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**CONDENSED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

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The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding
	Quarter Ended 31.03.2018	Corresponding Quarter Ended 31.03.2017	To Date 31.03.2018	Year To Date 31.03.2017
	RM	RM	RM	RM
<b><u>Income</u></b>				
Gross revenue	6,754,251	8,804,211	6,754,251	8,804,211
Property operating expenses	(3,009,584)	(2,904,553)	(3,009,584)	(2,904,553)
Net property income	3,744,667	5,899,658	3,744,667	5,899,658
Change in fair value of derivatives	-	-	-	-
Interest income	46,449	89,297	46,449	89,297
Other income	17,486	31,088	17,486	31,088
	<b>3,808,602</b>	<b>6,020,043</b>	<b>3,808,602</b>	<b>6,020,043</b>
<b><u>Expenses</u></b>				
Manager's fees	438,263	512,220	438,263	512,220
Trustee's fee	40,143	40,091	40,143	40,091
Administrative expenses	82,035	106,486	82,035	106,486
Interest expenses	45,841	9,199	45,841	9,199
	<b>606,282</b>	<b>667,996</b>	<b>606,282</b>	<b>667,996</b>
<b>Net Trust Income</b>	<b>3,202,320</b>	<b>5,352,047</b>	<b>3,202,320</b>	<b>5,352,047</b>
Change in fair value of tenant deposits	-	-	-	-
Change in fair value of investment properties	-	-	-	-
<b>Income before tax</b>	<b>3,202,320</b>	<b>5,352,047</b>	<b>3,202,320</b>	<b>5,352,047</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>3,202,320</b>	<b>5,352,047</b>	<b>3,202,320</b>	<b>5,352,047</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>3,202,320</b>	<b>5,352,047</b>	<b>3,202,320</b>	<b>5,352,047</b>
<b>Total comprehensive income for the period is made up as follows:</b>				
- Realised	3,202,320	5,352,047	3,202,320	5,352,047
- Unrealised	-	-	-	-
	<b>3,202,320</b>	<b>5,352,047</b>	<b>3,202,320</b>	<b>5,352,047</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	1.14	1.91	1.14	1.91

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 2017 and the accompanying explanatory notes attached.

**TOWERreit**  
TOWER REAL ESTATE INVESTMENT TRUST  
CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018

The figures have not been audited.

	As At 31.03.2018 RM	As At 31.12.2017 RM
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment Properties	562,000,000	562,000,000
<b><u>Current Assets</u></b>		
Trade receivables	195,529	88,325
Other receivables, deposits and prepayments	1,914,173	931,281
Deposits placed with licensed bank	800,000	3,920,000
Cash and bank balances	414,008	430,521
	3,323,710	5,370,127
<b>TOTAL ASSETS</b>	565,323,710	567,370,127
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	7,347,957	4,092,336
Borrowings	100,000	100,000
Deferred tax liability	10,550,000	10,550,000
	17,997,957	14,742,336
<b><u>Current liabilities</u></b>		
Trade payables	398,120	422,950
Other payables and provisions	1,272,615	1,463,087
Borrowings	2,000,000	-
Tenants' deposits	2,704,413	5,139,469
	6,375,148	7,025,506
<b>TOTAL LIABILITIES</b>	24,373,105	21,767,842
<b>NET ASSET VALUE</b>	<b>540,950,605</b>	<b>545,602,285</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	195,521,213	195,521,213
Undistributed income - realised	60,084,626	64,736,306
	<b>540,950,605</b>	<b>545,602,285</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>280,500,000</b>	<b>280,500,000</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>	<b>1.9285</b>	<b>1.9451</b>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

The figures have not been audited.

	<b>Undistributed Income</b>			<b>Total RM</b>
	<b>Unitholders' Capital RM</b>	<b>Non-distributable Unrealised RM</b>	<b>Distributable Realised RM</b>	
<b><u>Current Year To Date</u></b>				
<b>At 1 January 2018</b>	<b>285,344,766</b>	<b>195,521,213</b>	<b>64,736,306</b>	<b>545,602,285</b>
<b>Operations for the period ended 31 March 2018</b>				
Net income for the year	-	-	3,202,320	3,202,320
Total comprehensive income for the year	-	-	3,202,320	3,202,320
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2017 final (paid on 28 February 2018)	-	-	(7,854,000)	(7,854,000)
	-	-	(7,854,000)	(7,854,000)
<b>At 31 March 2018</b>	<b>285,344,766</b>	<b>195,521,213</b>	<b>60,084,626</b>	<b>540,950,605</b>
<b><u>Preceding Year To Date</u></b>				
<b>At 1 January 2017</b>	<b>285,344,766</b>	<b>193,718,167</b>	<b>66,183,077</b>	<b>545,246,010</b>
<b>Operations for the period ended 31 March 2017</b>				
Net income for the year	-	-	5,352,047	5,352,047
Total comprehensive income for the year	-	-	5,352,047	5,352,047
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2016 final (paid on 28 February 2017)	-	-	(10,462,650)	(10,462,650)
	-	-	(10,462,650)	(10,462,650)
<b>At 31 March 2017</b>	<b>285,344,766</b>	<b>193,718,167</b>	<b>61,072,474</b>	<b>540,135,407</b>

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 2017 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

The figures have not been audited.

	<b>Current Year To Date 31.03.2018 RM</b>	<b>Preceding Year To Date 31.03.2017 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	3,202,320	5,352,047
Adjustments for:		
Interest expense	45,841	9,199
Interest income	(46,449)	(89,297)
Operating profit before working capital changes	<u>3,201,712</u>	<u>5,271,949</u>
Changes in working capital:		
Trade and other receivables	(1,090,096)	(340,817)
Trade and other payables	605,263	(489,211)
<b>Net cash generated from operating activities</b>	<u>2,716,879</u>	<u>4,441,921</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest income	46,449	89,297
<b>Net cash generated from investing activities</b>	<u>46,449</u>	<u>89,297</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(45,841)	(9,199)
Proceeds from borrowings	3,200,000	-
Repayment of borrowings	(1,200,000)	-
Distribution paid to unitholders	(7,854,000)	(10,462,650)
<b>Net cash used in financing activities</b>	<u>(5,899,841)</u>	<u>(10,471,849)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(3,136,513)	(5,940,631)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>4,050,521</u>	<u>7,868,385</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>914,008</u>	<u>1,927,754</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	414,008	157,754
Deposits placed with licensed financial bank	800,000	2,070,000
	<u>1,214,008</u>	<u>2,227,754</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>914,008</u>	<u>1,927,754</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 2017.

**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 2017. The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT except as mentioned below:

**MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The initial application of the accounting standard, amendment and interpretation is not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT save for the disclosures and separation of leasing income from non-leasing income in profit or loss.

**A2. Audit Report of Preceding Financial Year**

The Auditors' Report of the preceding financial year ended 31 December 2017 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 28 February 2018, paid a final income distribution of 2.80 sen per unit, amounting to RM7,854,000 for the financial year ended 31 December 2017.

**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 31 March 2018, the Trust recorded gross revenue of RM6.76 million and a net realised income of RM3.20 million, representing a decrease of 23.2 % and 40.2% respectively as compared to the corresponding quarter in the preceding year.

The lower net trust income in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to lower occupancy rate in HP Towers and Menara HLA.

**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 March 2018, Tower REIT's composition of investment portfolio was as follows:

	<b>At Valuation RM'000</b>	<b>Total Real Estate Portfolio %</b>
<b><u>Real Estate</u></b>		
Menara HLA	342,000	61
HP Towers	220,000	39
	562,000	100

**B4. Changes in Net Asset Value**

	<b>As at 31.03.2018 RM</b>	<b>As at 31.12.2017 RM</b>
Net asset value ("NAV")	540,950,605	545,602,285
NAV per unit	1.9285	1.9451

The NAV per unit as at 31 March 2018 was lower as compared to the immediate preceding quarter as a result of the payment of distribution on 28 February 2018.

**B5. Changes in Unit Price**

On 31 March 2018, Tower REIT's unit price closed at RM1.01 per unit (RM1.22 as at 31 December 2017).



**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 buildings and 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 March 2018, 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 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.

As at 31 March 2018, Rental Income composition of leasing income and non-leasing income are as follows:

	As at 31.03.2018 RM	As at 31.12.2017 RM
Leasing income	5,047,633	6,558,346
Non-leasing income (service charge)	1,706,618	2,245,865
Rental Income	<u>6,754,251</u>	<u>8,804,211</u>

**ii) Car Park Income**

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.

**iii) Interest Income**

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

**B14. Manager's Fees**

Pursuant to the Deed constituting Tower REIT, the Manager's fees consist 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 March 2018 of RM308,194 and RM130,069 respectively 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 31 March 2018 is RM40,143.

#### B16. Tax Expense

	Current Year to Date 31.3.2018 RM'000	Preceding Year to Date 31.3.2017 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	3,202	5,352
Income tax using Malaysian tax rate of 24% (2017: 24%)	768	1,284
Non-deductible expenses	110	135
Effect of fair value adjustment on investment property	-	-
Effect of fair value adjustment on tenant deposits	-	-
Effect of income exempted from tax	(878)	(1,419)
Tax expense	-	-

#### B17. Income Distribution

No income distribution had been declared for the current quarter.

#### B18. Units held by Related Parties

As at 31 March 2018, 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 31.3.2018	
	Number of Units '000	Market Value** RM'000
Direct/Indirect unitholdings in Tower REIT of the related parties of the Manager:		
GLM Equities Sdn Bhd	60,769	61,377
Hong Leong Assurance Berhad	57,771	58,349
Asia Fountain Investment Company Limited	14,000	14,140
Associated Land Sendirian Berhad	13,409	13,543
Hong Leong Investment Bank Berhad	5,887	5,946
Dato' Poh Yang Hong	3,085 *	3,116

\* Indirect unitholdings.

\*\* The market value is determined by multiplying the number of units with the market price of RM1.01 per unit as at 31 March 2018.

**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 March 2018 and of its financial performance and cash flows for the period ended 31 March 2018.

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

**CHEW ANN NEE  
Secretary**

**Kuala Lumpur  
17 April 2018**