
**CONDENSED FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

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**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2016 RM	Preceding Year Corresponding Quarter Ended 30.06.2015 RM	Current Year To Date 30.06.2016 RM	Preceding Year To Date 30.06.2015 RM
Income				
Gross revenue	9,366,612	9,500,463	18,975,219	19,080,835
Property operating expenses	(3,340,997)	(3,219,288)	(6,180,785)	(6,623,611)
Net property income	6,025,615	6,281,175	12,794,434	12,457,224
Interest income	38,473	447,957	95,614	490,316
Other income	44,545	89,750	292,300	101,449
Gain on sale of investment property	-	-	-	658,815
	6,108,633	6,818,882	13,182,348	13,707,804
Expenses				
Manager's fees	523,906	518,895	1,064,630	1,813,891
Trustee's fee	40,139	40,785	80,526	80,198
Administrative expenses	67,137	33,846	160,339	119,652
Interest expenses	37,647	415,636	104,638	1,830,075
	668,829	1,009,162	1,410,133	3,843,816
Net Trust Income	5,439,804	5,809,720	11,772,215	9,863,988
Change in fair value of derivatives	-	-	-	-
Income before tax	5,439,804	5,809,720	11,772,215	9,863,988
Taxation	-	-	-	-
Income after tax	5,439,804	5,809,720	11,772,215	9,863,988
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	5,439,804	5,809,720	11,772,215	9,863,988
Total comprehensive income for the year is made up as follows:				
- Realised	5,439,804	5,809,720	11,772,215	9,863,988
- Unrealised	-	-	-	-
	5,439,804	5,809,720	11,772,215	9,863,988
EARNINGS PER UNIT (SEN)				
- Basic	1.94	2.07	4.20	3.52

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 2015 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

The figures have not been audited.

	As At 30.06.2016 RM	As At 31.12.2015 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	559,000,000	559,000,000
<u>Current Assets</u>		
Trade receivables	754,800	1,157,226
Other receivables, deposits and prepayments	210,685	313,828
Deposits placed with licensed bank	8,170,000	6,705,542
Cash and bank balances	164,121	1,138,688
	9,299,606	9,315,284
TOTAL ASSETS	568,299,606	568,315,284
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	5,786,761	5,297,436
Borrowings	100,000	100,000
Deferred tax liability	10,400,000	10,400,000
	16,286,761	15,797,436
<u>Current liabilities</u>		
Trade payables	334,326	618,521
Other payables and provisions	1,527,707	2,655,740
Tenants' deposits	5,318,920	5,721,260
	7,180,953	8,995,521
TOTAL LIABILITIES	23,467,714	24,792,957
NET ASSET VALUE	544,831,892	543,522,327
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	193,503,714	193,503,714
Undistributed income - realised	65,983,412	64,673,847
	544,831,892	543,522,327
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.9424	1.9377

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached.

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<u>Current Year To Date</u>				
At 1 January 2016	285,344,766	193,503,714	64,673,847	543,522,327
Operations for the year ended 30 June 2016				
Net income for the year	-	-	11,772,215	11,772,215
Realisation of unrealised income	-	-	-	-
Total comprehensive income for the year	-	-	11,772,215	11,772,215
Unitholders' transactions				
Distribution to unitholders				
- 2015 final (paid on 29 February 2016)	-	-	(10,462,650)	(10,462,650)
	-	-	(10,462,650)	(10,462,650)
At 30 June 2016	285,344,766	193,503,714	65,983,412	544,831,892
<u>Preceding 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 30 June 2015				
Net income for the year	-	-	9,863,988	9,863,988
Realisation of unrealised income	-	(41,274,037)	41,274,037	-
Total comprehensive income for the year	-	(41,274,037)	51,138,025	9,863,988
Unitholders' transactions				
Distribution to unitholders				
- 2014 final (paid on 27 February 2015)	-	-	(8,976,000)	(8,976,000)
	-	-	(8,976,000)	(8,976,000)
At 30 June 2015	285,344,766	185,903,714	65,320,934	536,569,414

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 2015 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

The figures have not been audited.

	Current Year To Date 30.06.2016 RM	Preceding Year To Date 30.06.2015 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	11,772,215	9,863,988
Adjustments for:		
Interest expense	104,638	1,830,075
Interest income	(95,614)	(490,316)
Realised gain on disposal of investment properties	-	(658,815)
Operating profit before working capital changes	<u>11,781,239</u>	<u>10,544,932</u>
Changes in working capital:		
Trade and other receivables	505,569	296,478
Trade and other payables	<u>(1,325,243)</u>	<u>(6,782,660)</u>
Net cash generated from operating activities	<u>10,961,565</u>	<u>4,058,750</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceed from disposal of investment property	-	119,106,653
Interest income	<u>95,614</u>	<u>490,316</u>
Net cash generated from investing activities	<u>95,614</u>	<u>119,596,969</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(104,638)	(1,830,075)
Repayment of borrowings	-	(116,590,370)
Distribution paid to unitholders	<u>(10,462,650)</u>	<u>(8,976,000)</u>
Net cash used in financing activities	<u>(10,567,288)</u>	<u>(127,396,445)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	489,891	(3,740,727)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,544,230</u>	<u>8,838,662</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>8,034,121</u>	<u>5,097,935</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	164,121	582,033
Deposits placed with licensed financial bank	<u>8,170,000</u>	<u>4,815,902</u>
	8,334,121	5,397,935
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>8,034,121</u>	<u>5,097,935</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2015.

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 2015.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 31 December 2015 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 29 February 2016, paid a final income distribution of 3.73 sen per unit, amounting to RM10,462,650 for the financial year ended 31 December 2015.

A8. Segmental Reporting

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

A9. Valuation of Investment Properties

The valuation of Menara HLA and HP Towers had been brought forward without any amendment from the previous audited financial statements.

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 30 June 2016, the Trust recorded gross revenue of RM9.37 million, and net trust income of RM5.44 million, representing a decrease of 1.4% and 6.4% respectively as compared to the corresponding quarter in the preceding year.

The lower gross revenue in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to the lower occupancy rate while the lower net trust income in the current quarter is mainly due to lower occupancy rate, lower interest income and higher property operating 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 30 June 2016, 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 30.06.2016	As at 31.03.2016
Net asset value ("NAV")	544,831,892	539,392,088
NAV per unit	1.9424	1.9230

The NAV per unit as at 30 June 2016 was higher as compared to the immediate preceding quarter as a result of higher income for the quarter under review.

B5. Changes in Unit Price

On 30 June 2016, Tower REIT's unit price closed at RM1.21 per unit (RM1.20 as at 31 March 2016).

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 challenges due to the incoming supply of newer buildings 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 30 June 2016, 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 30 June 2016 of RM620,904 and RM443,726 are 0.22% and 3.35% of the gross asset value and net property income respectively.

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 net asset value of Tower REIT with a cap of RM200,000. The total Trustee's fee for the period ended 30 June 2016 is RM80,526.

B16. Tax Expense

	Current Year to Date 30.06.2016 RM'000	Preceding Year to Date 30.06.2015 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	11,772	9,864
Income tax using Malaysian tax rate of 24% (2015: 25%)	2,825	2,466
Non-deductible expenses	162	166
Gain on disposal of investment property	-	(659)
Effect of income exempted from tax	(2,987)	(1,973)
Tax expense	-	-

B17. Income Distribution

The Manager of Tower REIT has declared an interim income distribution of 3.20 sen per unit, amounting to RM8,976,000, representing approximately 76% of the realised distributable net income for the six-month period ended 30 June 2016, payable on 14 September 2016 to the unitholders registered in the Record of Depositors on 30 August 2016.

The income distributions are from the following sources:

	Current Year to Date 30.06.2016 RM'000	Preceding Year to Date 30.06.2015 RM'000
Net property income	12,794	12,457
Interest income	96	490
Other income	292	760
	<u>13,182</u>	<u>13,707</u>
Less: Expenses	(1,410)	(2,014)
Income available for distribution	<u>11,772</u>	<u>11,693</u>
Income available for distribution	11,772	11,693
Less: Proposed interim distribution	(8,976)	(8,976)
Balance undistributed income	<u>2,796</u>	<u>2,717</u>
Distribution per unit		
- Interim (sen)	<u>3.20</u>	<u>3.20</u>

B17. Income Distribution (cont'd)

Pursuant to the amended Section 109D of the Income Tax Act, 1967, the following withholding tax rates (effective 1 January 2009) will be deducted for distributions made to the following categories of unitholders:

- Resident corporate (no withholding tax, to tax at prevailing rate)
- Non-resident corporate (withholding tax 24%)
- Resident non-corporate (withholding tax 10%)
- Non-resident institutional (withholding tax 10%)
- Non-resident individual (withholding tax 10%)

B18. Units held by Related Parties

As at 30 June 2016, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	As at 30.06.2016	
	Number of Units	Market Value**
	'000	RM'000
Direct/Indirect unitholdings in Tower REIT of the related parties of the Manager:		
HLP Equities Sdn Bhd	60,769	73,530
Hong Leong Assurance Berhad	57,771	69,903
Asia Fountain Investment Company Limited	14,000	16,940
Associated Land Sendirian Berhad	13,409	16,225
Hong Leong Investment Bank Berhad	5,887	7,123
Dato' Poh Yang Hong	3,085 *	3,733

* Indirect unitholdings

**The market value is determined by multiplying the number of units with the market price of RM1.21 per unit as at 30 June 2016.

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 30 June 2016 and of its financial performance and cash flows for the period ended 30 June 2016.

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
15 August 2016