



TOWER REAL ESTATE INVESTMENT TRUST

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**CONDENSED FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017**

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter Ended 31.12.2017	Quarter Ended 31.12.2016	To Date 31.12.2017	To Date 31.12.2016
	RM	RM	RM	RM
<b>Income</b>				
Gross revenue	7,241,495	8,902,738	32,644,148	36,591,291
Property operating expenses	(3,267,411)	(4,336,619)	(12,210,947)	(13,500,056)
Net property income	3,974,084	4,566,119	20,433,201	23,091,235
Change in fair value of derivatives	-	-	-	-
Interest income	38,934	33,799	245,802	214,630
Other income	70,189	14,301	172,309	317,748
	<b>4,083,207</b>	<b>4,614,219</b>	<b>20,851,312</b>	<b>23,623,613</b>
<b>Expenses</b>				
Manager's fees	454,264	475,215	1,962,188	2,054,307
Trustee's fee	41,083	41,024	163,019	162,690
Administrative expenses	38,013	112,407	497,252	318,999
Interest expenses	46,600	6,906	236,975	139,737
	<b>579,960</b>	<b>635,552</b>	<b>2,859,434</b>	<b>2,675,733</b>
<b>Net Trust Income</b>	<b>3,503,247</b>	<b>3,978,667</b>	<b>17,991,878</b>	<b>20,947,880</b>
Change in fair value of tenant deposits	-	214,453	-	214,453
Change in fair value of investment properties	1,953,046	-	1,953,046	-
<b>Income before tax</b>	<b>5,456,293</b>	<b>4,193,120</b>	<b>19,944,924</b>	<b>21,162,333</b>
Taxation	(150,000)	-	(150,000)	-
<b>Income after tax</b>	<b>5,306,293</b>	<b>4,193,120</b>	<b>19,794,924</b>	<b>21,162,333</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>5,306,293</b>	<b>4,193,120</b>	<b>19,794,924</b>	<b>21,162,333</b>
<b>Total comprehensive income for the period is made up as follows:</b>				
- Realised	3,503,247	3,978,667	17,991,878	20,947,880
- Unrealised	1,803,046	214,453	1,803,046	214,453
	<b>5,306,293</b>	<b>4,193,120</b>	<b>19,794,924</b>	<b>21,162,333</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	1.89	1.49	7.06	7.54

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 2016 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

The figures have not been audited.

	As At 31.12.2017 RM	As At 31.12.2016 RM
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment Properties	562,000,000	559,000,000
<b><u>Current Assets</u></b>		
Trade receivables	88,325	604,826
Other receivables, deposits and prepayments	931,281	316,407
Deposits placed with licensed bank	3,920,000	7,680,000
Cash and bank balances	430,521	488,385
	<b>5,370,127</b>	<b>9,089,618</b>
<b>TOTAL ASSETS</b>	<b>567,370,127</b>	<b>568,089,618</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	4,092,336	3,802,490
Borrowings	100,000	-
Deferred tax liability	10,550,000	10,400,000
	<b>14,742,336</b>	<b>14,202,490</b>
<b><u>Current liabilities</u></b>		
Trade payables	422,950	350,400
Other payables and provisions	1,463,087	1,349,543
Borrowings	-	100,000
Tenants' deposits	5,139,469	6,841,175
	<b>7,025,506</b>	<b>8,641,118</b>
<b>TOTAL LIABILITIES</b>	<b>21,767,842</b>	<b>22,843,608</b>
<b>NET ASSET VALUE</b>	<b>545,602,285</b>	<b>545,246,010</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	195,521,213	193,718,167
Undistributed income - realised	64,736,306	66,183,077
	<b>545,602,285</b>	<b>545,246,010</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>1.9451</b>	<b>1.9438</b>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached.

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017**

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<b><u>Current 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 December 2017</b>				
Net income for the year	-	1,803,046	17,991,879	19,794,925
Total comprehensive income for the year	-	1,803,046	17,991,879	19,794,925
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2016 final (paid on 28 February 2017)	-	-	(10,462,650)	(10,462,650)
- 2017 interim (paid on 6 September 2017)	-	-	(8,976,000)	(8,976,000)
	-	-	(19,438,650)	(19,438,650)
<b>At 31 December 2017</b>	<b>285,344,766</b>	<b>195,521,213</b>	<b>64,736,306</b>	<b>545,602,285</b>
<b><u>Preceding Year To Date</u></b>				
<b>At 1 January 2016</b>	<b>285,344,766</b>	<b>193,503,714</b>	<b>64,673,847</b>	<b>543,522,327</b>
<b>Operations for the period ended 31 December 2016</b>				
Net income for the year	-	214,453	20,947,880	21,162,333
Total comprehensive income for the year	-	214,453	20,947,880	21,162,333
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2015 final (paid on 29 February 2016)	-	-	(10,462,650)	(10,462,650)
- 2016 interim (paid on 14 September 2016)	-	-	(8,976,000)	(8,976,000)
	-	-	(19,438,650)	(19,438,650)
<b>At 31 December 2016</b>	<b>285,344,766</b>	<b>193,718,167</b>	<b>66,183,077</b>	<b>545,246,010</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 2016 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST  
CONDENSED STATEMENT OF CASH FLOW  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017**

The figures have not been audited.

	<b>Current Year To Date 31.12.2017 RM</b>	<b>Preceding Year To Date 31.12.2016 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	19,944,924	21,162,333
Adjustments for:		
Interest expense	236,975	139,737
Interest income	(245,802)	(214,630)
Change in fair value of tenant deposits	-	(214,453)
Change in fair value of investment properties	(1,953,046)	-
Operating profit before working capital changes	<u>17,983,051</u>	<u>20,872,987</u>
Changes in working capital:		
Trade and other receivables	(98,373)	549,821
Trade and other payables	(1,225,765)	(1,734,896)
<b>Net cash generated from operating activities</b>	<u>16,658,914</u>	<u>19,687,912</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Payment for enhancement of investment properties	(1,046,955)	-
Interest income	245,802	214,630
<b>Net cash generated from investing activities</b>	<u>(801,153)</u>	<u>214,630</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(236,975)	(139,737)
Proceeds from borrowings	5,100,000	-
Repayment of borrowings	(5,100,000)	-
Distribution paid to unitholders	(19,438,650)	(19,438,650)
<b>Net cash used in financing activities</b>	<u>(19,675,625)</u>	<u>(19,578,387)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(3,817,864)	324,155
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,868,385</u>	<u>7,544,230</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>4,050,521</u>	<u>7,868,385</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	430,521	488,385
Deposits placed with licensed financial bank	3,920,000	7,680,000
	<u>4,350,521</u>	<u>8,168,385</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>4,050,521</u>	<u>7,868,385</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2016.

**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 2016.

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

The Auditors' Report of the preceding financial year ended 31 December 2016 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 2017, paid a final income distribution of 3.73 sen per unit, amounting to RM10,462,650 for the financial year ended 31 December 2016.

The Trust had, on 6 September 2017, paid an interim income distribution of 3.20 sen per unit, amounting to RM8,976,000 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**

During the quarter under review, a revaluation exercise was undertaken for all two properties by the Trust internally with the assistance of an external valuer.

**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 2017, the Trust recorded gross revenue of RM7.24 million and a net realised income of RM3.50 million, representing a decrease of 18.7 % and 12.0% 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 December 2017, 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
	<u>562,000</u>	<u>100</u>

**B4. Changes in Net Asset Value**

	<b>As at 31.12.2017 RM</b>	<b>As at 30.09.2017 RM</b>
Net asset value ("NAV")	545,602,285	540,295,992
NAV per unit	1.9451	1.9262

The NAV per unit as at 31 December 2017 was higher as compared to the immediate preceding quarter as a result of the revaluation surplus for HP Towers and Menara HLA and the operating profit recognised for the current quarter.



**B5. Changes in Unit Price**

On 31 December 2017, Tower REIT's unit price closed at RM1.22 per unit (RM1.21 as at 30 September 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 December 2017, 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 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 December 2017 of RM1,249,799 and RM712,389 respectively are 0.22% and 3.49% 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 December 2017 is RM163,019.

**B16. Tax Expense**

	Current Year to Date 31.12.2017 RM'000	Preceding Year to Date 31.12.2016 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	19,946	21,162
Income tax using Malaysian tax rate of 24% (2016: 24%)	4,787	5,079
Non-deductible expenses	90	265
Effect of fair value adjustment on investment property	(319)	-
Effect of fair value adjustment on tenant deposits	-	(214)
Effect of income exempted from tax	(4,408)	(5,130)
Tax expense	150	-

**B17. Income Distribution**

The Manager of Tower REIT has declared a final income distribution of 2.80 sen per unit (2.72 sen per unit subject to withholding tax and 0.08 sen tax exempt), amounting to RM7,854,000, representing approximately 93.54% of the realised distributable net income for the six-month period ended 31 December 2017, to be payable on 28 February 2018 to the unitholders registered in the Record of Depositors on 21 February 2018.

**B18. Units held by Related Parties**

As at 31 December 2017, 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 31.12.2017	
	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	74,138
Hong Leong Assurance Berhad	57,771	70,481
Asia Fountain Investment Company Limited	14,000	17,080
Associated Land Sendirian Berhad	13,409	16,359
Hong Leong Investment Bank Berhad	5,887	7,182
Dato' Poh Yang Hong	3,085 *	3,764

\* Indirect unitholdings.

\*\* The market value is determined by multiplying the number of units with the market price of RM1.22 per unit as at 31 December 2017.

**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 2017 and of its financial performance and cash flows for the period ended 31 December 2017.

**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  
6 February 2018**