial buildings with a combined appraised value of approximately RM811.8 million as at 30 June 2021. The combined total net lettable area of the portfolio is 966,307 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 Gelengang,
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	385,215	340,500	42%
Plaza Zurich	348,959	225,400	28%
Menara Guoco	232,133	245,900	30%
	966,307	811,800	100%

ASSETS PROFILE



Menara HLX is a 32-storey corporate office tower located in the heart of Kuala Lumpur's Golden Triangle. It is home to the Hong Leong Exchange (HLX) - a strategic collaboration between HLX Sdn Bhd and the Malaysia Digital Economy Corporation (MDEC) to create a dedicated innovation exchange that will enable Malaysian innovation and technological leadership to flourish. Featuring collaborative work spaces, curated offices and accessible training areas, Menara HLX offers a conducive ecosystem for tech start-ups to connect, interact and grow.

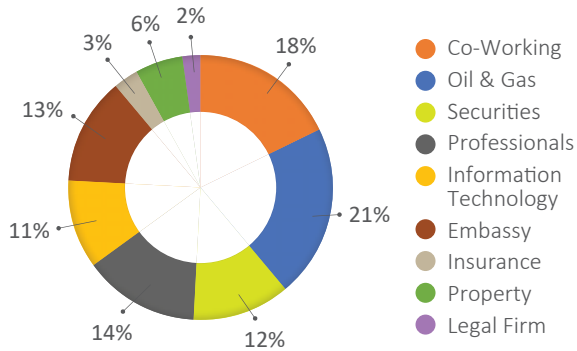
To better accommodate its functions as a tech and innovation hub, a major refurbishment exercise was undertaken and completed in 2020, upgrading the building's lifts, lobbies and ancillary facilities, including implementing a cashless parking system. Controlled access to office areas and 24-hour security ensures that occupants can go about their business with absolute peace of mind.

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

Menara HLX's anchor tenants include Beyond4 Training Academy, Commerce.Asia, International Petroleum Corp. and Hong Leong Investment Bank.

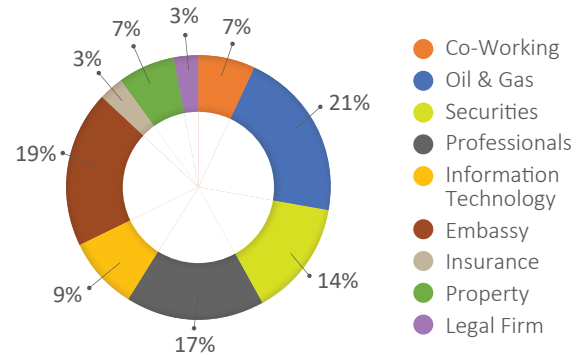
TENANTS MIX BY NET LETTABLE AREA

As at 30 June 2021



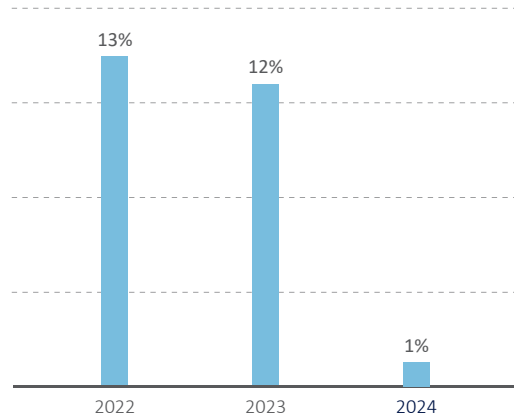
TENANTS MIX BY GROSS RENTAL INCOME

For the Month of June 2021



EXPIRY PROFILE

As at 30 June 2021



MAJOR TENANTS

As at 30 June 2021

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

ADDRESS

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

DESCRIPTION

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

PROPERTY TYPE/USE

Commercial Office Building

AGE

22 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

385,215 sq. ft.

OCCUPANCY RATES *

25%

PARKING SPACE

723 car park bays

DATE OF ACQUISITION

17 April 2006

ACQUISITION PRICE

RM221,000,000

MARKET VALUE

RM340,500,000

DATE OF LATEST VALUATION

24 February 2021

NAME OF VALUER

Cheston International (KL) Sdn Bhd

NET BOOK VALUE

RM340,500,000 *

PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara) Sdn Bhd

* As at 30 June 2021

ASSETS PROFILE

cont'd



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

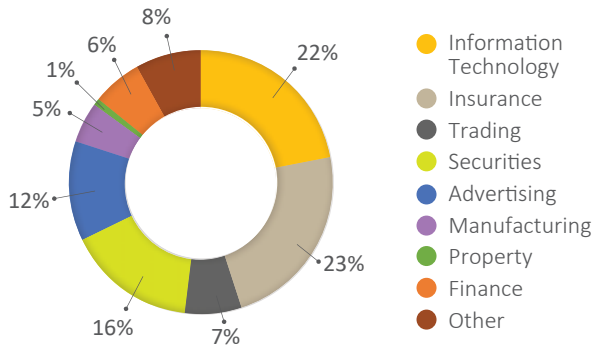
The commercial building comprises two office blocks and a retail podium that were recently refurbished, and features functional, high-quality office space, with easy access and ample parking. The triple-volume lobby welcomes tenants and visitors with an air of sophistication, while secured office-area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

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

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

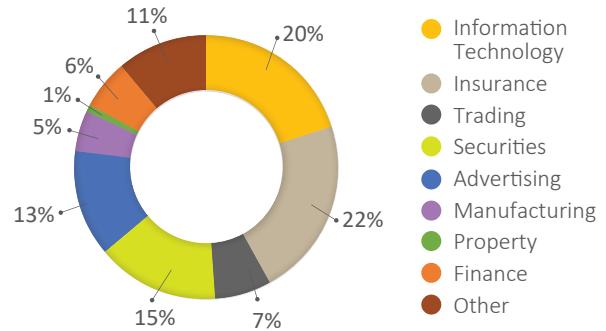
TENANTS MIX BY NET LETTABLE AREA

As at 30 June 2021



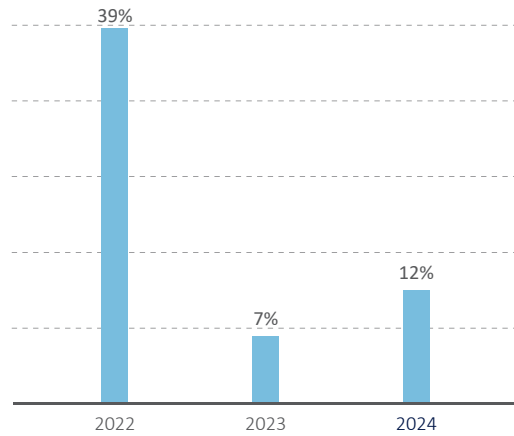
TENANTS MIX BY GROSS RENTAL INCOME

For the Month of June 2021



EXPIRY PROFILE

As at 30 June 2021



MAJOR TENANTS

As at 30 June 2021

Name	Trade Sector	% of Total Net Lettable Area
Zurich Life General Insurance	Financial Services	14%
HP PPS Sdn Bhd	Information technology	11%
Hong Leong Investment Bank & Asset Management	Financial services	10%
Stream Enterprise (M) Sdn Bhd	Manufacturing	4%
TBWA	Advertising	3%
		42%

ADDRESS

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

DESCRIPTION

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

PROPERTY TYPE/USE

Commercial Office Building

AGE

28 years

TITLE DETAILS

Lot No. 54308, Title No. Geran 61506 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

348,959 sq. ft.

OCCUPANCY RATES *

61%

PARKING SPACE

546 car park bays

DATE OF ACQUISITION

17 April 2006

ACQUISITION PRICE

RM130,000,000

MARKET VALUE

RM225,400,000

DATE OF LATEST VALUATION

26 February 2021

NAME OF VALUER

Cheston International (KL) Sdn Bhd

NET BOOK VALUE

RM225,400,000 *

PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara) Sdn Bhd

* As at 30 June 2021

ASSETS PROFILE

cont'd



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

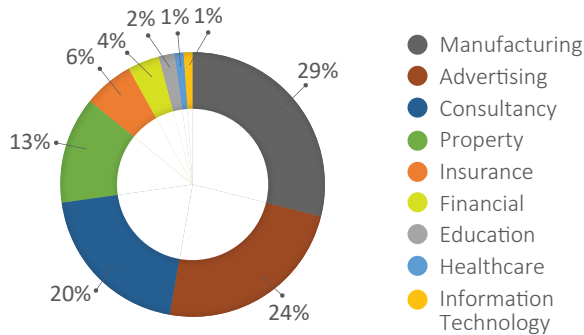
Its modern and contemporary main lobby features impressive, triple volume ceilings, granite interiors, a glass facade and a sheltered porte cochère. The building has a three-tier security system and a designated smart lift solution for the safety and convenience of tenants and visitors.

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

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

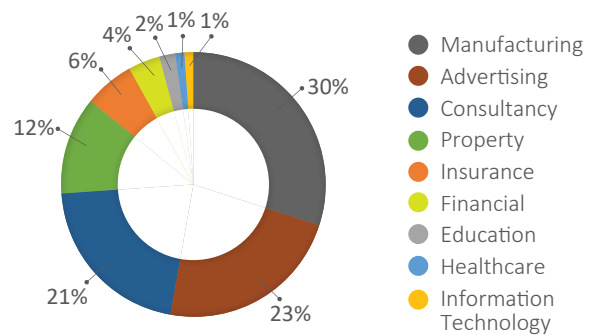
TENANTS MIX BY NET LETTABLE AREA

As at 30 June 2021



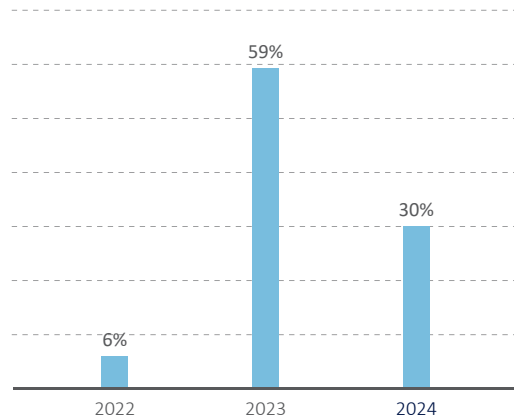
TENANTS MIX BY GROSS RENTAL INCOME

For the Month of June 2021



EXPIRY PROFILE

As at 30 June 2021



MAJOR TENANTS

As at 30 June 2021

Name	Trade Sector	% of Total Net Lettable Area
BAT Malaysia Group	Manufacturing	28%
Dentsu Holdings Malaysia	Advertising	23%
Aecom Perunding Sdn Bhd	Consultancy	18%
GLM IHM Sdn Bhd	Property	13%
FWD Technology & Innovation Malaysia	Insurance	6%
		88%

ADDRESS

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

DESCRIPTION

1 block of 19 storey office buildings

PROPERTY TYPE/USE

Commercial Office Building

AGE

5 years

TITLE DETAILS

Lot No. 58303, Title No. Geran 74955 Mukim and District of Kuala Lumpur

ENCUMBRANCES

Assigned to Public Bank Berhad

LIMITATION IN TITLE/INTEREST

Nil

TENURE

Freehold

NET LETTABLE AREA

232,133 sq. ft.

OCCUPANCY RATES *

95%

DATE OF ACQUISITION

19 August 2020

ACQUISITION PRICE

RM242,100,000 **

MARKET VALUE

RM245,900,000

DATE OF LATEST VALUATION

25 February 2021

NAME OF VALUER

Cheston International (KL) Sdn Bhd

NET BOOK VALUE

RM245,900,000 *

PROPERTY MANAGER

Henry Butcher Malaysia (Mont Kiara) Sdn Bhd

* As at 30 June 2021

** Tower REIT has acquired Menara Guoco from DC Offices Sdn Bhd ("DCOSB"), a related company of the Manager. DCOSB is an indirect wholly-owned subsidiary of GuocoLand Malaysia Berhad ("GLM") and the Manager is a wholly-owned subsidiary of GLM. The acquisition was completed on 19 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS



DEAR UNITHOLDERS

It was a difficult period for the Malaysian property industry during the year under review. The COVID-19 pandemic continued to cause severe disruptions to lives and businesses throughout the country.

Weighing down the industry further was the persistent residential and commercial property overhang that have affected the market prior to the pandemic.

Against these factors, the industry recorded a year-on-year decline in property values and transactions, occupancy rates and rental revenues in most market segments.

The following Management Discussion and Analysis section of this Annual Report is aimed at offering our unitholders insights into the strategic initiatives carried out by GLM REIT Management Sdn Bhd (the “Manager”) during the financial year ended 30 June 2021 as well as outlook for Tower Real Estate Investment Trust (“Tower REIT” or 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 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 has been listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) since 12 April 2006.

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

As at 30 June 2021, Tower REIT’s portfolio consists of three prime commercial buildings, namely Menara HLX, Plaza Zurich and Menara Guoco in Kuala Lumpur.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

INVESTMENT OBJECTIVE

The 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 provide unitholders with regular and stable distributions, achieve an attractive level of return from rental income and medium to long-term growth in the Net Asset Value (“NAV”) per unit.

Breakdown of Tower REIT’s portfolio by market value:

Market Value 30.6.2021		
	RM'000	%
Menara HLX	340,500	42
Plaza Zurich	225,400	28
Menara Guoco	245,900	30
	811,800	100

INVESTMENT STRATEGIES

Since the listing of Tower REIT in 2006, the core investment strategy embraced by the Manager is one of prudence fortified by the commitment to ensure its stable of assets contribute the best possible returns to unitholders.

In order to achieve this strategic objective, the Manager is focused on progressive asset enhancement, pro-active risk management and innovation to improve operational efficiencies and attractiveness of its assets.

Moving forward, the Manager will continue to carry out more data-driven and fact-based analyses to gauge the operating landscape in order to take advantage of growth opportunities which may rise in tandem with the current operating landscape.

Measures to enhance capital value of the Trust’s property portfolio are also on-going to maintain competitiveness, improve revenue and drive optimal returns to unitholders. At the same time, the Manager will also be paying close attention towards mitigating any impending risk to the Trust’s portfolios.

In accordance with its dividend policy, 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

In 2020, the COVID-19 global pandemic took centre-stage as it swept the globe. Lives were at stake and lifestyles had to change to adapt to movement controls and restrictions, social distancing and standard operating procedures (“SOPs”) put into place by the authorities.

The Department of Statistics Malaysia reported that the country’s Gross Domestic Product decreased by 5.6% in 2020, marking the biggest contraction since the 1998 Asian Financial Crisis. While the economy was expected to improve in 2021, uncertainties prevail with further movement control orders (“MCOs”) and operational restrictions placed on businesses.

Due to escalating COVID-19 cases, a nationwide MCO 3.0 dominated the first half of 2021. Selangor and Kuala Lumpur were placed under Full MCO or total lockdown from 1 to 14 June 2021. Other than essential services and/or industries approved by MITI, the majority of economic sectors remained closed and were badly affected. The MCO in Selangor and Kuala Lumpur, with some relaxations, remained in effect at the time of writing.

From a macro perspective, the difficulties faced by the economy will affect the property industry unfavourably. Volume and value of property transactions dropped by 9.9% and 15.8% respectively in 2020, according to the National Property Information Centre (“NAPIC”).

NAPIC also found that the overall office sub-segment occupancy rate declined to 80.2% in 2020 from 80.6%, while privately owned office buildings in this sub-segment recorded an average occupancy rate of 73.9% nationwide.

The lower occupancy rate in private office buildings may be due to companies and organisations struggling financially and taking downsizing measures as a result of the prolonged MCO. Work-from-home protocols are also fueling the trend towards smaller and more flexible office space that are away from the city centre.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

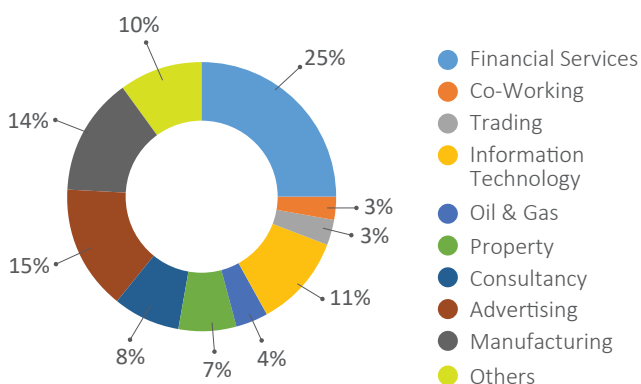
REVIEW OF FINANCIAL RESULTS

Gross revenue for FY 2021 stood at RM31.85 million, which was 47.4% higher than a year ago. The increase in gross revenue was due to additional revenue generated by Menara Guoco, acquired in August 2020, and higher occupancy in Plaza Zurich.

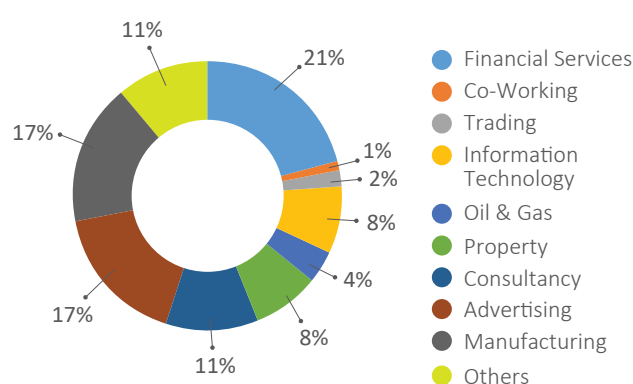
Realised income after taxation was lower at RM6.20 million compared to RM7.49 million in the preceding financial year. This was due to lower occupancy in Menara HLX and rent rebates given to deserving tenants during the financial year to alleviate the difficulties caused by the MCO.

Property	Net Lettable Area sq. ft.	Acquisition Date	Acquisition Cost RM'000	Incidental cost/ Addition/ Enhancement RM'000	Fair Value Adjustment RM'000	At Market Value 30-Jun-21 RM'000	% of Portfolio
Menara HLX	385,215	17-Apr-06	221,000	10,219	109,281	340,500	42
Plaza Zurich	348,959	17-Apr-06	130,000	10,976	84,424	225,400	28
Menara Guoco	232,133	19-Aug-20	242,100	3,458	342	245,900	30
Total	966,307		593,100	24,653	194,047	811,800	100

Tenant mix by net lettable area
as at 30 June 2021



Tenant mix by gross rental income
for the month of June 2021



Major Tenants as at 30 June 2021	Trade Sector	% of Portfolio's Net Lettable Area
British American Tobacco Group	Manufacturing	7%
Dentsu Holdings Malaysia	Advertising	6%
Zurich Insurance Group	Insurance	5%
Aecom Perunding Sdn Bhd	Consultancy	4%
HP PPS	Information Technology	4%
		26%

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

LEASE EXPIRY PROFILE

	2022		2023		2024	
	No. of Tenants	% of Net Lettable Area	No. of Tenants	% of Net Lettable Area	No. of Tenants	% of Net Lettable Area
Menara HLX	7	13%	8	12%	2	1%
Plaza Zurich	11	39%	6	7%	8	12%
Menara Guoco	4	6%	4	59%	3	30%
Total	22	20%	18	21%	13	12%

A final income distribution of 1.16 sen (FY 2020: 1.18 sen) per unit amounting to RM3,253,800 (FY 2020: RM3,309,900) was declared in respect of the FY 2021. This final income distribution, together with the interim income distribution of 1.05 sen per unit paid on 26 February 2021, represents a total income distribution of RM6,199,050, which represents 99.95% of our distributable income. As such, the Trust has distributed at least 90% of the distributable income in accordance with its dividend policy.

Realised earnings per unit for FY 2021 was 2.21 sen compared to 2.67 sen in FY 2020.

DISTRIBUTION YIELD	2016	2017	2019	2020	2021
Annualised Distribution Yield	5.73%	5.00%	5.50%	3.06%	3.64%

Annualised Distribution Yield of the Trust is derived by:
$$\frac{\text{Gross Distribution per Unit of the year}}{\text{Average Unit price of the year}}$$

FUND PERFORMANCE

	2016	2017	2019 (18-month)	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
STATEMENT OF FINANCIAL POSITION					
Total Asset Value	568,090	567,370	572,166	588,771	827,132
Total Borrowings	100	100	100	24,000	268,956
NAV before income distribution	545,246	545,603	540,076	533,306	522,107
NAV after income distribution	534,783	537,749	529,052	529,996	518,853
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	1.9438	1.9451	1.9254	1.9013	1.8613
- After income distribution	1.9065	1.9171	1.8861	1.8895	1.8497
- Highest NAV per unit (ex-distribution)	1.9438	1.9451	1.9408	1.9013	1.9002
- Lowest NAV per unit (ex-distribution)	1.9230	1.9256	1.8949	1.8934	1.8613

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

	2016	2017	2019 (18-month)	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
STATEMENT OF COMPREHENSIVE INCOME					
Total Revenue	36,591	32,644	44,054	21,604	31,848
Income After Taxation					
- Realised and distributable	20,948	17,993	23,625	7,490	6,201
- Unrealised from fair value adjustment	214	1,803	(9,798)	270	(11,146)
	21,162	19,796	13,827	7,760	(4,945)
Earnings Per Unit (sen) ⁽¹⁾					
- Realised	7.47	6.41	8.42	2.67	2.21
- Unrealised	0.08	0.64	(3.49)	0.10	(3.97)
	7.55	7.06	4.93	2.77	(1.76)
Income Distribution					
- 1st Interim	8,976	8,976	5,890	3,506	2,945
- 2nd Interim	-	-	5,610	-	-
- Final	10,463	7,854	11,024	3,310	3,254
	19,439	16,830	22,524	6,816	6,199
Distribution Per Unit (sen)					
- 1st Interim	3.20	3.20	2.10	1.25	1.05
- 2nd Interim	-	-	2.00	-	-
- Final	3.73	2.80	3.93	1.18	1.16
	6.93	6.00	8.03	2.43	2.21
Date of Distribution					
- 1st Interim	14-Sep-16	6-Sep-17	30-Aug-18	28-Feb-20	26-Feb-21
- 2nd Interim	-	-	28-Nov-18	-	-
- Final	28-Feb-17	28-Feb-18	28-Aug-19	28-Aug-20	30-Aug-21
RATIOS					
Management expenses ratio ("MER") ⁽²⁾ (%)	0.47	0.48	0.62	0.42	1.08
Interest expenses	140	237	251	487	7,970
Interest Cover Ratio ⁽³⁾ (times)	150.6	76.9	95.1	16.4	1.8
Gearing Ratio ⁽⁴⁾ (%)	0	0	0	4	33

Notes:

- (1) Based on weighted average number of units in issue during the respective financial years.
- (2) Based on total fees, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administration expenses, to the average NAV during the respective financial years.
- (3) Based on realised net income before interest and tax (realised) over interest expenses.
- (4) Based on total borrowings over total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

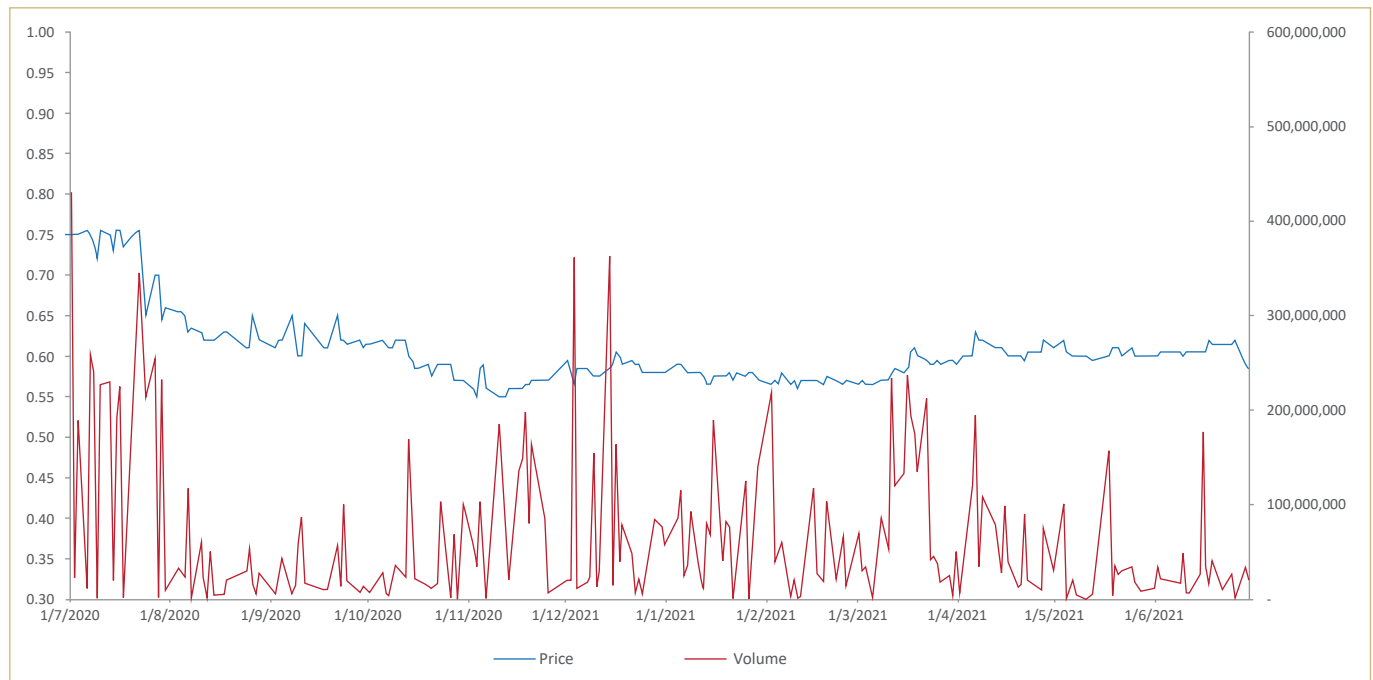
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Tower REIT's total asset value (TAV) increased significantly to RM827.132 million as at 30 June 2021 compared to RM588.771 million as at 30 June 2020, due largely to the acquisition of Menara Guoco. Net asset value (NAV) after income distribution was lower at RM522.107 million as at 30 June 2021 compared to RM533.306 million as at 30 June 2020, with NAV per unit after income distribution decreased marginally to RM1.8497 from RM1.8895 the year before.

The Management expense ratio (MER) for the administration of the REIT, which includes fees of the Manager, Trustee, audit and tax agent and other administrative expenses increase to 1.08% for FY 2021 when compared to 0.42% in FY 2020. The increase in MER was primarily due to the Manager's fees, calculated on a larger Total Asset Value base, and a one-off acquisition fee for the acquisition of Menara Guoco during the financial year.

Office REIT	Management Expenses Ratio (%)
Tower REIT	1.08
AmFirst	1.39
UOA	0.70
Sentral REIT (formerly known as MRCB-Quills)	1.09

MARKET UNIT PRICE AND TRADING PERFORMANCE



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

UNIT PRICE PERFORMANCE	IPO	2016	2017	2019	2020	2021
	RM'000	RM	RM	RM	RM	RM
Unit price per unit at close of respective years	1.07	1.17	1.22	0.88	0.75	0.59
Highest traded price during the years		1.25	1.23	1.23	0.93	0.76
Lowest traded price during the years		1.17	1.17	0.87	0.55	0.55
Average unit price for the years ⁽¹⁾		1.21	1.20	0.97	0.79	0.61

ANNUAL TOTAL RETURN	2016	2017	2019	2020	2021
Total Return for the years	7%	4%	-18%	-19%	-28%
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	2016	2017	2019	2020	2021
1 year	7%	4%	-18%	-19%	-28%
3 years	-3%	0%	-2%	-11%	-22%
Since inception	9%	8%	7%	6%	4%
Average Total Return of the Trust is derived by:	$\frac{\text{Total Return over the year}}{\text{Number of Years under review}}$				

Note:

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

OPERATIONS REVIEW

Tower REIT's primary focus during the year under review was to minimise the risk of Covid-19 infection for our tenants and employees during this global health crisis.

We adhered to MCO protocols set by the authorities and put in place processes and systems that were required to enable our employees to perform their work duties safely and seamlessly.

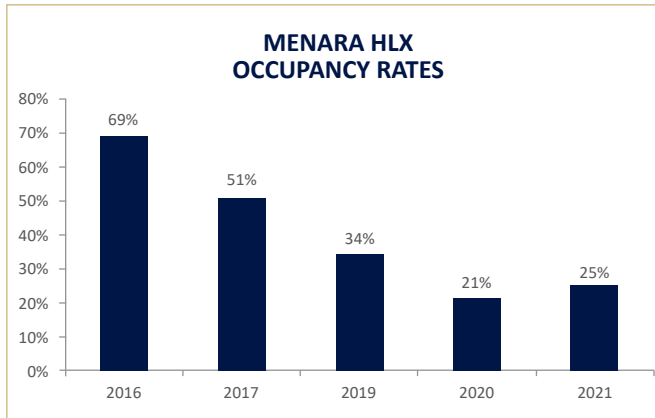
We also invested to ensure that tenants and employees within our three office towers complied with the stringent SOPs set by the health authorities. Advanced temperature monitoring scanners, distancing markers and trained security personnel have been strategically deployed. Increased frequency of cleaning of common touch points such as lift buttons and door handles was also implemented.

As we understand some of our tenants are faced with extreme financial difficulties during this period and may have problems fulfilling their rental commitments, we have extended rental support on a case-by-case basis. In addition, our team has also worked hard to sustain occupancy rates by enticing companies to explore our office offerings that may be suitable under the new normal.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Menara HLX

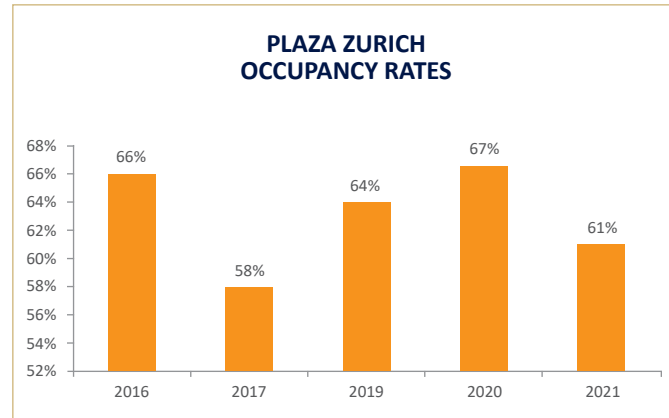


Menara HLX has maintained its thrust towards becoming a one-stop commercial hub that converges established corporate organisations with start-up communities to catalyse innovation and boost the Malaysian start-up ecosystem.

In 2021, Menara HLX successfully completed its asset enhancement exercise, proudly showcasing a newly refurbished main lobby and contemporary designed elevator areas, Porte-cochère and lavatories. The building is now set to become an innovative game-changer for fast-growth companies and smart-technology start-ups.

The transformation of Menara HLX is already showing positive results as its occupancy rate has climbed to 25% in FY 2021 from 21% a year ago. Nevertheless, more needs to be done to drive occupancy rates to optimal levels and the Manager is confident that the building's start-up-friendly positioning and flexible office offerings are winning propositions.

Plaza Zurich



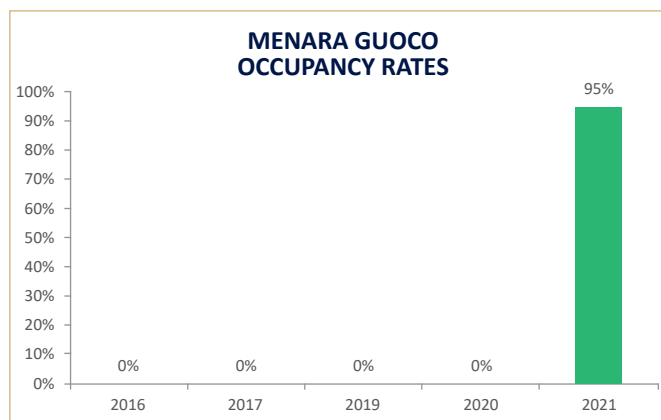
The year under review also saw Plaza Zurich completing its refurbishing exercise that has elevated the characteristics and ambiance of this office building into a contemporary and vibrant venue to work and unwind.

Several tenants of the building were adversely affected by the pandemic and were forced to close or relocate. This caused the occupancy rate to dip slightly to 61% in FY 2021 compared to 67% a year ago. The Manager was able to mitigate a sharper drop in occupancy through targeted rent support, aggressive marketing and pro-active customer relations management.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Menara Guoco



Tower REIT successfully completed the acquisition of Menara Guoco in August 2020 and the asset has started contributing to the Trust's performance in FY 2021.

FY 2021 saw Menara Guoco sustaining close to full-occupancy rates. The combination of design, convenience and features in this advanced green-building coupled with its location in upscale Damansara Heights remain an appealing factor for our tenants.

MANAGING RISK

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

As part of Malaysia's property industry eco-system, Tower REIT's performance is susceptible to macro-economic factors such as unemployment rates, inflation rates, commodity prices, property price indices as well as business and consumer confidence.

In addition to paying close attention to trends within the industry to identify and mitigate these economic risks, the Manager is also cognisant of the potential threats or unfavourable developments that might significantly affect industry players. One of these issues include the persistent property overhang that continues to weigh down the overall market.

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

THE PATH AHEAD

Prolonged COVID-19 crisis, business survivability issues and commercial property overhang are expected to weigh down the performance of the purpose-built office sub-segment moving forward.

Furthermore, the additional supply of office space coming onto the market will create more competitive pressure among participants operating in this space. NAPIC has already indicated that in the first quarter of 2021, out of 17.5 million square metres of privately-owned purpose-built office space available, only 12.8 million square metres are occupied.

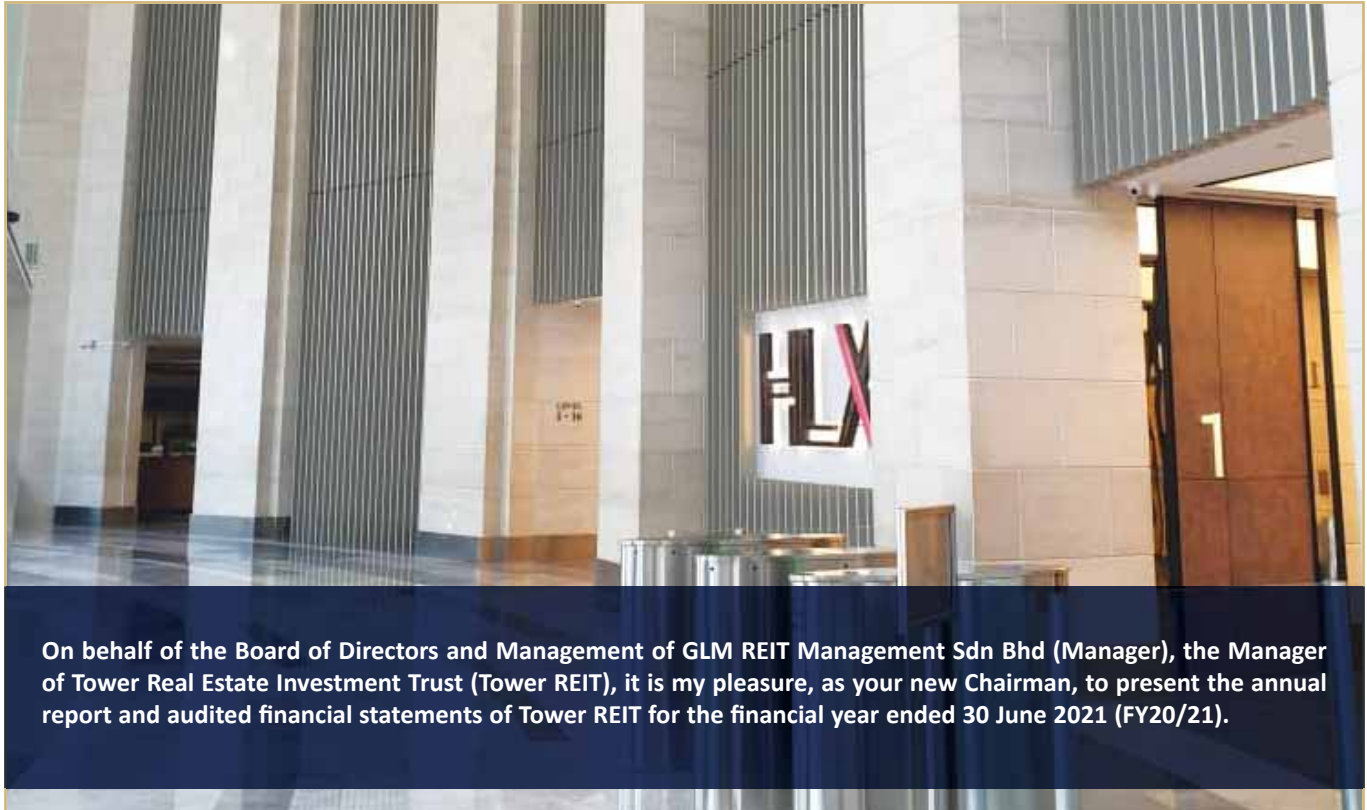
Whilst the outlook moving forward will remain challenging, Tower REIT aims to leverage on the prime locations of its newly refurbished assets to drive occupancies. In addition, the Manager is also looking to offer bespoke and innovative solutions that meet the needs of the new normal to companies and organisations.

Flexibility will be an important element for tenants in the near future. As work-from-home protocols take hold, tenants need to be assured that their office can be easily adapted to dynamic changes in personnel size. Another key element critical to tenants is the safety and welfare of their employees. Propositions like good ventilation, advanced temperature monitoring devices, stringent SOP protocols will become key considerations of would-be occupiers. Office spaces that are cost effective will also be sought-after as companies look at aggressive cost management to survive and rebuild.

Optimising rental income through pro-active management of tenancies and renewals will be our operational focus, and we aim to improve tenant retention through active customer relationship management programmes while being aggressive in looking for new tenancy opportunities.

Barring further shocks to the economy, the Manager of Tower REIT is cautiously optimistic that our financial year ending 30 June 2022 will be better, compared to the preceding financial year.

CHAIRMAN'S STATEMENT



The Covid-19 pandemic, which started in late 2019, continued its damaging run across the globe during FY20/21, resulting in severe and widespread curtailment of economic and social activities as governments sought to contain its spread through severe lockdowns. Progress to curb the pandemic has been elusive as the virus mutates into more transmissible and infectious variants and re-emerges whenever lockdown measures are eased, and the cycle of lockdowns is repeated. The emphasis now is to embark on widespread vaccination across the community to reduce the severity of infection and to give time for the healthcare system to cope and manage those who are in need of care and attention until herd immunity is achieved.

Malaysia started well in its fight against the pandemic. However as movement control restrictions were eased, new and more severe variants emerged and it too had to revert to more lockdowns. These disruptions have had an adverse impact on the economy.

It is against this backdrop that Tower REIT delivered a revenue of RM31.848 million for FY20/21 and realised a Net Trust Income before tax of RM6.201 million against RM7.490 million recorded in the preceding financial year. This was mainly due to the contribution from the newly acquired Menara Guoco which helped to mitigate the reduced income from Menara HLX as it encountered reduced occupancy.

There was a diminution in the fair value of two of its investment properties as at 30 June 2021 of RM12.385 million, which resulted in a Net Loss after tax of RM4.945 million for FY20/21, as compared to a Net Income after tax of RM7.760 million recorded in the preceding financial year.

During the challenging year, Tower REIT moved quickly in partnership with its tenants to adopt enhanced preventive measures to safeguard the health and welfare of its occupants and visitors to its properties.

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

CHAIRMAN'S STATEMENT

cont'd

INCOME DISTRIBUTION

The Manager of Tower REIT is pleased to declare a final income distribution of 1.16 sen per unit amounting to RM3,252,800 in respect of the financial year ended 30 June 2021.

This final income distribution, together with the interim income distribution of 1.05 sen per unit paid on 26 February 2021, represents a total income distribution of RM6,199,050.

LOOKING AHEAD

The Malaysian Government is relentlessly moving to complete vaccination of the majority of its population by end of 2021 and be in a position to fully reopen the economy. Nonetheless, the Covid-19 pandemic will continue to cast a shadow over the Malaysian economy, and we believe that significant economic recovery may only be seen in the financial year ending 30 June 2023.

The current oversupply in the office building space especially in the Klang Valley is expected to continue to dampen the market in the financial year ending 30 June 2022.

Under such operating conditions, Tower REIT expects revenue and income growth to be pressured in the short to medium term.

At Tower REIT, we have taken judicious measures in the past years to enhance and refurbish our property portfolio to improve their offering to our target markets as well as improve our service levels and cost efficiency. The post-pandemic operating conditions will be challenging and the management will step up its efforts to fortify its competitive position. We are committed to create value with a view to maximise returns. Tower REIT will continue to seek investment opportunities that meet the objectives of Tower REIT and yield strong returns on our investments.

APPRECIATION

In these challenging times, our greatest source of strength is our people. On behalf of the management, I would like to express my gratitude to all our employees who have shown the highest level of dedication and professionalism to deliver our promises and transform the way we work while upholding our core values.

On behalf of the Board of Directors and Management of the Manager, I would also like to convey our gratitude to Dato' Koh Hong Sun and Mr Raymond Choong Yee How who have retired from the Board, for their invaluable contribution during their tenure. I would like to welcome Mr Tan Wee Bee and Mr Cheng Hsing Yao who were appointed as Directors on 28 April 2021 and 1 July 2021 respectively.

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

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

Tang Hong Cheong
Chairman

MANAGER'S REPORT

GLM REIT Management Sdn Bhd (the “Manager”), the Manager of Tower Real Estate Investment Trust (“Tower REIT” or the “Trust”), is pleased to submit the Manager’s Report and the audited financial statements of Tower REIT for the financial year ended 30 June 2021.

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 primarily 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-rated 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-rated 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 2021, 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*) (*Appointed on 1 July 2021*)
- Mr Cheng Hsing Yao (Zheng Xinyao) (*Non-Independent Non-Executive Director*) (*Appointed on 1 July 2021*)
- Mr Tan Wee Bee (*Non-Independent Non-Executive Director*) (*Appointed on 28 April 2021*)
- YBhg Dato' Tan Ang Meng (*Independent Non-Executive Director*) (*Appointed on 1 September 2020*)
- YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah (*Independent Non-Executive Director*)
- Ms Lim Tau Kien (*Independent Non-Executive Director*)
- Ms Lim Chew Yan (*Non-Independent Non-Executive Director*)
- Mr Raymond Choong Yee How – Chairman (*Non-Independent Non-Executive Director*) (*Appointed on 24 July 2020 and retired on 1 July 2021*)
- YBhg Dato' Koh Hong Sun (*Independent Non-Executive Director*) (*Retired on 25 September 2020*)
- YBhg Datuk Edmund Kong Woon Jun – Chairman (*Non-Independent Executive Director*) (*Resigned on 24 July 2020*)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

	As at date of appointment	Number of Units		As at 30.6.2021
		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.

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; and
 - ii. the values attributed to the current assets in the financial statements of Tower REIT misleading.
- c) At the date of this report, the Directors of the Manager are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of Tower REIT misleading or inappropriate.
- d) At the date of this report, the Directors of 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.
- e) 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.
- f) In the opinion of the Directors of the Manager:
 - i. 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; and
 - ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of Tower REIT for the financial year in which this report is made.

MANAGER'S REPORT

cont'd

STATEMENT BY MANAGER

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

We are satisfied that in preparing the financial statements of the Trust for the financial year ended 30 June 2021, the Trust has used appropriate accounting policies and applied them consistently. We are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

TAN WEE BEE

Director

DATO' NICHOLAS JOHN LOUGH

@ SHARIF LOUGH BIN ABDULLAH

Director

6 August 2021

DIRECTORS' PROFILE

MR TANG HONG CHEONG

*Chairman
Non-Executive Director/
Non-Independent*

Age 66, 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 50, Male, Singaporean

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

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

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

Currently, Mr Cheng is a board member of Singapore’s National Parks Board. He is also co-chairman of the Integrated Digital Delivery Steering Committee (IDDSC) and Central Procurers Panel (CPP) for the Building and Construction Authority (BCA), a member of the URA’s Design Advisory Committee as well as the Heritage and Identity Partnership.

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

Mr Cheng was appointed to the Board of GLM REIT on 1 July 2021.

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

DIRECTORS' PROFILE

cont'd

MR TAN WEE BEE

*Non-Executive Director/
Non-Independent*

Age 50, Male, Singaporean

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

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

Mr Tan is currently the Group Managing Director of GLM.

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

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

*Non-Executive Director/
Independent*

*Age 69, Male, British citizen
holding Malaysian permanent
residency*

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

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

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

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

MS LIM TAU KIEN

*Non-Executive Director/
Independent*

Age 65, 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 and is a member of the Board Audit & Risk Management Committee of GLM REIT.

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

MS LIM CHEW YAN

*Non-Executive Director/
Non-Independent*

Age 64, Female, Malaysian

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

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

YBHG DATO' TAN ANG MENG

*Non-Executive Director/
Independent*

Age 65, Male, Malaysian

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

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

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 2021.
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 STATEMENT

We are pleased to present Tower Real Estate Investment Trust's ("Tower REIT") third annual Sustainability Statement ("Statement") for the financial year ended 30 June 2021 ("FY 2021"). This Statement encompasses our achievements and progress in executing sustainability strategies, and managing environmental, social and governance ("ESG") risks and opportunities arising from day-to-day business operations, while fostering positive economic growth.

The coronavirus ("COVID-19") pandemic has prompted us to review and re-evaluate our material sustainability matters this reporting period. We conducted a materiality assessment and engaged our stakeholders in this process using online surveys.

As part of our efforts to expand the scope of reporting, we have included Menara Guoco which was acquired in August 2020. Below are the three (3) properties in Tower REIT's portfolio that are discussed in this Statement.



Menara HLX	Plaza Zurich	Menara Guoco
Jalan Kia Peng, Kuala Lumpur	Bukit Damansara, Kuala Lumpur	Bukit Damansara, Kuala Lumpur
385,215 sq ft	348,959 sq ft	232,133 sq ft

Reporting Framework

This Statement was prepared in accordance with Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements, with reference to their Sustainability Reporting Guide (2nd Edition) and the Global Reporting Initiative ("GRI") Standards – Core Option.

Feedback

Feedback and queries regarding the contents of this Statement can be channelled to:

GLM REIT Management Sdn Bhd (Manager of Tower REIT)

Level 13, Menara Guoco, Damansara City,
No. 6, Jalan Damanlela, Bukit Damansara,
50490 Kuala Lumpur

Attention : Chief Executive Officer
Tel : +603 2726 1000
Fax : +603 2726 1001
Email : glmreit@guocoland.com
Website : www.tower-reit.com

SUSTAINABILITY STATEMENT

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Memberships of Associations

Tower REIT is managed by GLM REIT Management Sdn Bhd (“GLM REIT” or the “Manager”), who is a member of the Malaysian REIT Managers Association. Through this association, we frequently engage with industry peers, allowing us to keep abreast with the latest industry best practices and developments.

Sustainability Highlights

The figure below details sustainability highlights for FY 2021 as well as our contribution toward the fulfilment of the Sustainable Development Goals established under Agenda 2030 (“Agenda 2030”) which was adopted at the United Nations Sustainable Development Summit on 25 September 2015. The United Nations is committed to achieving sustainable development in three dimensions – economic, social and environmental – via the 17 Sustainable Development Goals and 169 targets.

ECONOMIC

- Generated RM31,848,417 in revenue
- Carried out due diligence on potential tenants
- Created an avenue for cross-selling between tenants
- 100% of Tower REIT’s procurement budget was expended locally



GOVERNANCE

- Conducted anti-bribery and corruption training for all full-time employees
- Established the “Learn Your ABC” training programme



SOCIAL

- Recorded zero workplace health and safety incidents
- 95% of tenant complaints were resolved in FY 2021
- Hired two (2) new employees this reporting period despite challenges faced amid the COVID-19 pandemic
- 62% of our workforce is made up of women



ENVIRONMENTAL

- Menara Guoco certified with Green Building Index and LEED (Gold) certifications
- Equipped recycling bins in the carpark lift lobbies in Menara Guoco



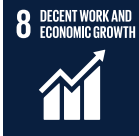




SUSTAINABILITY STATEMENT

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OUR APPROACH TO SUSTAINABLE DEVELOPMENT

United Nations Sustainable Development Goals

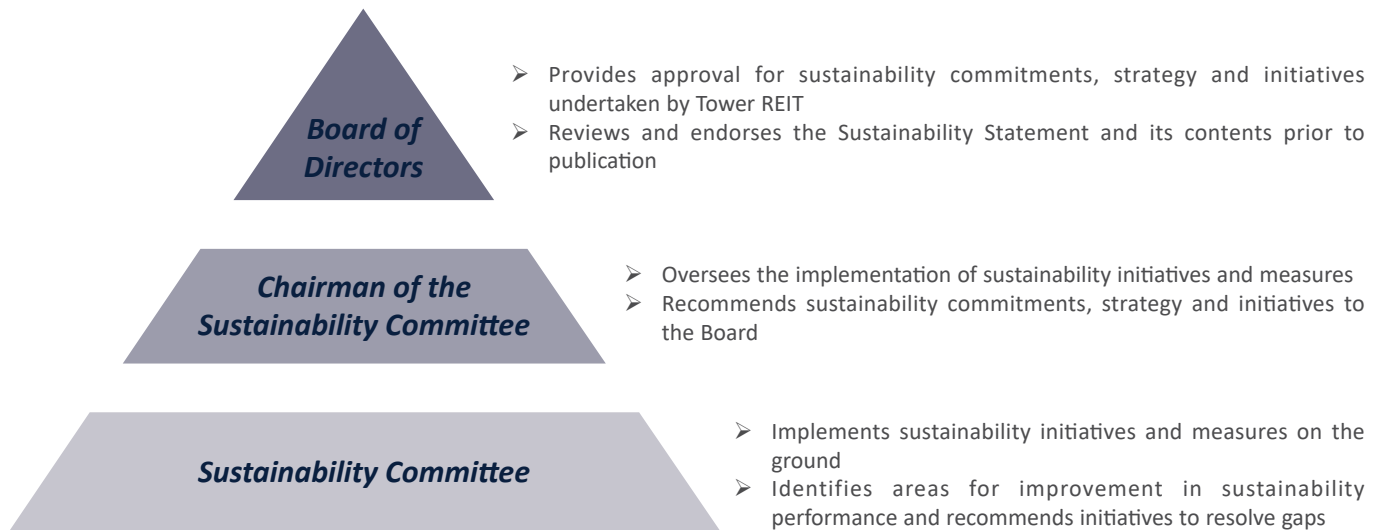
Agenda 2030 which was adopted by the Malaysian government, is designed to achieve prosperity that is respectful of the planet and its inhabitants. Agenda 2030 is made up of 17 Sustainable Development Goals (“SDGs”) which outline targets that serve to eradicate economic, social, governance and environmental disparities across the globe. Looking to contribute to global and national efforts, Tower REIT had initially adopted three (3) of the 17 SDGs and have adopted two (2) more this year: SDG 3 (Good Health and Well Being) and SDG 9 (Industry, Innovation and Infrastructure). These SDGs were selected as they closely align with our sustainability efforts and strategies. Our contributions to the fulfilment of these SDGs are illustrated on page 31 of this Annual Report.

Previously Adopted SDGs	Newly Adopted SDGs
  	 

Governing Sustainability

Our sustainability governance structure is helmed by the Board of Directors of the Manager (“Board”). Directors play a pivotal role in safeguarding corporate competitiveness and steering Tower REIT in the right direction. On top of fiduciary duties, the Board is responsible for ensuring we continue to address and mitigate non-financial risks and opportunities accordingly.

In addition to recommending sustainability commitments, strategies and initiatives to the Board, the Sustainability Committee Chairman is tasked with overseeing the implementation of sustainability initiatives and recommending sustainability commitments, strategy and initiatives to the Board.



SUSTAINABILITY STATEMENT

cont'd

ENGAGING OUR STAKEHOLDERS

Regular engagement with our stakeholders provides opportunities to further align practices with societal needs and expectations, helping to drive long-term sustainability. In this reporting period, we have identified seven (7) stakeholder groups that are pertinent to our business as a real estate investment trust after removing two (2) stakeholder groups; Industry Peers and Media. This removal was due to reduced interaction with these stakeholder groups. Due to limitations imposed by the COVID-19 pandemic, stakeholder engagement was carried out through online platforms.

Stakeholder Group	Investors and Unitholders	Tenants	Employees	Trustees	Suppliers, Contractors	Regulatory Bodies	Local Communities
Areas of Concern	<ul style="list-style-type: none"> Business direction of Tower REIT Key corporate developments 	<ul style="list-style-type: none"> Building safety Building services and amenities 	<ul style="list-style-type: none"> Remuneration and benefits Development opportunities Job security Workplace health and safety 	<ul style="list-style-type: none"> Annual revenue Sustainable growth 	<ul style="list-style-type: none"> Transparent procurement Timely payments 	<ul style="list-style-type: none"> Regulatory compliance Contribution to the economy and corporate social responsibilities 	<ul style="list-style-type: none"> Social contribution Employment opportunities Environmental and social issues related to business operations
Methods and Frequency of Engagement	<ul style="list-style-type: none"> Announcements on the Bursa Securities and corporate website as and when needed Annual general meetings Quarterly financial reports 	<ul style="list-style-type: none"> Safety and health awareness seminars as and when needed General notices as and when needed 	<ul style="list-style-type: none"> Annual appraisals Training programmes as and when needed 	<ul style="list-style-type: none"> Annual general meetings Investor relation events as and when needed 	<ul style="list-style-type: none"> Annual supplier evaluations Performance reviews as and when needed 	<ul style="list-style-type: none"> Formal meetings as and when needed Annual audits Reports as and when needed 	<ul style="list-style-type: none"> Community engagement programmes as and when needed In-kind and cash donations as and when needed

TOWER REIT'S MATERIAL SUSTAINABILITY MATTERS

Materiality Assessment

In the year under review, Tower REIT has taken the opportunity to reassess and reprioritise material sustainability matters given the changes across the business landscape due to the COVID-19 pandemic.

The material sustainability matters represent Tower REIT's most pressing ESG risks and opportunities

In the initial stage of the assessment, we reviewed the list of material sustainability matters and made the decision to remove 'Product Investment' as a material sustainability matter and has been included under 'Tenant Satisfaction'. Upon finalising the list, we then conducted a prioritisation exercise to rank each material sustainability matter according to their importance to business operations. We engaged 5 key stakeholder groups (investors and unitholders, trustees, tenants, employees, and suppliers and contractors) in the ranking exercise. They ranked each material sustainability matter based on its level of influence on their decision-making and stakeholder interest. The materiality assessment was conducted using an online survey platform.

SUSTAINABILITY STATEMENT

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Once the material sustainability matters were ranked, we utilised the assessment findings to generate a materiality matrix, illustrating the importance of each matter to Tower REIT’s business and stakeholders. When compared to the previous assessment, we observed an increase in prioritisation for the following material sustainability matters:

- Health and Safety
- Compliance
- Business Ethics and Transparency
- Supply Chain Management
- Community Engagement
- Diversity and Inclusiveness

In the previous matrix, Health and Safety was ranked tenth and this reporting period, it ranked second. The considerable increase in prioritisation of Health and Safety is anticipated and attributable to the heightened awareness and concern surrounding the COVID-19 pandemic. Despite these changes, Financial Performance remains to be Tower REIT’s most important material sustainability matter.

Materiality Matrix



SUSTAINABILITY STATEMENT

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Mapping Our Material Sustainability Matters

Material Sustainability Matter	Description	Stakeholders	Corresponding SDGs
Economic			
Financial Performance	Strategies in managing financial and operational performance, as well as measuring their effects on stakeholders.		
Supply Chain Management	Management of supply chain activities to maximise value for our tenants, as well as ensure that products or services provided by suppliers meet the standards and requirements of the Trust.		
Social			
Health and Safety	Measures put in place to ensure the health, safety and welfare of employees and tenants are maintained.		
Tenant Satisfaction	Initiatives of the Trust to ensure that all properties are comfortable, safe and meet the standards of our tenants.		
Human Capital Development	Providing training and development opportunities to all employees to improve the Trust's performance, capabilities and resources.		
Community Engagement	Building strong ongoing relationships through regular engagement activities, to promote the well-being of local communities.		
Diversity and Inclusiveness	Promoting a diverse and inclusive workplace where every employee, regardless of gender, race and ethnicity is treated with dignity and respect.		
Governance			
Compliance	The Trust's effort in its adherence to laws, regulations, guidelines and specifications relevant to business operations.		
Business Ethics and Transparency	Values, principles, standards and norms of the Trust that are critical to business sustainability.		
Risk Management	Strategies in managing operational, financial and compliance risks to ensure sustainable long-term growth.		
Environmental			
Energy Consumption	Efforts made by the Trust on responsible energy management and consumption.		
Waste Management	Efforts made by the Trust to ensure proper waste management.		

SUSTAINABILITY STATEMENT

cont'd



ECONOMIC

Financial Performance

Delivering long-term sustainable returns to our investors and unitholders is crucial for our reputation. We generate economic value and contribute towards nation development by creating direct and indirect employment opportunities.

As an office space provider, the challenges lie in the oversupply of office space in greater Kuala Lumpur and the lack of foreign direct investments which have widened the supply-demand gap. One of the main challenges brought on by the pandemic is the financial difficulty tenants faced in settlement of their rent obligations due to poor business performance or early termination of tenancy agreements due to business closure.

To address these challenges, we carried out due diligence on potential tenants prior to the execution of a tenancy agreement and provided our tenants with invoices before the actual date of invoice to give them sufficient time to make payment. Through regular communication and by creating an avenue for cross-selling between our tenants and those from the Hong Leong group of companies, we were able to support tenants. Moreover, we aim to provide better valued assets and services at competitive prices. This is accomplished by upgrading and refurbishing our buildings and service level improvements.

Another important facet of managing our finances during the pandemic is supporting business continuity despite not being physically present in offices. We have facilitated work-from-home arrangements using several IT applications including Webmail for email access and Zoom for conducting virtual meetings. We have also implemented secure file transfer measures and utilised software (i.e. Citrix Receiver) to ensure remote access to the main server. Laptops were also issued to employees who rely on desktops to conduct day-to-day tasks, based on approval from their respective heads of department.

Leveraging on our control measures and continuity strategy, we generated a total of RM31,848,000 in revenue despite pandemic-impacted market conditions, and retained a profit of RM6,201,000.

Supply Chain Management

Responsible and effective management of our supply chain ensures the continuous delivery of high-quality properties that meet the needs and expectations of our investors and tenants. Our suppliers, including service providers and contractors, lie at the heart of our supply chain. Hence, selecting the right suppliers and building a network of strong relationships helps us to create value throughout our investment portfolio.

To aid in the selection of qualified suppliers, we have established an Approved Vendor Listing and have long-standing contracts with several suppliers deemed suitable for particular jobs. However, we also encourage other suppliers to submit tenders for new projects which are above a threshold value of RM80,000. Upon submission of a tender, the potential new supplier will undergo screening as part of our stringent Tender Process. The initial stage of this process includes company background checks and project references. All those selected are required to provide the relevant licenses to operate for record keeping.



SUSTAINABILITY STATEMENT

cont'd

We encourage an open line of communication to ensure that our requirements are understood. If there are any queries, our in-house team is able to assist or provide the relevant support.

All of our suppliers are required to undergo a yearly performance evaluation to determine if the services they have provided meet our standards. A wide range of criteria are scored on a scale from one (1) to five (5), where one (1) refers to poor performance and five (5) refers to excellent performance. Upon determining the overall performance, we identify if any improvements have been made since the last review, followed by a recommendation to retain, keep in view, or replace the supplier. Suppliers are given a grace period ranging from one (1) to three (3) months to implement the necessary improvements.

PERFORMANCE EVALUATION CRITERIA		
<ul style="list-style-type: none"> ✓ Quality of Workmanship ✓ Quality of Material Supplied ✓ Quality of Labour Supplied ✓ Consistency of Labour Supplied (Attendance) ✓ Work Attitude & Manners of Staff 	<ul style="list-style-type: none"> ✓ Adherence to Scope of Work ✓ Adherence to Work Schedule & Deadlines ✓ Response to Instructions ✓ Planning, Control & Supervision ✓ Protection & Safety Measures Implemented 	<ul style="list-style-type: none"> ✓ Response to Unforeseen Circumstances ✓ Minimisation of Public Inconvenience ✓ Advice & Support from headquarters ✓ Pricing Competitiveness ✓ Compliments & Feedback from Residents

Apart from the annual performance evaluation, we monitor the performance of all contractors and consultants on a regular basis to assess the progress and quality of work done. Progress meeting updates are held fortnightly between the main contractor, consultants, Project Team and Management to discuss key milestones and issues. A report summarising key points of the meeting is then submitted to the CEO on a monthly basis.

Another crucial facet of our supply chain is practising sustainable procurement. We are cognisant of our role in nation development and believe that local procurement contributes to local economic growth as it supports local businesses. Sourcing locally also mitigates the negative environmental impacts associated with carbon emissions from long-distance transportation. Taking all of this into consideration, we procure products and services locally where possible. In FY 2021, 100% of our procurement budget was expended locally.

SUSTAINABILITY

STATEMENT

cont'd



SOCIAL

Health and Safety

At Tower REIT, we take the safety and health of our employees and tenants very seriously and strive to embed a culture of safety, accident prevention and risk management throughout our operations.

At each property, we have established an Emergency Response Team (“ERT”). Although the organisational makeup of individual ERTs differs slightly, the main constituents are the Emergency Commander, Emergency Coordinator, Fire Fighting Team, Rescue Team, First Aid/Medical Team, Traffic and Crowd Controller, Floor Marshals and Assembly Point Coordinator. The ERT is responsible for executing an Emergency Response Plan (“ERP” or “the Plan”) in the case of internal or external emergencies. The ERP is established based on the laws stipulated under the Occupational Safety and Health Act 1994. The main objective is to provide descriptions of technical and organisational procedures to limit the consequences of possible undesirable events. Main elements of the Plan include identification of emergency, emergency facilities and resources, general emergency actions and emergency management training. With regards to training, the ERT receives training in firefighting, chemical handling, first aid and CPR, rescue, communication techniques, PPE usage, decontamination and emergency exercise.

In the case of an emergency, the ERT must first identify the level of emergency which is currently categorised into two (2) or three (3) levels. At Menara Guoco, we have established two (2) tiers which represent minor and major emergencies while at Menara HLX, the levels are divided into Local Alert, Site Emergency and Major Emergency. Upon identification of the emergency level, the ERT will assemble and adopt appropriate control measures. If the situation is beyond the capability of the ERT, such as fires, explosions, power failure or lift entrapment, relevant external parties will be contacted.

Apart from the ERT, our on-site team routinely inspects the premises to identify work-related hazards. The inspections are conducted on a daily, weekly and monthly basis. When a hazard is identified, a report will be sent to the Building Manager, followed by further inspection from the technical team. The inspection will include the following:

- Check all door handles on fire escape doors on a monthly basis
- Check common areas for any type of obstruction on a daily basis
- Check the functionality of the ‘EXIT’ sign on a monthly basis

All tenants are notified of emergency and evacuation procedures. Within each organisation, tenants must appoint responsible persons to act as designated Fire Marshals. The role of a Fire Marshal is to activate the fire alarm upon identifying a fire and ensure that all staff in their organisation leave the building in an orderly manner using the staircase. Under normal circumstances, we conduct annual fire drills in coordination with the Fire and Rescue Department. However, due to the Movement Control Order, we were unable to conduct a fire drill this year.

Prior to the commencement of work, contractors undergo a briefing and are reminded of the health and safety dos and don'ts (i.e., proper safety attire, use of PPE).

SUSTAINABILITY STATEMENT

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COVID-19 Response

The COVID-19 pandemic was unprecedented and continues to impact our employees and tenants throughout the year. To manage the impacts of the COVID-19 pandemic, we have implemented standard operating procedures (“SOPs”) which are in line with the recommendations of the government.



As a result of effective implementation of health and safety measures stated above, we have recorded zero reportable incidents this reporting period.

Tenant Satisfaction



Our tenants are an integral part of our business and we strive to secure their satisfaction, subsequently securing long-term relationships. To meet their needs and expectations, we are focused on enhancing our buildings and office spaces. Plaza Zurich and Menara HLX have been undergoing refurbishment to create a more comfortable and safer workspace for our tenants. The upgrading works include new retail and F&B spaces, covered pedestrian walks, cashless parking systems and upgraded washrooms.

To determine and manage the satisfaction of our tenants, we conduct satisfaction surveys twice a year. Categories include condition of the building and amenities, cleanliness of the building, and the responsiveness and quality of service from the Facility Management team. Tenant satisfaction surveys were conducted this year. However, we will not be disclosing the results of the survey as we are still in the midst of collecting and collating results.

SUSTAINABILITY STATEMENT

cont'd

Previously, our tenants were required to submit complaints via the ServeDeck application. However, we are currently transitioning to a more efficient and comprehensive system which allows tenants to not only file complaints, but also view billing information, receive announcements from Building Management and rate the service received. We target to implement this system in August 2021. In the meantime, our tenants are encouraged to contact the on-site team directly via WhatsApp or by calling should they have any questions, concerns or complaints. We aim to respond to complaints on the same day we receive them. However, the resolution duration is dependent on the severity of the complaint and whether or not third parties are involved. For complaints received by email, the Building Management team will address the matter. In this reporting period, we received 99 complaints, out of which 95% have been resolved. The majority of complaints submitted were associated with building maintenance works and were resolved within 24 to 48 hours.

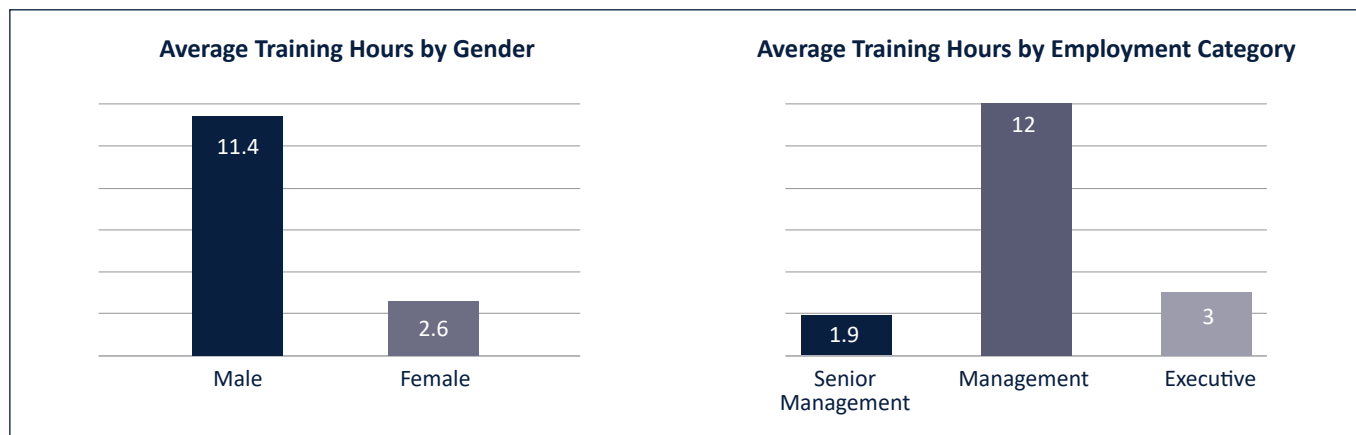


Human Capital Development

We understand that a company is a sum of the achievements of its employees. Therefore, it is crucial for us to provide a wide range of training and professional development opportunities. The Group benefits from new and updated skillsets and better performance while providing higher job satisfaction and retaining key talent. Our employees are also presented with the opportunity to grow their knowledge base and improve their job skills.

This year, our workforce collectively received 20 training hours from five (5) training programmes, averaging 2.8 hours per employee¹. The decrease from the last reporting period is due to restrictions placed on people gathering throughout the year and the transition to online training platforms.

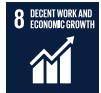
Training Programmes Organised in FY 2021
Digital Leadership for Sustainable Business in Industry 4.0
GLM Anti-Bribery and Corruption (“ABC”) Policy Training
Year 2021 Malaysian Budget
Tax Seminar - TTCS Virtual Tax Conference 2021
MREITs: Navigating The New Normal



¹ Calculation method for average hours of training per employee is total number of training hours over total training participants.

SUSTAINABILITY STATEMENT

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Community Engagement

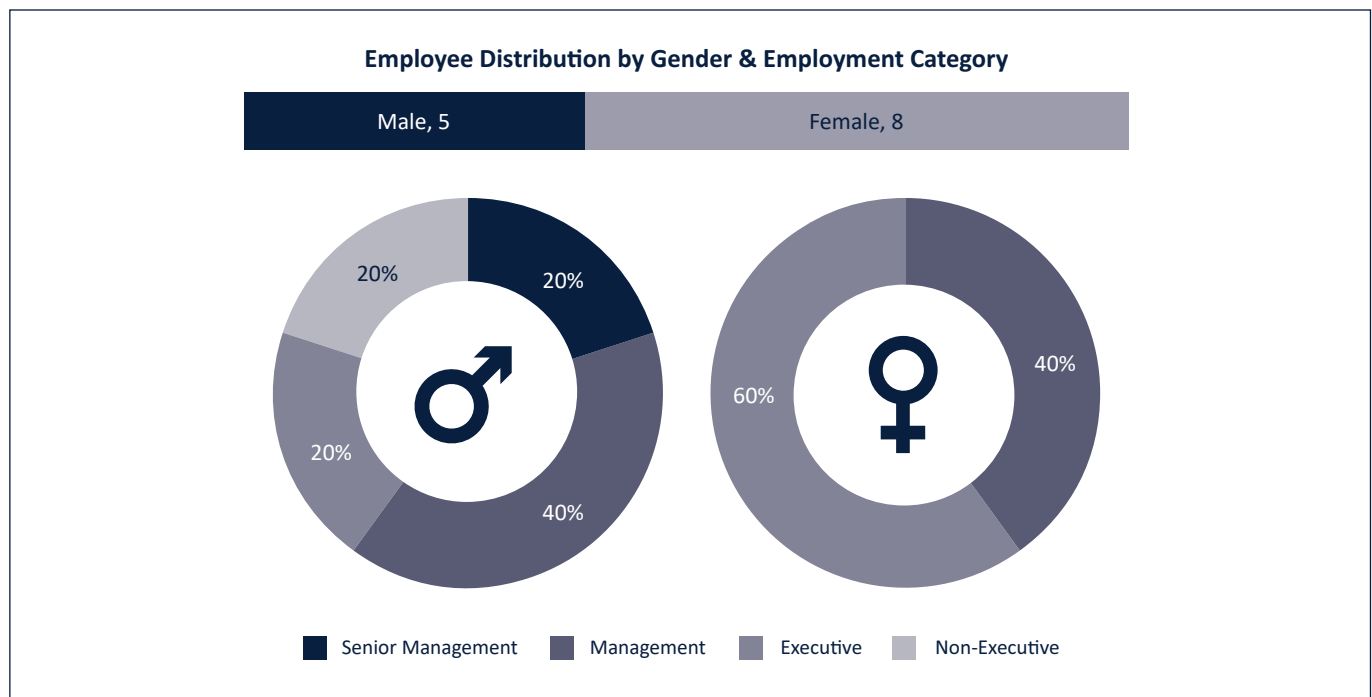
We are conscious of our role in societal development and strive to positively impact the community in which we operate. This reporting period, we utilised our resources to contribute to the alleviation of socioeconomic challenges faced by the local community through the Hong Leong Foundation. In light of the third national Movement Control Order imposed by the Malaysian government, we also donated RM2,500 to support the Kechara Soup Kitchen in their mission of assisting the urban poor during this period. The money was used to purchase necessities (i.e., rice, oil, sugar etc.) for 25 families. We also donated five (5) laptops to orphanages to assist children with online learning as schools are now closed for physical classes during this period of limited movement.



Diversity and Inclusiveness

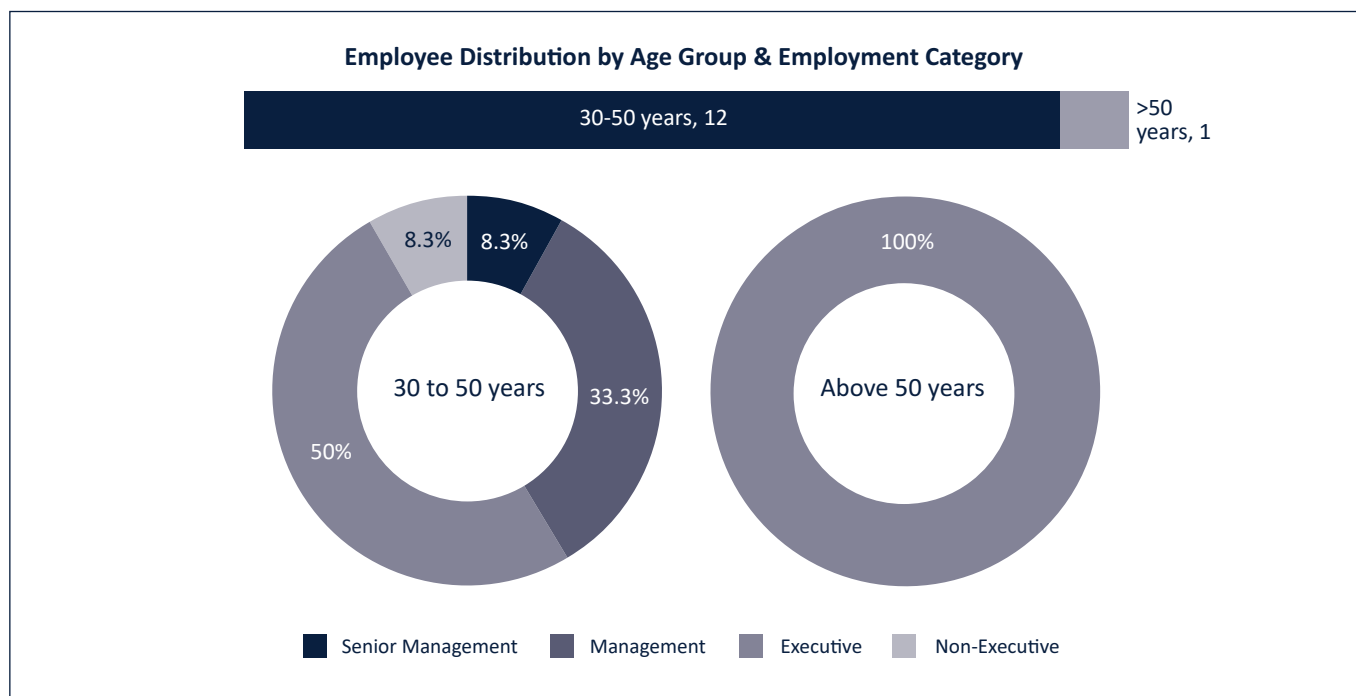
Workplace diversity is important as it means a broader range of skills, experiences and perspectives are brought to the table. This, in turn, fosters collaboration among employees and drives innovation. The productivity of employees has also been shown to increase when working in companies that have inclusive cultures.

Currently, women make up 62% of our team and 40% of the Management team. The majority of our staff (92%) lie within the 30 to 50-year age group with 42% of them holding Management level positions. This age group represents the talented and experienced professionals capable of driving our business forward. Our workforce also fully consists of local employees.



SUSTAINABILITY STATEMENT

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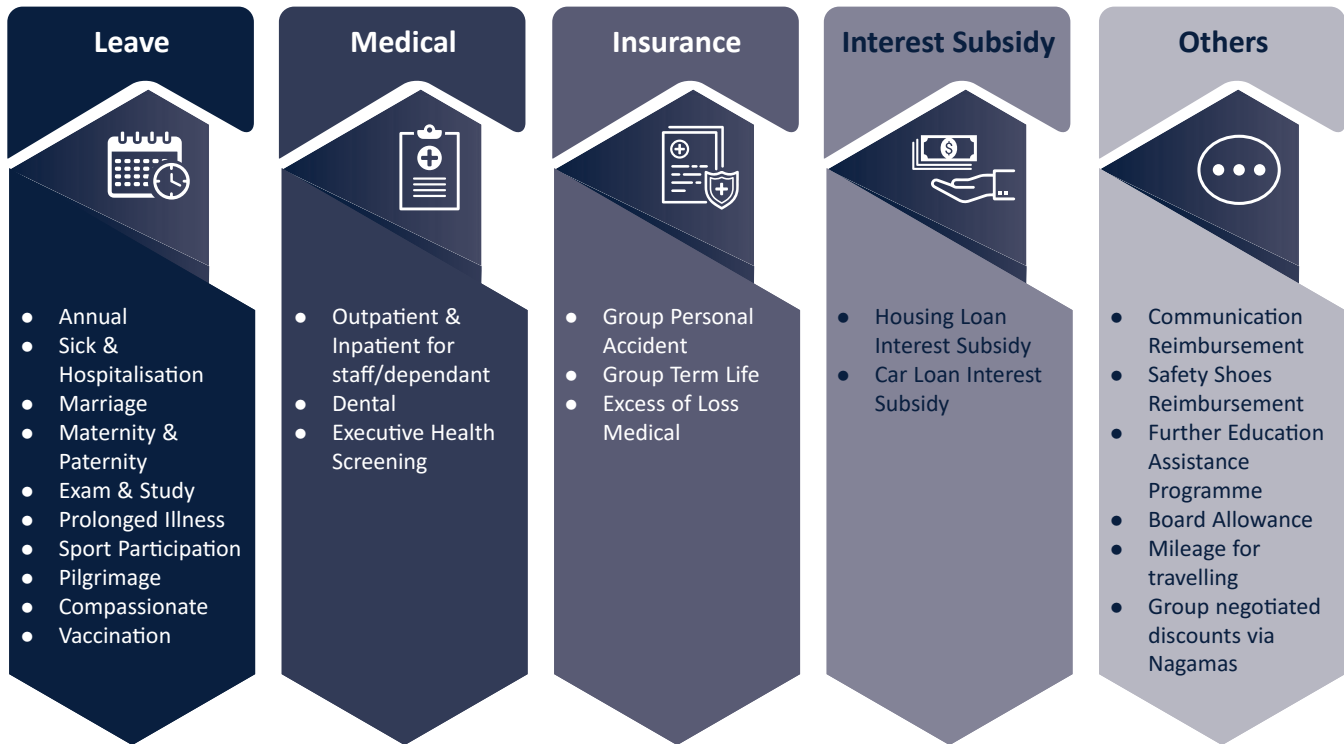
We exercise fair hiring practices and provide employment opportunities purely based on merit. Due to the pandemic, talent recruitment and retention have posed challenges. In the year under review, we hired three (3) female employees within the 30 to 50-year age bracket. In addition, we recorded zero turnovers this reporting period.

Employee Benefits

Employees are our most valuable asset, and we recognise that providing attractive and competitive benefits is key to retaining talent. As such, employees' needs are met with a comprehensive benefits scheme which includes a range of leave, medical, insurance and interest subsidy benefits, among others. In April 2021, we introduced vaccination leave for employees who wish to receive COVID-19 vaccinations.

SUSTAINABILITY STATEMENT

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Within this reporting period, one (1) female employee took parental leave and returned to work when her leave had been utilised. This employee remains employed at Tower REIT after returning from parental leave of 12 months.

SUSTAINABILITY STATEMENT

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GOVERNANCE

Compliance

We have in place various measures to ensure we continue to comply with all applicable laws and regulations in order to maintain our license to operate. The key national laws and regulations applicable to our business are:

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

To ensure we continue to comply with legal and statutory requirements, we undergo third-party audits annually. We are also alerted of developments in the regulatory landscape through updates from the respective regulatory agencies and our legal advisors. Newsletters are issued by the legal advisors regularly to update us on developments.

We also engage with legal practices to conduct seminars and workshops when there are changes to laws and regulations. If there are any concerns or queries regarding compliance matters, they are communicated to our legal team for advice. In the year under review, we are pleased to disclose that we have not recorded any incidents of non-compliance.



Business Ethics and Transparency

We uphold high ethical standards when conducting business and are guided by our organisation-wide Code of Conduct and Ethics ("the Code"), reinforced by Tower REIT's corporate values. The Code outlines policies and matters regarding, but not limited to e-mail and internet usage, confidential and proprietary information, and anti-bribery and corruption policy and rules.

Tower REIT's Corporate Values



A Whistleblowing Policy has also been adopted. This policy provides formal channels for employees and other persons to report incidents of improprieties that have occurred within the organisation. It also assures the whistle-blower that they will be protected from reprisal for good faith reporting. The Whistleblowing Policy is published on Tower REIT's corporate website.

At Tower REIT, we are committed to conducting business in compliance with the Malaysian Anti-Corruption Commission Act 2009 and as part of this commitment, we established and adopted an Anti-Bribery and Corruption Policy ("ABC Policy"). The policy provides guidance on preventing all forms of bribery and corruption within our organisation. All Directors, employees and any person who performs services for and on behalf of Tower REIT and GLM REIT are expected to adhere to the ABC Policy in its entirety.

SUSTAINABILITY STATEMENT

cont'd

To ensure employees are made aware of the policy, we conducted an internal training session during FY 2021. The session was conducted on Thursday, 17 September 2020, and was attended by all full-time employees. We have also launched a new training programme, “Learn Your ABC”, which was established to raise awareness on corruption risks and fortify the culture of integrity within the organisation. The programme was developed in two (2) parts and an internal textbook was formulated and distributed to all employees.

The ABC Policy is available on the corporate website: www.tower-reit.com. It is also communicated to all relevant parties via e-mail.



Risk Management

Appropriately managing our risks is pivotal for long-term strategy planning and futureproofing our business as a REIT. Risk management within our organisation falls under the purview of the Board Audit & Risk Management Committee. The committee is responsible for identifying risks and their mitigating measures. Once identified, risks and measures are compiled in a detailed risk register. The register is reviewed and updated on a half-yearly basis or as and when required by the relevant departments.

Each of the risks identified is managed by their respective risk owners who are responsible for undertaking the necessary to minimise exposure to risks and capitalise on opportunities. Risks are categorised under four (4) categories: strategic, financial, operational and compliance.



More information about Tower REIT’s internal risk management approach can be found in the Risk Management and Internal Control Statement, page 51 of this Annual Report.

SUSTAINABILITY STATEMENT

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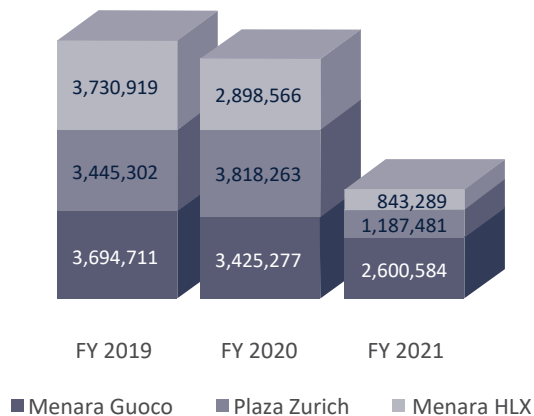
ENVIRONMENTAL

Energy Consumption

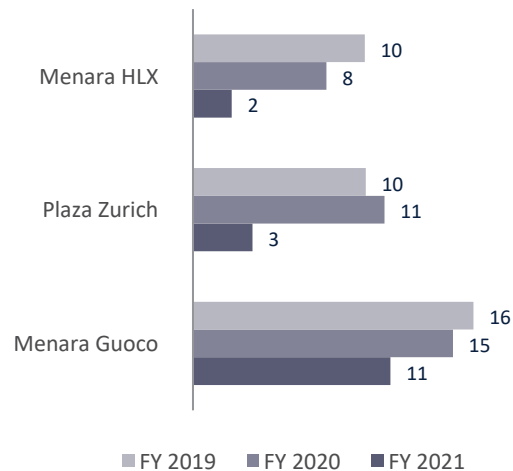
Climate change and global warming have increasingly become key risks to businesses across the globe. We aim to minimise our contribution to the phenomenon by mitigating our environmental impacts through the responsible consumption of energy across our building portfolio.

The primary types of energy consumed by Tower REIT includes grid-generated electricity and diesel oil. Electricity is utilised to sustain building operations (i.e., lighting, air-conditioning and ventilation) and diesel oil for powering diesel generators. In the year under review, we consumed 4,631,354 kWh of electricity, 54% less than in FY 2020. We also recorded significant reductions in electricity consumption per square foot (sq ft) at each of our properties. Diesel consumption, on the other hand, at 680 litres has remained similar to consumption levels in FY 2020.

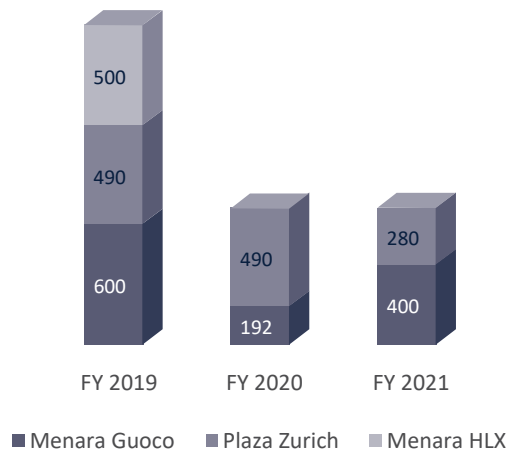
Electricity Consumption (kWh)



Electricity Intensity (kWh/sq ft)



Diesel Consumption (litres)



SUSTAINABILITY STATEMENT

cont'd

The significant reduction in electricity consumption this year was attributed to the temporary cessation of business activities during periods of lockdown imposed by the Government of Malaysia to control the spread of COVID-19. Additionally, tenants have also implemented work-from-home and flexible work arrangements in order to reduce the number of employees in the office and curb the spread of the contagion. This has resulted in reduced usage of air-conditioning and lighting across our buildings. Our buildings have also been retrofitted with energy efficient fixtures (i.e., LED light fittings, timers for lighting) to maximise energy savings.

Menara Guoco, the most recent addition to our property portfolio, is also accredited with Green Building Index (GBI) and Leadership in Energy and Environmental Design (LEED), Gold, certifications.

Energy-Saving Features at Menara Guoco

Low window-wall ratio and high performance glazing to minimise heat gain

High-performance chillers, pumps and motors to optimise energy usage

Office spaces are equipped with perimeter light fixtures that are controlled by photocell sensors

Motion sensor-controlled lighting installed in spaces that are not frequently occupied (i.e. stairwell)

Carbon dioxide sensors installed in washrooms to control fresh air supply

Air-conditioning system coupled with a heat recovery system to reduce energy consumption



Waste Management

Improper management of waste can negatively impact the environment and public health. Therefore, we ensure that waste management is carried out properly as per regulations and recommended practices.

Across our properties, tenants are responsible for collecting and segregating their respective wastes. We engage authorised third-party contractors to collect and dispose the waste accordingly. Contractors are engaged several times a week, depending on the quantity of waste generated.

We encourage tenants to recycle, thereby minimising waste sent to landfills. Recycling bins have already been made available at Menara HLX and Plaza Zurich. This year, we have installed Menara Guoco with recycling bins in the carpark lift lobbies. All recyclable wastes are collected by authorised contractors for further processing.

As the majority of our tenants are office tenants, the primary type of waste generated is domestic waste (i.e., paper, plastic, food) from day-to-day office activities. Although we are unable to report on the volumes of waste generated, disposed and recycled this reporting period, we are looking to monitor and track waste across our properties in the years to come.

CONCLUSION

Despite the challenges brought on by the COVID-19 pandemic, we have remained resilient and committed to our endeavours to promote sustainable practices and effectively manage our ESG risks and opportunities. We appreciate the efforts demonstrated by our workforce to solidify our commitment to become a sustainable REIT. In the years to come, we aim to strengthen our ESG performance while sustaining positive economic growth and delivering value to our stakeholders.

GRI Content Index

GRI Indicator	Content of Disclosure	Page Number
102: General Disclosures		
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CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

GLM REIT Management Sdn Bhd (the “Manager”), the Manager of Tower Real Estate Investment Trust (“Tower REIT” or the “Trust”), has adopted an overall corporate governance framework that is designed to meet best practice principles and which recognises that an effective corporate governance culture is critical to the performance of the Manager and consequently, 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 2021 (“FY 2021”) as guided by the principles set out in the Malaysian Code on Corporate Governance 2017 (“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:

- determining the investment policies of Tower REIT;
- formulating the strategic direction of Tower REIT;
- developing business plans for investments in the short, medium and long-term, and the budgets of Tower REIT;
- formulating Tower REIT’s risk management policies;
- recommending acquisition, divestment or asset enhancement of the Tower REIT’s assets to the Trustee;
- devising the leasing strategies and managing tenants;
- ensuring 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;
- supervising the property manager (Henry Butcher Malaysia (Mont Kiara) Sdn Bhd) for the Tower REIT buildings; and
- performing any other duties and obligations as provided under the Deed, the REIT Guidelines and the SC Guidelines on Unit Trust Funds.

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

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

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 the Manager and Tower REIT 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 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 conduct of the Manager’s businesses; 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 the Manager and Tower REIT is managed by the Chief Executive Officer (“CEO”) who is assisted by the management team. The CEO and his management team are accountable to the Board for the performance of the Manager and Tower REIT. In addition, the Board delegates certain of its responsibilities to Board Committee, which operates 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 (“BARMC”). Although the Board has granted such authority to the BARMC, the ultimate responsibility and the final decision rest with the Board. The Chairman of the BARMC report on the matters dealt with at its BARMC meetings. Minutes of BARMC 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 the Manager and Tower REIT 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 the Manager and Tower REIT and tracking compliance and business progress.

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

The Manager and Tower REIT continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Manager and Tower REIT 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.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS cont'd

B. Board Composition

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

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. In line with gender diversity, there are two (2) women Directors on the Board. The Board will consider appropriate targets in Board diversity including gender, ethnicity and age balance on the Board and will take the measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in August 2021, 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. The composition of the Board also fairly reflects the investment of unitholders in Tower REIT.

C. Board Committee

A BARMC comprising solely of IDs, was established on 31 July 2018. The BARMC is entrusted with oversight responsibilities to ensure that the financial reporting systems, internal controls and risk management systems of the Manager are robust.

The composition of BARMC and a summary of its key activities in the discharge of its functions and duties for FY 2021 are set out in the BARMC Report in this Annual Report.

D. Appointments to the Board and Senior Management

Given the current size of the Board, the Board is of the view that it is not necessary for the time being for the Manager to establish a Nominating Committee, and the Board as a whole will serve as the Nominating Committee. All new nominations received are assessed and approved by the Board, taking into account, inter-alia, the strategic and effective fit of the candidates for the Board, the overall desired Board composition including Board diversity and the required mix of skills, expertise, knowledge and experience in the industry, market and segment to enhance the Board's overall effectiveness and having regard to the candidates' attributes, qualifications, independence and time commitment. The Manager maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

In evaluating any new appointment of senior management and other key positions, the Manager is guided by the Hong Leong Group Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, and religion and/or whether or not one has physical disability, and senior management positions are awarded based on qualifications, experience and potential.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS cont'd

D. Appointments to the Board and Senior Management cont'd

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

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

E. 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 its day-to-day operations. All directors and employees of the Manager are remunerated by the Manager and not by Tower REIT.

F. INDEPENDENCE

The Company 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 Board has determined that the IDs have continued to bring independent and objective judgment to Board deliberations and decision-making.

Currently, the tenure of all the IDs on the Board does not exceed 9 years.

G. COMMITMENT

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

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

All directors have access to the advice and services of an experienced and qualified Company Secretary to facilitate the discharge of their duties. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow between the Board, BARMC and Senior Management.

CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS cont'd

G. 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 shall abstain from deliberation and voting on the same during the meetings.

The Board met 6 times during the FY 2021. Details of attendance of each director are as follows:

Directors	Attendance
Mr Raymond Choong Yee How (<i>Appointed on 24 July 2020 and retired on 1 July 2021</i>)	4/5*
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	6/6
Ms Lim Tau Kien	6/6
Ms Lim Chew Yan	6/6
YBhg Dato' Tan Ang Meng (<i>Appointed on 1 September 2020</i>)	5/5
Mr Tan Wee Bee (<i>Appointed on 28 April 2021</i>)	0/0#
YBhg Dato' Koh Hong Sun (<i>Retired on 25 September 2020</i>)	1/1*
YBhg Datuk Edmund Kong Woon Jun (<i>Resigned on 24 July 2020</i>)	1/1*

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

No Board meeting was held since his appointment to the Board on 28 April 2021.

Mr Tang Hong Cheong and Mr Cheng Hsing Yao were appointed to the Board after FY 2021 and as such, did not attend any of the Board meetings held during FY 2021.

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 assist them to familiarise and get acquainted with Tower REIT's properties and business. The CPD encompasses areas related to the industry or business of the Tower REIT, governance, risk management and relevant regulations through a combination of courses and conferences. A training budget is allocated for the CPD.

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

The Manager regularly organises in-house programmes, briefings and updates by its in-house professionals. The directors are also encouraged to attend seminars and briefings in order to keep abreast with the latest developments in the business environment and to enhance their skills and knowledge. 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 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

G. COMMITMENT cont'd

The Board ensures that its members have access to appropriate continuing education programmes to stay updated on relevant developments or changes in laws and regulations and financial reporting standards, and to enhance their skills and strengthen their participation in Board deliberation. The directors are encouraged to attend relevant training programmes covering issues on corporate governance, finance, legal, risk management, information technology, cyber security, internal control and/or statutory/regulatory compliance, and property industry related matters.

During FY 2021, the directors of the Manager received regular briefings and updates on the Manager's businesses, strategies, operations, risk management and compliance, internal controls, corporate governance, finance/accounting, anti-bribery and corruption and any material changes to relevant legislations, rules and regulations.

The directors have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as directors.

During FY 2021, the directors of the Manager, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops covering a range of pertinent matters including Environmental, Social and Governance, Anti-Money Laundering and Anti-Terrorism Financing Act 2001, risk management, digital transformation, Malaysian Code on Corporate Governance 2021, Malaysian Financial Reporting Standards updates, Covid-19 pandemic, Corporate Liability under Section 17A of the Malaysian Anti-Corruption Commission Act 2009, and other legal and regulatory developments.

H. 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 Tower REIT 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 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 Anti-Bribery and Corruption Policy which applies to all employees of the Manager, directors and any person who performs services for and on behalf of the Manager and Tower REIT, is published on Tower REIT website.

The Board has identified the Chairman of the BARMC as the person to whom reports of any concerns or suspicion 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 distinct from the Chairman of the Board.

Accountability and Audit

A. Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of Tower REIT including the presentation of a balanced, clear and meaningful assessment of the financial position and overall performance of Tower REIT. The directors are satisfied that in preparing the financial statements of Tower REIT for FY 2021, 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 FY 2021 is set out in the Manager's Report of this 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 FY 2021 in respect of statutory audit services rendered to Tower REIT amounted to RM70,000, and there was no non-audit fee incurred.

For FY 2021, 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 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.

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

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

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

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

D. Management and Decision-Making Processes

The internal control and risk management processes of the Manager and Tower REIT are in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report for FY 2021, and 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 the financial period under review is adequate and effective. The Board has received assurances from the CEO of the Manager that Tower REIT’s system of internal controls and risk management framework are operating adequately and effectively, in all material aspects.

E. Risk Management

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

Risks identified are systematically evaluated with proper mitigating actions in place, developed to manage the risks to an acceptable level and monitored on a continuous basis. The Enterprise Risk Management (“ERM”) risk profile for Tower REIT adopted by the Manager is reviewed by the BARMC on a half-yearly basis or 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 accountability 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
- periodically prepare risk management report for reporting to the BARMC.

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.

Each Director is under a fiduciary duty to Tower REIT to act in its best interest in relation to decisions affecting Tower REIT when they are voting as a member of the Board and to refrain from any or all deliberations or decisions which concern 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 FY 2021 is disclosed in this 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 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, circulars to unitholders, 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 Tower REIT 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 website which includes corporate information, announcements, financial information and summary of key matters discussed at the general meetings.

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

Name : Mr Tan Wee Bee
Tel No. : 603-2726 1000
Fax No. : 603-2726 1120
E-mail address : glmreit@guocoland.com

C. 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 (save for two Directors), during their tenure of service, attended the last AGM held on 13 October 2020.

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

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

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

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

COMPOSITION

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

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

Ms Lim Tau Kien
Independent Non-Executive Director

YBhg Dato’ Tan Ang Meng (*Appointed on 1 September 2020*)
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 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 2021 ("FY 2021"), four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Member	Attendance
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	4/4
Ms Lim Tau Kien	4/4
YBhg Dato' Tan Ang Meng (Appointed on 1 September 2020)	3/3
YBhg Dato' Koh Hong Sun (Retired on 25 September 2020)	1/1

Note: All attendances reflected were the number of meetings attended during the member's tenure of service for FY 2021.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

cont'd

ACTIVITIES cont'd

The Committee carried out the following key activities for FY 2021:

- 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 2021 on the nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, reviewed the management letter and management’s response, reviewed pertinent issues which had significant impact on the results of Tower REIT and discussed applicable accounting and auditing standards.
- Evaluated the suitability, performance, independence and objectivity of the external auditors and their services.
- Reviewed and recommended to the Board for approval the audit fees payable to the external auditors in respect of services provided to Tower REIT.
- Reviewed the quarterly report on recurrent related party transactions of Tower REIT.
- Reviewed the proposed Unitholders’ Mandate involving recurrent related party transactions which are carried out by Tower REIT with Hong Leong Company (Malaysia) Berhad (“HLCM”) (a major unitholder of Tower REIT), GuoLine Capital Assets Limited (“GCA”) (the ultimate holding company of the Manager and a major unitholder of Tower REIT) and persons connected with HLCM and GCA.
- Met with the internal auditors and approved the annual audit plan and also reviewed the internal audit findings and recommendations.
- Reviewed the Board Audit & Risk Management Committee Report and the Statement on Risk Management and Internal Control and recommended to the Board for inclusion in the Tower REIT’s Annual Report.

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 FY 2021 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 FY 2021.

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

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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Non-current assets			
Plant and equipment	3	11,965	22,358
Investment properties	4	811,800	562,600
		823,765	584,958
Current assets			
Trade and other receivables	5	814	2,207
Deposits placed with licensed banks	6	-	1,100
Cash and bank balances	6	2,553	506
Total current assets		3,367	3,813
Total assets		827,132	588,771
Represented by:			
Unitholders' funds			
Unitholders' capital	7	285,345	285,345
Undistributed income – realized		61,916	61,969
Undistributed income – unrealised	8	174,846	185,992
		522,107	533,306
Liabilities			
Trade and other payables	9	6,248	2,957
Borrowings	11	259,856	-
Deferred tax liability	10	19,414	20,653
Total non-current liabilities		285,518	23,610
Trade and other payables	9	10,407	7,855
Borrowings	11	9,100	24,000
Total current liabilities		19,507	31,855
Total liabilities		305,025	55,465
Total unitholders' funds and liabilities		827,132	588,771
Net asset value		522,107	533,306

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021
cont'd

	Note	2021 RM'000	2020 RM'000
Net asset value ("NAV")			
Before income distribution		522,107	533,306
After income distribution*		518,853	529,996
Number of units in circulation ('000)	7	280,500	280,500
NAV per unit (RM)			
- Before income distribution		1.8613	1.9013
- After income distribution*		1.8497	1.8895

* after proposed final income distribution of 1.16 sen per unit (2019: 1.18 sen per unit)

The notes on pages 72 to 105 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 RM'000	2020 RM'000
Revenue	12	31,848	21,604
Property operating expenses	13	(14,449)	(11,558)
Net rental income		17,399	10,046
Change in fair value of investment properties	4	(12,385)	300
Other income		37	101
Interest income		50	105
Total income		5,101	10,552
Manager's fees	14	(2,229)	(1,632)
Trustee's fee	15	(159)	(161)
Auditors' fees		(58)	(58)
Administrative expenses		(819)	(389)
Valuation fee		(50)	(35)
Interest expense		(7,970)	(487)
Total expenses		(11,285)	(2,762)
(Loss)/Income before tax		(6,184)	7,790
Income tax expense	16	1,239	(30)
Net (loss)/income and total comprehensive (loss)/income for the year		(4,945)	7,760
Total comprehensive (loss)/income for the year is made up as follows:			
Realised		6,201	7,490
Unrealised		(11,146)	270
		(4,945)	7,760
(Loss)/Earnings per unit (sen)			
Realised		2.21	2.67
Unrealised		(3.97)	0.10
	17	(1.76)	2.77

The notes on pages 72 to 105 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Undistributed income		Total RM'000	
		Unitholders' capital RM'000	Non- Distributable - unrealised RM'000		Distributable realised RM'000
At 1 July 2019		285,345	185,722	69,009	540,076
Operations for the year ended 30 June 2020					
Net income for the year		-	270	7,490	7,760
Total comprehensive income for the year		-	270	7,490	7,760
Unitholders' transactions					
Distribution to unitholders					
- 2019 final	18	-	-	(11,024)	(11,024)
- 2020 interim	18	-	-	(3,506)	(3,506)
Decrease in net assets resulting from unitholders' transactions		-	-	(14,530)	(14,530)
At 30 June 2020/1 July 2020		285,345	185,992	61,969	533,306
Operations for the year ended 30 June 2021					
Net (loss)/income for the year		-	(11,146)	6,201	(4,945)
Total comprehensive (loss)/income for the year		-	(11,146)	6,201	(4,945)
Unitholders' transactions					
Distribution to unitholders					
- 2020 final	18	-	-	(3,309)	(3,309)
- 2021 interim	18	-	-	(2,945)	(2,945)
Decrease in net assets resulting from unitholders' transactions		-	-	(6,254)	(6,254)
At 30 June 2021		285,345	174,846	61,916	522,107
		Note 7	Note 8		

The notes on pages 72 to 105 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 RM'000	2020 RM'000
Cash flows from operating activities		
(Loss)/Income before tax	(6,184)	7,790
Adjustments for:		
Change in fair value of investment properties	12,385	(300)
Depreciation	758	248
Interest expense	7,970	487
Interest income	(50)	(105)
Plant and equipment expensed off	431	-
Operating profit before changes in working capital	15,310	8,120
Changes in working capital:		
Trade and other receivables	1,393	1,218
Trade and other payables	5,843	(555)
Net cash from operating activities	22,546	8,783
Cash flows from investing activities		
Acquisition of plant and equipment	(6,424)	(22,606)
Acquisition of investment properties	(245,558)	-
Withdrawal of deposit pledged as security	-	300
Interest received	50	105
Net cash used in investing activities	(251,932)	(22,201)
Cash flows from financing activities		
Distribution paid to unitholders	(6,254)	(14,530)
Interest paid	(8,153)	(487)
Proceeds from borrowings	259,640	26,300
Repayment of borrowings	(14,900)	(2,400)
Net cash from financing activities	230,333	8,883
Net increase/(decrease) in cash and cash equivalents	947	(4,535)
Cash and cash equivalents at beginning of year	1,606	6,141
Cash and cash equivalents at end of year	2,553	1,606

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021
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	2021 RM'000	2020 RM'000
Cash and bank balances	6	2,553	506
Deposits placed with licensed banks	6	-	1,100
		2,553	1,606

The notes on pages 72 to 105 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 6 August 2021.

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 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

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

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. Basis of preparation cont'd

(a) Statement of compliance cont'd

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

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

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

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

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

- from the annual period beginning on 1 July 2021 for the amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021; except for MFRS 4 which is not applicable to Tower REIT.
- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for those marked (“#”) which are not applicable to Tower REIT.
- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to Tower REIT.

The initial application of the accounting standards and amendments is 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. Basis of preparation cont'd

(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 10 - Deferred tax liabilities.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. Significant accounting policies cont'd

(a) Financial instruments cont'd

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. Significant accounting policies cont'd

(b) Plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

- Fittings 10 years

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. Significant accounting policies cont'd

(c) Investment property

(i) Investment property 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 24 February 2021, 25 February 2021 and 26 February 2021 on Menara HLX, Menara Guoco and Plaza Zurich respectively.

(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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. Significant accounting policies cont'd

(d) Leases cont'd

(i) Definition of a lease cont'd

- 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, the 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

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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

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3. Plant and equipment

	Note	Fittings RM'000	Capital Work- in-Progress RM'000	Total RM'000
Cost				
At 1 July 2019		-	-	-
Additions		3,082	19,524	22,606
At 30 June 2020/1 July 2020		3,082	19,524	22,606
Additions		1,853	4,571	6,424
Borrowing costs capitalised		132	-	132
Expense off		-	(431)	(431)
Transfer		2,812	(2,812)	-
Transfer to investment properties	4	-	(15,760)	(15,760)
At 30 June 2021		7,879	5,092	12,971
Accumulated depreciation				
At 1 July 2019		-	-	-
Charge for the year		248	-	248
At 30 June 2020/1 July 2020		248	-	248
Charge for the year		758	-	758
At 30 June 2021		1,006	-	1,006
Carrying amounts				
At 1 July 2019		-	-	-
At 30 June 2020/1 July 2020		2,834	19,524	22,358
At 30 June 2021		6,873	5,092	11,965

4. Investment properties

	Note	2021 RM'000	2020 RM'000
At 1 July		562,600	562,300
Additions		245,558	-
Transfer from plant and equipment	3	15,760	-
Changes in fair value of investment properties		(12,385)	300
Others		267	-
At 30 June		811,800	562,600

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	%
2021						
Menara HLX	Freehold	Kuala Lumpur	Office and Retail	340,500	231,219	65
Plaza Zurich*	Freehold	Kuala Lumpur	Office and Retail	225,400	140,976	43
Menara Guoco*	Freehold	Kuala Lumpur	Office	245,900	245,558	47
				811,800	617,753	
2020						
Menara HLX	Freehold	Kuala Lumpur	Office and Retail	342,300	222,734	64
Plaza Zurich*	Freehold	Kuala Lumpur	Office and Retail	220,300	133,434	41
				562,600	356,168	

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

The operating lease payments to be received are as follows:

	2021 RM'000	2020 RM'000
Less than one year	19,938	8,724
One to two years	8,668	4,880
Two to three years	416	577
Total undiscounted lease payments	29,022	14,181

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
2021				
Menara HLX	-	-	340,500	340,500
Plaza Zurich	-	-	225,400	225,400
Menara Guoco	-	-	245,900	245,900
	-	-	811,800	811,800
2020				
Menara HLX	-	-	342,300	342,300
Plaza Zurich	-	-	220,300	220,300
Menara Guoco	-	-	-	-
	-	-	562,600	562,600

Level 3 fair value

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

	2021 RM'000	2020 RM'000
At 1 July	562,600	562,300
Additions	245,558	-
Enhancements	15,760	-
Changes in fair value recognised in profit or loss	(12,385)	300
Others	267	-
At 30 June	811,800	562,600

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 a rate of interest to arrive at the capital value of the property. The range of yield applied to net annual rentals to determine fair value of the property is ranging between 5.75% and 6.50% (2020: 6.00% and 6.50%).	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: RM4.30 – RM7.35 (2020: RM3.78 – RM7.80)	
	ii) Retail: RM3.50 – RM9.57 (2020: RM4.25 – RM11.00)	
	Outgoing (p.s.f): RM1.17 – RM1.37 (2020: RM1.21 – RM1.37)	
	Term yield: 5.75% – 6.00% (2020: 6.00%)	
	Reversionary yield: 6.00% – 6.50% (2020: 6.25% – 6.50%)	
	Void periods: 2.50% – 10.00% (2020: 10.00%)	

Valuation processes applied by the Manager for Level 3 fair value

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

Highest and best use

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

NOTES TO THE FINANCIAL STATEMENTS

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5. Trade and other receivables

	2021 RM'000	2020 RM'000
Trade receivables	486	395
Other receivables, deposits and prepayments	328	1,812
	814	2,207

6. Cash and cash equivalents

	2021 RM'000	2020 RM'000
Deposits placed with licensed banks	-	1,100
Cash and bank balances	2,553	506
	2,553	1,606

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

	2021 RM'000	2020 RM'000
Cash and bank balances	2,549	500
Deposits placed with a licensed bank	-	1,100
	2,549	1,600

7. Unitholders' capital

	2021 '000	2020 '000
Issued and fully paid-up units	280,500	280,500

	2021 RM'000	2020 RM'000
Issued and fully paid-up paid units	285,345	285,345

NOTES TO THE FINANCIAL STATEMENTS

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7. Unitholders' capital cont'd

As at 30 June 2021, the Manager did not hold any units in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	2021		2020	
	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	35,550	60,769	45,273
Hong Leong Assurance Berhad	57,771	33,796	57,771	43,039
Asia Fountain Investment Company Limited	14,000	8,190	14,000	10,430
Associated Land Sendirian Berhad	13,409	7,844	13,409	9,990
Hong Leong Investment Bank Berhad	5,887	3,444	5,887	4,386

The market value is determined by multiplying the number of units with the market closing price of RM0.585 (2020: RM0.745) per unit as at 30 June 2021.

8. Unrealised undistributed income

	2021 RM'000	2020 RM'000
Cumulative net change arising from fair value movement of:		
- investment properties	174,846	185,992

9. Trade and other payables

	2021 RM'000	2020 RM'000
Non-current		
Tenants' deposits	6,248	2,957
	6,248	2,957

NOTES TO THE FINANCIAL STATEMENTS

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9. Trade and other payables cont'd

	2021 RM'000	2020 RM'000
Current		
Trade		
Trade payables	862	314
Tenants' deposits	4,253	2,716
	5,115	3,030
Non-trade		
Other payables and accrued expenses	5,292	4,825
Total current	10,407	7,855
Total	16,655	10,812

Included in other payables and accrued expenses are amounts due to the Manager and the Trustee of RM170,035 (2020: RM119,707) and RM12,841 (2020: RM13,588) respectively which are unsecured, interest free and payable monthly in arrears.

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

	2021 RM'000	2020 RM'000
Payable within 12 months	215	503
Payable after 12 months	1,054	257
	1,269	760

10. Deferred tax liability

Prior to financial year ended 2015, the REIT did not provide for any deferred tax on the fair value gain of investment properties because of the management's interpretation that Tower REIT is not subject to real property gain tax ("RPGT") for investment properties held more than 5 years. In 2015, deferred tax liability had been provided on the fair value gain of investment properties because the Inland Revenue Board ("IRB") issued a tax assessment in 2015 to Tower REIT on its disposal of Menara ING whereby the gain from the disposal was subjected to corporate RPGT. Tower REIT is currently appealing against the assessment.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

10. Deferred tax liability cont'd

Nevertheless, pursuant to Real Property Gains Tax Act 1976, as amended by the Finance Act 2019 which came into effect from 1 January 2020, gain arising from its investment properties would be subjected RPGT at a rate which is 10%.

Deferred tax liability is attributable to the following:

	2021 RM'000	2020 RM'000
Investment properties	19,414	20,653

11. Borrowings

	Note	2021 RM'000	2020 RM'000
Non-current			
Term loan	11.1	261,171	-
Transaction costs for term loan		(1,315)	-
		259,856	-
Current			
Revolving credit	11.2	9,100	24,000
		268,956	24,000
Borrowings ratio		32.52%	4.08%

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

11.1 The interest on term loan were at rates ranging from 3.39% to 3.65% (2020: Nil) per annum during the financial year.

11.2 The interest on revolving credit were at rates ranging from 2.90% (2020: 3.15% to 4.05%) per annum during the financial year. The revolving credit is repayable upon its maturity on 14 July 2021.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

11. Borrowings cont'd

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

	At 1 July RM'000	Net changes from financing cash flows RM'000	Amortisation of transaction costs RM'000	At 30 June RM'000
2021				
Term loan	-	259,640	216	259,856
Revolving credit facility	24,000	(14,900)	-	9,100
	24,000	244,740	216	268,956
2020				
Term loan	100	(100)	-	-
Revolving credit facility	-	24,000	-	24,000
	100	23,900	-	24,000

12. Revenue

	2021 RM'000	2020 RM'000
Rental income	19,466	12,204
Service charge	9,428	5,998
Car park income	1,635	2,148
Others	1,319	1,254
	31,848	21,604

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12. Revenue cont'd

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.

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

	2021	2022	2023	Total
Year ended 30 June 2020	RM'000	RM'000	RM'000	RM'000
Service charge	3,238	2,392	213	5,843

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.

13. Property operating expenses

	2021	2020
	RM'000	RM'000
Assessment	3,990	2,565
Service contracts and maintenance	4,595	3,907
Property management fees	419	324
Utilities	3,775	3,284
Others	1,670	1,478
	14,449	11,558

Property management fees of RM419,657 (2020: RM324,360) were charged by property managers, in accordance with the Valuers, Appraisers and Estate Agent Acts 1981 with permissible discount.

NOTES TO THE FINANCIAL STATEMENTS

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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.

	Year ended 30.06.2021		Year ended 30.06.2020	
	RM'000	%	RM'000	%
Base Fee and % of Gross Asset Value	1,626	0.20	1,268	0.22
Performance Fee and % of Net Property Income	603	3.35	364	3.35
	2,229		1,632	
Acquisition Fee and % of Asset Value acquired	2,421	1.00	-	-
	4,650		1,632	

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

15. Trustee's fee

Pursuant to the Deed constituting Tower REIT, the Trustee is entitled to receive a fee of 0.03% (2020: 0.03%) per annum of the net asset value of Tower REIT with a cap of RM200,000 (2020: RM200,000).

	2021 RM'000	2020 RM'000
Year ended 30 June 2021	159	161

NOTES TO THE FINANCIAL STATEMENTS

cont'd

16. Income tax expense

	2021 RM'000	2020 RM'000
Current tax expense		
- under provision in prior years	-	-
Deferred tax (income)/expense		
- current year	(1,239)	30
	(1,239)	30
Total income tax expense	(1,239)	30
Reconciliation of tax expense		
(Loss)/Income before tax	(6,184)	7,790
Income tax using Malaysian tax rate of 24% (2020: 24%)	(1,484)	1,870
Difference in tax rate arising from loss/(gain) on investment properties	1,734	(42)
Non-deductible expenses	463	206
Effect of income exempted from tax	(1,952)	(2,004)
Total income tax expense	(1,239)	30

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 RM4,945,000 (2020: RM7,760,000) and on the number of units in circulation during the financial year of 280,500,000 (2020: 280,500,000).

NOTES TO THE FINANCIAL STATEMENTS

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18. Distribution to unitholders

	Gross/Net distribution per unit sen	Total amount RM'000	Date of payment
Year ended 30.06.2021			
2020 Final income distribution	1.18	3,309	28 August 2020
2021 Interim income distribution	1.05	2,945	26 February 2021
		<u>6,254</u>	
Year ended 30.06.2020			
2019 Final income distribution	3.93	11,024	28 August 2019
2020 Interim income distribution	1.25	3,506	28 February 2020
		<u>14,530</u>	

On 6 August 2021, the Directors of the Manager declared a final income distribution of 1.16 sen (2020: 1.18 sen) per unit amounting to RM3,253,800 (2020: RM3,309,900) in respect of the financial year ended 30 June 2021. The distribution will be recognised in the subsequent year.

The total income distribution for the financial year ended 30 June 2021 which comprises the first interim income distribution of 1.05 sen (2020: 1.25 sen) per unit and the proposed final income distribution of 1.16 sen (2020: 1.18 sen) per unit are from the following sources:

	2021 RM'000	2020 RM'000
Net rental income	17,399	10,046
Interest income	50	105
Other income	37	101
	<u>17,486</u>	<u>10,252</u>
Less: Expenses	(11,285)	(2,762)
	<u>6,201</u>	<u>7,490</u>
Less: Prior year's undistributed gain	(2)	(674)
	<u>6,199</u>	<u>6,816</u>

NOTES TO THE FINANCIAL STATEMENTS

cont'd

18. Distribution to unitholders cont'd

	2021 RM'000	2020 RM'000
Net income distribution		
Interim income distribution of 1.05 sen per unit paid on 26 February 2021 (2020: 1.25 sen per unit paid on 28 February 2020)	2,945	3,506
Final income distribution declared after the reporting year of 1.16 sen per unit payable on 30 August 2021 (2020: 1.18 sen per unit paid on 28 August 2020)	3,254	3,310
	6,199	6,816
	2021	2020
Income distribution per unit		
- First interim* (sen)	1.05	1.25
- Final* (sen)	1.16	1.18
	2.21	2.43

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

	Withholding tax rate	
	2021	2020
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.

NOTES TO THE FINANCIAL STATEMENTS

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19. Management expense ratio

	2021	2020
Management expense ratio ("MER") (%)	1.08	0.42

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

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.

	2021 RM'000	2020 RM'000
Acquisition of Menara Guoco	242,100	-
Acquisition fees of Menara Guoco	2,421	-
Rental charged	4,665	2,493
Interest income	50	75

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

NOTES TO THE FINANCIAL STATEMENTS

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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
2021		
Financial assets		
Trade and other receivables	679	679
Cash and bank balances	2,553	2,553
	3,232	3,232
Financial liabilities		
Borrowings	(268,956)	(268,956)
Trade and other payables	(16,655)	(16,655)
	(285,611)	(285,611)
2020		
Financial assets		
Trade and other receivables	2,192	2,192
Deposits placed with licensed banks	1,100	1,100
Cash and bank balances	506	506
	3,798	3,798
Financial liabilities		
Borrowings	(24,000)	(24,000)
Trade and other payables	(10,812)	(10,812)
	(34,812)	(34,812)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. Financial instruments cont'd

21.2 Net gain and loss arising from financial instruments

	2021 RM'000	2020 RM'000
Net gain/(loss) arising on:		
Loans and receivables	50	105
Financial liabilities at amortised cost	(8,369)	(487)
	(8,319)	(382)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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21. Financial instruments cont'd

21.4 Credit risk cont'd

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
2021			
Not past due	182	-	182
Past due 31 – 60 days	160	-	160
Past due 61 – 90 days	83	-	83
Past due 91 – 120 days	-	-	-
>121 days	73	-	73
Unallocated receipts	(12)	-	(12)
	486	-	486
2020			
Not past due	146	-	146
Past due 31 – 60 days	145	-	145
Past due 61 – 90 days	19	-	19
Past due 91 – 120 days	-	-	-
>121 days	85	-	85
Unallocated receipts	-	-	-
	395	-	395

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. Financial instruments cont'd

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.

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
2021							
<i>Non-derivative financial liabilities</i>							
Revolving credit	9,100	2.90	9,122	9,122	-	-	-
Term loan	259,856	3.39 - 3.65	313,953	8,635	8,635	113,259	183,424
Tenants' deposits	10,501	-	10,501	4,253	6,248	-	-
Trade and other payables	6,154	-	6,154	6,154	-	-	-
	<u>285,611</u>		<u>339,730</u>	<u>28,164</u>	<u>14,883</u>	<u>113,259</u>	<u>183,424</u>
2020							
<i>Non-derivative financial liabilities</i>							
Revolving credit	24,000	3.15 - 4.05	24,447	24,447	-	-	-
Tenants' deposits	5,673	-	5,673	2,716	2,957	-	-
Trade and other payables	5,139	-	5,139	5,139	-	-	-
	<u>34,812</u>		<u>35,259</u>	<u>32,302</u>	<u>2,957</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. Financial instruments cont'd

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.

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:

	2021 RM'000	2020 RM'000
Fixed rate instruments		
<i>Financial assets</i>		
Deposits placed with licensed banks	-	1,100
Floating rate instruments		
<i>Financial liabilities</i>		
Revolving credit	(9,100)	(24,000)
Term loan	(259,856)	-
	(268,956)	(24,000)

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.

(b) Cash flow sensitivity analysis for variable rate instruments

Cash flow risk arising from variable rate instruments is not material to Tower REIT. Hence, sensitivity analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. Financial instruments cont'd

21.7 Fair value information

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

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2021										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	(10,286)	(10,286)	(10,286)	(10,501)
Borrowings	-	-	-	-	-	-	(268,956)	(268,956)	(268,956)	(268,956)
	-	-	-	-	-	-	(279,242)	(279,242)	(279,242)	(279,457)
2020										
Financial liabilities										
Tenants' deposits	-	-	-	-	-	-	(5,459)	(5,459)	(5,459)	(5,673)
Borrowings	-	-	-	-	-	-	(24,000)	(24,000)	(24,000)	(24,000)
	-	-	-	-	-	-	(29,459)	(29,459)	(29,459)	(29,673)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. Financial instruments cont'd

21.7 Fair value information cont'd

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.

The gearing is calculated as gross borrowings divided by total assets, based on the latest valuations. Gross borrowings refer to the gross interest-bearing borrowings as set out in Note 11 to the financial statements.

	Note	2021 RM'000	2020 RM'000
Gross borrowings	11	268,956	24,000
Total assets		827,132	588,771
Gearing		32.52%	4.08%

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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
	2021	2020	
	RM'000	RM'000	
Denstu Aegis Network Malaysia	3,263	-	Menara Guoco
Zurich Insurance Group	1,849	2,734	Plaza Zurich

24. Capital commitments

	2021	2020
	RM'000	RM'000
Investment properties		
Contracted but not provided for	-	247,304

Included in the capital commitments in prior year is the acquisition of a 19-storey building known as Menara Guoco for a cash consideration of RM242.1 million. The acquisition was completed on 19 August 2020.

STATEMENT BY THE DIRECTORS OF THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 66 to 105 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 2021 and of its financial performance and cash flows for the year then ended.

Signed for and on behalf of the Manager

GLM REIT Management Sdn. Bhd.

in accordance with a resolution of the Directors of the Manager

TAN WEE BEE

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

Kuala Lumpur

Date: 6 August 2021

STATUTORY DECLARATION

I, Leong Chain Hong, 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 66 to 105 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 Leong Chain Hong, MIA No.: 13198, at Kuala Lumpur on 6 August 2021.

LEONG CHAIN HONG

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 2021. 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 2.21 sen per unit for the financial year ended 30 June 2021 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: 6 August 2021

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 2021, 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 66 to 105.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Tower REIT as at 30 June 2021, 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 property and *Note 4 – investment properties*.

The key audit matter

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

cont'd

How the matter was addressed in our audit

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

- a) assessed the valuation methodology applied by Tower REIT against those applied by other valuers 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 data input used by the valuer is consistent with agreements with tenants.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

cont'd

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

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

Other Matter

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

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

Petaling Jaya, Selangor

Date: 6 August 2021

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

OTHER INFORMATION

ANALYSIS OF UNITHOLDINGS AS AT 23 AUGUST 2021

DISTRIBUTION SCHEDULE OF UNITHOLDERS

Size of Holding	No. of Unitholders	% of Unitholders	No. of Units Held	% of Units Held
Less than 100	16	0.57	400	0.00
100 – 1,000	426	15.17	303,500	0.11
1,001 – 10,000	1,333	47.45	7,568,300	2.70
10,001 – 100,000	844	30.05	30,504,300	10.87
100,001 – less than 5% of issued units	188	6.69	123,583,700	44.06
5% and above of issued units	2	0.07	118,539,800	42.26
	2,809	100.00	280,500,000	100.00

LIST OF THIRTY LARGEST UNITHOLDERS

Name of Unitholders	No. of Units	%
1. GLM Equities Sdn Bhd	60,768,800	21.66
2. Hong Leong Assurance Berhad - <i>As Beneficial Owner</i>	57,771,000	20.60
3. CIMSEC Nominees (Asing) Sdn Bhd - <i>CIMB for Yong Yoon Kiong (PB)</i>	14,000,000	4.99
4. Citigroup Nominees (Asing) Sdn Bhd - <i>GSCO LLC for Asia Fountain Investment Company Limited</i>	14,000,000	4.99
5. Associated Land Sendirian Berhad	13,409,300	4.78
6. Hong Leong Investment Bank Berhad - <i>IVT-A</i>	5,887,000	2.10
7. Loh Cheng Yean	4,600,000	1.64
8. CIMB Group Nominees (Asing) Sdn Bhd - <i>Exempt AN for DBS Bank Ltd (SFS)</i>	4,132,500	1.47
9. Lian Mong Yee @ Lian Mung Yee	3,518,700	1.25
10. Maybank Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Law Kiu Kiong</i>	3,110,700	1.11
11. RHB Capital Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Poh Soon Sim (CEB)</i>	3,084,500	1.10
12. Citigroup Nominees (Tempatan) Sdn Bhd - <i>MCIS Insurance Berhad (Life Par FD)</i>	2,290,200	0.82
13. Tan Kim Chuan	1,574,100	0.56

OTHER INFORMATION

cont'd

ANALYSIS OF UNITHOLDINGS AS AT 23 AUGUST 2021 cont'd

LIST OF THIRTY LARGEST UNITHOLDERS cont'd

	Name of Unitholders	No. of Units	%
14.	CGS-CIMB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Lim Chen Yik (Penang-CL)</i>	1,570,000	0.56
15.	CGS-CIMB Nominees (Asing) Sdn Bhd - <i>Exempt AN for CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)</i>	1,524,300	0.54
16.	AllianceGroup Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Law Kiu Kiong (6000710)</i>	1,454,800	0.52
17.	Hong Leong Foundation	1,313,800	0.47
18.	Citigroup Nominees (Tempatan) Sdn Bhd - <i>MCIS Insurance Berhad (ANN FD)</i>	1,124,000	0.40
19.	Ong Ee Nah	1,100,000	0.39
20.	Lim Kew Seng	1,065,000	0.38
21.	Goh Siew Cheng	1,048,200	0.37
22.	HLIB Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Ting Ching Kok (CCTS)</i>	931,700	0.33
23.	Michael Ng Hing Hiap @ Ng Heng Hock	890,000	0.32
24.	Chow Hon Keong	869,200	0.31
25.	Gan Peoy Hong	832,700	0.30
26.	CIMSEC Nominees (Tempatan) Sdn Bhd - <i>CIMB for RAM Holdings Berhad (PB)</i>	821,900	0.29
27.	Liew Kon Mun	797,900	0.29
28.	Citigroup Nominees (Tempatan) Sdn Bhd - <i>MCIS Insurance Berhad (SHH FD)</i>	777,600	0.28
29.	Ling Thik Ping	713,700	0.26
30.	Tan Chong Pen	676,000	0.24
		205,657,600	73.32

OTHER INFORMATION

cont'd

ANALYSIS OF UNITHOLDINGS AS AT 23 AUGUST 2021 cont'd

MAJOR UNITHOLDERS

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

DIRECTORS' INTERESTS AS AT 23 AUGUST 2021

Subsequent to the financial year ended 30 June 2021, 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 Ninth Annual General Meeting (“Ninth AGM”) of the unitholders of Tower Real Estate Investment Trust (“Tower REIT”) will be held fully virtual through live streaming and online remote voting from the online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC – D6A357657) provided by Boardroom Share Registrars Sdn Bhd on Wednesday, 13 October 2021 at 10.00 a.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 2021.

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 13 September 2021 (“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
13 September 2021

Notes

1. The Ninth AGM will be conducted fully virtual through live streaming and online remote voting using remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online meeting platform at <https://meeting.boardroomlimited.my>. Please refer to the Administrative Notes to unitholders for the detailed steps on remote participation and electronic voting.
2. 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 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
3. 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 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.
4. 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.
5. The Form of Proxy must be deposited at the Registered Office of GLM REIT Management Sdn Bhd at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of a poll.

Explanatory Notes

1. Ordinary Resolution 1 - Proposed Renewal Of Authority Mandate

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

As at to date, no new units of Tower REIT have been issued pursuant to the mandate granted to the Directors of the Manager at the last AGM of Tower REIT held on 13 October 2020 and which will lapse at the conclusion of the forthcoming Ninth 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 13 September 2021 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 Ninth Annual General Meeting ("Ninth AGM") of unitholders of Tower REIT to be held fully virtual through live streaming and online remote voting from the online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC – D6A357657) provided by Boardroom Share Registrars Sdn Bhd on Wednesday, 13 October 2021 at 10.00 a.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 _____ 2021

 Number of units held

 Signature(s) of Unitholder

CDS Account No.: _____

NOTES:

- The Ninth AGM will be conducted fully virtual through live streaming and online remote voting using remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online meeting platform at <https://meeting.boardroomlimited.my>. Please refer to the Administrative Notes to unitholders for the detailed steps on remote participation and electronic voting.
- 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 2021 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 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 10 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 10, Wisma Hong Leong, 18 Jalan Perak, 50450 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 presented

- 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 Ninth 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 10, Wisma Hong Leong

18 Jalan Perak

50450 Kuala Lumpur

Malaysia

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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>