
**CONDENSED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2015 RM	Preceding Year Corresponding Quarter Ended 31.12.2014 RM	Current Year To Date 31.12.2015 RM	Preceding Year To Date 31.12.2014 RM
<u>Income</u>				
Gross revenue	9,284,689	10,489,473	37,297,496	44,482,274
Property operating expenses	(2,579,990)	(3,043,596)	(12,666,420)	(14,882,866)
Net property income	6,704,699	7,445,877	24,631,076	29,599,408
Interest income	23,272	16,984	558,698	82,655
Other income	24,177	25,709	140,356	85,046
Gain on sale of investment property	371	-	659,186	-
	6,752,519	7,488,570	25,989,316	29,767,109
<u>Expenses</u>				
Manager's fees	530,391	561,665	2,858,912	2,449,511
Trustee's fees	41,482	37,932	162,181	152,118
Administrative expenses	204,646	34,514	453,630	400,102
Interest expenses	10,848	1,348,570	1,848,237	5,410,161
	787,367	1,982,681	5,322,960	8,411,892
Net Trust Income	5,965,152	5,505,889	20,666,356	21,355,217
Change in fair value of derivatives	-	218,255	-	851,220
Change in fair value of investment properties	18,000,000	-	18,000,000	-
Change in fair value of asset held for sale	-	26,527,426	-	26,527,426
Income before tax	23,965,152	32,251,570	38,666,356	48,733,863
Taxation	(12,873,455)	-	(12,873,455)	-
Income after tax	11,091,697	32,251,570	25,792,901	48,733,863
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	11,091,697	32,251,570	25,792,901	48,733,863
Total comprehensive income for the year is made up as follows:				
- Realised	3,491,697	5,505,889	18,192,901	21,355,217
- Unrealised	7,600,000	26,745,681	7,600,000	27,378,646
	11,091,697	32,251,570	25,792,901	48,733,863
EARNINGS PER UNIT (SEN)				
- Basic	3.95	11.50	9.20	17.37
- Diluted	N/A	N/A	N/A	N/A

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

The figures have not been audited.

	As At 31.12.2015 RM	As At 31.12.2014 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	559,000,000	541,000,000
<u>Current Assets</u>		
Asset held for sale	-	128,027,426
Trade receivables	1,157,226	716,238
Other receivables, deposits and prepayments	313,828	3,660,886
Deposits placed with licensed bank	6,705,542	1,000,000
Cash and bank balances	1,138,688	8,138,661
	9,315,284	141,543,211
TOTAL ASSETS	568,315,284	682,543,211
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	5,297,436	6,744,968
Borrowings	100,000	105,500,000
Deferred tax liability	10,400,000	-
Derivative financial instrument	-	290,370
	15,797,436	112,535,338
<u>Current liabilities</u>		
Trade payables	618,521	315,577
Other payables and provisions	2,655,740	16,608,154
Tenants' deposits	5,721,260	6,502,716
Borrowings	-	10,900,000
Provision for income distribution	-	-
	8,995,521	34,326,447
TOTAL LIABILITIES	24,792,957	146,861,785
NET ASSET VALUE	543,522,327	535,681,426
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	193,503,714	227,177,751
Undistributed income - realised	64,673,847	23,158,903
	543,522,327	535,681,420
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.9377	1.9097

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

The figures have not been audited.

	Unitholders' Capital RM	Undistributed Income		Total RM
		Non-distributable Unrealised RM	Distributable Realised RM	
<u>Current Year To Date</u>				
At 1 January 2015	285,344,766	227,177,751	23,158,909	535,681,426
Operations for the year ended 31 December 2015				
Net income for the year	-	7,600,000	18,192,901	25,792,901
Realisation of unrealised income	-	(41,274,036)	41,274,036	-
Total comprehensive income for the year	-	(33,674,036)	59,466,937	25,792,901
Unitholders' transactions				
Distribution to unitholders				
- 2014 final (paid on 27 February 2015)	-	-	(8,976,000)	(8,976,000)
- 2015 interim (paid on 28 August 2015)	-	-	(8,976,000)	(8,976,000)
	-	-	(17,952,000)	(17,952,000)
At 31 December 2015	285,344,766	193,503,715	64,673,846	543,522,327
<u>Preceding Year To Date</u>				
At 1 January 2014	285,344,766	199,799,105	28,282,892	513,426,763
Operations for the year ended 31 December 2014				
Total comprehensive income for the year	-	27,378,646	21,355,217	48,733,863
	-	27,378,646	21,355,217	48,733,863
Unitholders' transactions				
Distribution to unitholders				
- 2013 final (paid on 28 February 2014)	-	-	(15,736,050)	(15,736,050)
- 2014 interim (paid on 27 August 2014)	-	-	(10,743,150)	(10,743,150)
	-	-	(26,479,200)	(26,479,200)
At 31 December 2014	285,344,766	227,177,751	23,158,909	535,681,426

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached.

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**TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

The figures have not been audited.

	Current Year To Date 31.12.2015 RM	Preceding Year To Date 31.12.2014 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	38,666,356	48,733,863
Adjustments for:		
Interest expenses	1,848,237	5,410,161
Interest income	(558,698)	(82,655)
Realised gain on disposal of investment properties	(659,186)	-
Change in fair value of asset held for sale	-	(26,527,426)
Change in fair value of investment properties	(18,000,000)	-
Change in fair value of derivatives	-	(851,220)
Operating profit before working capital changes	<u>21,296,709</u>	<u>26,682,723</u>
Changes in working capital:		
Trade and other receivables	2,906,070	(3,122,958)
Trade and other payables	<u>(16,168,828)</u>	<u>14,478,799</u>
Net cash generated from operating activities	<u>8,033,951</u>	<u>38,038,564</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceed from divestment of investment property	126,213,163	-
Interest income	<u>558,698</u>	<u>82,655</u>
Net cash generated from investing activities	<u>126,771,861</u>	<u>82,655</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(1,848,237)	(5,410,161)
(Repayment)/Drawdown of borrowings	(116,300,000)	2,000,000
Distribution paid to unitholders	<u>(17,952,000)</u>	<u>(26,479,200)</u>
Net cash used in financing activities	<u>(136,100,237)</u>	<u>(29,889,361)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(1,294,431)	8,231,858
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,838,661</u>	<u>606,803</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>7,544,230</u>	<u>8,838,661</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	1,138,688	8,138,661
Deposits placed with licensed financial bank	<u>6,705,542</u>	<u>1,000,000</u>
	7,844,230	9,138,661
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>7,544,230</u>	<u>8,838,661</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached.

A. Explanatory Notes pursuant to the Malaysian Financial Reporting Standard ("MFRS") 134**A1. Basis of Preparation**

The quarterly financial report is unaudited and prepared in accordance with MFRS 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of Tower Real Estate Investment Trust ("Tower REIT" or "Trust") for the financial year ended 31 December 2014.

Changes in Accounting Policies

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those adopted in the preparation of the audited financial statements of Tower REIT for the financial year ended 31 December 2014.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 31 December 2014 was not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The business operations of the Trust were not affected by any seasonal or cyclical factors for the quarter under review.

A4. Unusual Items

There were no unusual items to be disclosed for the quarter under review.

A5. Changes in Estimates of Amounts Reported in Prior Interim Periods of the Current Financial Year or in Prior Financial Years

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or prior financial years that have had a material impact in the current financial period.

A6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and the financial year to-date.

A7. Income Distribution Paid During the Financial Period

The Trust had, on 27 February 2015, paid a final income distribution of 3.20 sen per unit, amounting to RM8,976,000 for the financial year ended 31 December 2014.

The Trust had, on 28 August 2015, paid an interim income distribution of 3.20 sen per unit, amounting to RM8,976,000 for the financial period ended 30 June 2015.

A8. Segmental Reporting

No operating segment information has been prepared as the Trust has only one reportable segment.

A9. Valuation of Investment Properties

During the quarter under review, a revaluation exercise was undertaken for all the two properties pursuant to Clause 10.03 of the Securities Commission's REIT Guidelines.

A10. Material Events

There were no material events subsequent to the end of the quarterly period.

A11. Changes in the Composition of the Trust

There was no change in the composition of the Trust during the current quarter, and the fund size stood at 280,500,000 units.

A12. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets to be disclosed.

B. Additional Information pursuant to Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad
B1. Review of Performance

For the current quarter ended 31 December 2015, the Trust recorded a gross revenue of RM9.28 million representing a decrease of 11% as compared to the corresponding quarter in the preceding year. The decrease was mainly attributed to lower occupancy rates in HP Towers and Menara HLA and disposal of Menara ING.

However, the Trust recorded a net trust income of RM5.97 million, an increase of 8% as compared to the corresponding quarter in the preceding year mainly due to the lower interest expenses.

B2. Changes in State of Affairs

There were no material changes in the state of affairs of the Trust for the quarter under review.

B3. Changes in Portfolio Composition

As at 31 December 2015, Tower REIT's composition of investment portfolio was as follows:

<u>Real Estate</u>	At Valuation RM'000	Total Real Estate Portfolio %
Menara HLA	340,000	61%
HP Towers	219,000	39%
	559,000	100%

B4. Changes in Net Asset Value

	As at 31.12.2015 RM	As at 30.09.2015 RM
Net asset value ("NAV")	543,522,327	532,430,630
NAV per unit	1.9377	1.8981

The NAV per unit as at 31 December 2015 was higher as compared to the immediate preceding quarter as a result of the revaluation surplus for HP Towers and Menara HLA.

B5. Changes in Unit Price

On 31 December 2015, Tower REIT's unit price closed at RM1.23 per unit (RM1.17 as at 30 September 2015).

B6. Utilisation of Proceeds Raised from any Issuance of New Units

There was no issuance of new units during the quarter under review.

B7. Circumstances Affecting Interest of the Unitholders

There were no unusual circumstances which had materially affected the interest of the unitholders for the current quarter.

B8. Review of Office Property Market

Both office occupancy and rental rates continue to face strong challenges due to the incoming supply of newer buildings with better specifications and the limited demand growth.

B9. Prospects

Prospects for the Trust will continue to be challenging due to the oversupply situation. Notwithstanding the difficult operating environment, the Manager will continue to take active steps to manage the portfolio assets to maximise return to unitholders.

B10. Material Litigation

There was no material litigation as at the date of this report.

B11. Major Maintenance Cost and Capital Expenditure

There were no major maintenance costs and capital expenditure incurred during the quarter under review.

B12. Soft Commission

During the quarter ended 31 December 2015, the Manager did not receive any soft commission (i.e. goods and services) from its brokers or dealers by virtue of transaction conducted by the Trust.

B13. Revenue Recognition**i) Rental/Car Park Income**

Rental from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease unless collection is in doubt, in which case, it is recognised on a receipt basis.

Rental/car park income is recognised on an accrual basis except where default in payment of rent has occurred and rent dues remain outstanding for over six months, in which case, recognition of rental/car park income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

ii) Interest Income

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

B14. Manager's Fee

Pursuant to the Deed constituting Tower REIT, the Manager's fee consists of :-

- (1) a base fee (excluding any Goods and Services Tax payable) of up to 0.75% per annum of the gross asset value;
- (2) 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;
- (3) an acquisition fee of 1.00% of the acquisition price of assets acquired; and
- (4) a divestment fee of 0.50% of the sale price of any asset sold.

The total base fee and performance fee for the period ended 31 December 2015 of RM1,296,599 and RM860,907 are 0.23% and 3.50% of the gross asset value and net property income respectively. Divestment fee for the period under review amounted to RM701,406.

B15. Trustee's Fee

Pursuant to the Deed constituting Tower REIT, the Trustee is entitled to receive a fee of 0.03% per annum of the NAV of Tower REIT with a cap of RM200,000. The total Trustee's fee for the year ended 31 December 2015 is RM162,181.

B16. Tax Expense

	Current Year to Date 31.12.2015 RM'000	Preceding Year to Date 31.12.2014 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	38,666	48,733
Income tax using Malaysian tax rate of 25% (2014: 25%)	9,667	12,183
Non-deductible expenses	82	76
Effect of fair value adjustment on derivatives	-	(213)
Effect of fair value adjustment on investment properties	(3,600)	(6,632)
Underprovision in prior years	11,973	-
Effect of income exempted from tax	(5,249)	(5,414)
Tax expense	12,873	-

B17. Income Distribution

The Manager of Tower REIT has declared a final income distribution of 3.73 sen per unit (3.53 sen per unit subject to withholding tax and 0.20 sen tax exempt), amounting to RM10,462,650, representing approximately 126% of the realised distributable net income for the six-month period ended 31 December 2015, to be payable on 29 February 2016 to the unit holders registered in the Record of Depositors on 17 February 2016.

The income distributions are from the following sources:

	2015 RM'000	2014 RM'000
Net rental income	24,631	29,599
Interest income	559	83
Other income	799	85
	<u>25,989</u>	<u>29,767</u>
Less: Expenses	(5,322)	(8,412)
	<u>20,667</u>	<u>21,355</u>
Less: Undistributed income	(1,228)	(1,636)
	<u>19,439</u>	<u>19,719</u>
Total distribution comprises:		
Interim income distribution	8,976	10,743
Final income distribution	10,463	8,976
	<u>19,439</u>	<u>19,719</u>

B18. Units held by Related Parties

As at 31 December 2015, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	Number of Units '000	Market Value** RM'000
Direct/Indirect unitholdings in Tower REIT of the related parties of the Manager:		
HLP Equities Sdn Bhd	60,769	74,746
Hong Leong Assurance Berhad	57,771	71,058
Asia Fountain Investment Company Limited	14,000	17,220
Hong Leong Bank Berhad	13,409	16,493
Hong Leong Investment Bank Berhad	5,887	7,241
Hong Leong Foundation	2,519	3,098
Dato' Poh Yang Hong	3,085 *	3,795

* Indirect unitholdings

**The market value is determined by multiplying the number of units with the market price of RM1.23 per unit as at 31 December 2015.

B19. Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, the quarterly financial report gives a true and fair view of the financial position of Tower REIT as at 31 December 2015 and of its financial performance and cash flows for the period ended 31 December 2015.

By Order of the Board

GLM REIT Management Sdn Bhd

(as the Manager of Tower Real Estate Investment Trust)

LIM YEW YOKE

CHIN MIN YANN

Secretaries

Kuala Lumpur

28 January 2016