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**CONDENSED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2017 RM	Preceding Year Corresponding Quarter Ended 31.03.2016 RM	Current Year To Date 31.03.2017 RM	Preceding Year To Date 31.03.2016 RM
<b><u>Income</u></b>				
Gross revenue	8,804,211	9,608,607	8,804,211	9,608,607
Property operating expenses	(2,904,553)	(2,839,788)	(2,904,553)	(2,839,788)
Net property income	5,899,658	6,768,819	5,899,658	6,768,819
Interest income	89,297	57,141	89,297	57,141
Other income	31,088	247,755	31,088	247,755
Gain on sale of investment property	-	-	-	-
	<b>6,020,043</b>	<b>7,073,715</b>	<b>6,020,043</b>	<b>7,073,715</b>
<b><u>Expenses</u></b>				
Manager's fees	512,220	540,724	512,220	540,724
Trustee's fee	40,091	40,387	40,091	40,387
Administrative expenses	106,486	93,202	106,486	93,202
Interest expenses	9,199	66,991	9,199	66,991
	<b>667,996</b>	<b>741,304</b>	<b>667,996</b>	<b>741,304</b>
<b>Net Trust Income</b>	<b>5,352,047</b>	<b>6,332,411</b>	<b>5,352,047</b>	<b>6,332,411</b>
Change in fair value of tenant deposits	-	-	-	-
Change in fair value of investment properties	-	-	-	-
<b>Income before tax</b>	<b>5,352,047</b>	<b>6,332,411</b>	<b>5,352,047</b>	<b>6,332,411</b>
Taxation	-	-	-	-
<b>Income after tax</b>	<b>5,352,047</b>	<b>6,332,411</b>	<b>5,352,047</b>	<b>6,332,411</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>5,352,047</b>	<b>6,332,411</b>	<b>5,352,047</b>	<b>6,332,411</b>
<b>Total comprehensive income for the year is made up as follows:</b>				
- Realised	5,352,047	6,332,411	5,352,047	6,332,411
- Unrealised	-	-	-	-
	<b>5,352,047</b>	<b>6,332,411</b>	<b>5,352,047</b>	<b>6,332,411</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	1.91	2.26	1.91	2.26

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 MARCH 2017**

The figures have not been audited.

	As At 31.03.2017 RM	As At 31.12.2016 RM
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment properties	559,000,000	559,000,000
<b><u>Current Assets</u></b>		
Trade receivables	147,411	604,826
Other receivables, deposits and prepayments	1,114,639	316,407
Deposits placed with licensed bank	2,070,000	7,680,000
Cash and bank balances	157,754	488,385
	3,489,804	9,089,618
<b>TOTAL ASSETS</b>	562,489,804	568,089,618
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	4,595,988	3,802,490
Borrowings	100,000	100,000
Deferred tax liability	10,400,000	10,400,000
	15,095,988	14,302,490
<b><u>Current liabilities</u></b>		
Trade payables	373,081	350,400
Other payables and provisions	944,497	1,349,543
Tenants' deposits	5,940,831	6,841,175
	7,258,409	8,541,118
<b>TOTAL LIABILITIES</b>	22,354,397	22,843,608
<b>NET ASSET VALUE</b>	<b>540,135,407</b>	<b>545,246,010</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	193,718,167	193,718,167
Undistributed income - realised	61,072,474	66,183,077
	<b>540,135,407</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>1.9256</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.

TOWER REAL ESTATE INVESTMENT TRUST  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE  
 FOR THE FIRST QUARTER ENDED 31 MARCH 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 year ended 31 March 2017</b>				
Net income for the year	-	-	5,352,047	5,352,047
Realisation of unrealised income	-	-	-	-
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>
<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 year ended 31 March 2016</b>				
Net income for the year	-	-	6,332,411	6,332,411
Realisation of unrealised income	-	-	-	-
Total comprehensive income for the year	-	-	6,332,411	6,332,411
<b>Unitholders' transactions</b>				
Creation of units	-	-	-	-
Establishment and issue expenses	-	-	-	-
Distribution to unitholders				
- 2015 final (paid on 29 February 2016)	-	-	(10,462,650)	(10,462,650)
	-	-	(10,462,650)	(10,462,650)
<b>At 31 March 2016</b>	<b>285,344,766</b>	<b>193,503,714</b>	<b>60,543,608</b>	<b>539,392,088</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 FLOWS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

The figures have not been audited.

	<b>Current Year To Date 31.03.2017 RM</b>	<b>Preceding Year To Date 31.03.2016 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before tax	5,352,047	6,332,411
Adjustments for:		
Interest expense	9,199	66,991
Interest income	(89,297)	(57,141)
Operating profit before working capital changes	<u>5,271,949</u>	<u>6,342,261</u>
Changes in working capital:		
Trade and other receivables	(340,817)	(335,741)
Trade and other payables	(489,211)	(1,747,129)
<b>Net cash generated from operating activities</b>	<u>4,441,921</u>	<u>4,259,391</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceed from disposal of investment property	-	-
Interest income	89,297	57,141
<b>Net cash generated from investing activities</b>	<u>89,297</u>	<u>57,141</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(9,199)	(66,991)
Repayment of borrowings	-	-
Distribution paid to unitholders	(10,462,650)	(10,462,650)
<b>Net cash used in financing activities</b>	<u>(10,471,849)</u>	<u>(10,529,641)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(5,940,631)</u>	<u>(6,213,109)</u>
<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>1,927,754</u>	<u>1,331,121</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	157,754	231,121
Deposits placed with licensed financial bank	2,070,000	1,400,000
	<u>2,227,754</u>	<u>1,631,121</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>1,927,754</u>	<u>1,331,121</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.

**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 2017, the Trust recorded gross revenue of RM8.80 million and a net realised income of RM5.35 million, representing a decrease of 8.4% and 15.5% 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 which caused the lower revenue.

**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 2017, Tower REIT's composition of investment portfolio was as follows:

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

**B4. Changes in Net Asset Value**

	<b>As at 31.03.2017 RM</b>	<b>As at 31.12.2016 RM</b>
Net asset value ("NAV")	540,135,407	545,246,010
NAV per unit	1.9256	1.9438

The NAV per unit as at 31 March 2017 was lower as compared to the immediate preceding quarter as a result of the payment of distribution on 28 February 2017.



**B5. Changes in Unit Price**

On 31 March 2017, Tower REIT's unit price closed at RM1.19 per unit (RM1.17 as at 31 December 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 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 31 March 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 in the profit or loss as it accrues, using the effective interest method.

**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 2017 of RM307,496 and RM204,724 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 2017 is RM40,091.

**B16. Tax Expense**

	Current Year to Date 31.3.2017 RM'000	Preceding Year to Date 31.03.2016 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before tax	5,352	6,332
Income tax using Malaysian tax rate of 24% (2016: 24%)	1,284	1,520
Non-deductible expenses	135	104
Gain on disposal of investment property	-	(223)
Effect of income exempted from tax	(1,419)	(1,401)
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 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 31.03.2017	
	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 (formerly known as HLP Equities Sdn Bhd)	60,769	72,315
Hong Leong Assurance Berhad	57,771	68,747
Asia Fountain Investment Company Limited	14,000	16,660
Associated Land Sendirian Berhad	13,409	15,957
Hong Leong Investment Bank Berhad	5,887	7,006
Dato' Poh Yang Hong	3,085 *	3,671

\* Indirect unitholdings

\*\* The market value is determined by multiplying the number of units with the market price of RM1.19 per unit as at 31 March 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 March 2017 and of its financial performance and cash flows for the period ended 31 March 2017.

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

**CHIN MIN YANN**  
**Secretary**

**Kuala Lumpur**  
**27 April 2017**