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**CONDENSED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

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The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 30.09.2018 RM	Current Year To Date 30.09.2018 RM
<b><u>Income</u></b>		
Gross revenue	7,009,713	20,960,039
Property operating expenses	(3,201,192)	(9,384,823)
Net property income	3,808,521	11,575,216
Interest income	43,275	117,430
Other income	36,917	64,837
	<b>3,888,713</b>	<b>11,757,483</b>
<b><u>Expenses</u></b>		
Manager's fees	(457,299)	(1,349,104)
Trustee's fee	(41,017)	(121,807)
Administrative expenses	(63,676)	(208,447)
Interest expenses	(45,707)	(139,268)
	<b>(607,699)</b>	<b>(1,818,626)</b>
<b>Net Trust Income</b>	<b>3,281,014</b>	<b>9,938,857</b>
Change in fair value of investment properties	-	-
<b>Income before tax</b>	<b>3,281,014</b>	<b>9,938,857</b>
Taxation	-	-
<b>Income after tax</b>	<b>3,281,014</b>	<b>9,938,857</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>3,281,014</b>	<b>9,938,857</b>
<b>Total comprehensive income for the period is made up as follows:</b>		
- Realised	3,281,014	9,938,857
- Unrealised	-	-
	<b>3,281,014</b>	<b>9,938,857</b>
<b>EARNINGS PER UNIT (SEN)</b>		
- Basic	1.17	3.54

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 2017 and the accompanying explanatory notes attached.

The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 30.09.2018 RM	Current Year To Date 30.09.2018 RM
<b>Statement of Income Distribution:</b>		
Rental income	7,009,713	20,960,039
Interest income	43,275	117,430
Other income	36,917	64,837
	7,089,905	21,142,306
Less:		
Expenses	(3,808,891)	(11,203,449)
Taxation	-	-
<b>Realised income for the period/year</b>	<b>3,281,014</b>	<b>9,938,857</b>
Previous quarter/year undistributed realised income	63,540,150	64,736,307
<b>Total realised income available for distribution</b>	<b>66,821,164</b>	<b>74,675,164</b>
Less: Proposed /declared income distribution	(5,890,500)	(13,744,500)
<b>Balance undistributed realised income</b>	<b>60,930,664</b>	<b>60,930,664</b>
Distribution per unit (sen)	2.10	4.90

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.

The figures have not been audited.

	<b>As At 30.09.2018 RM</b>	<b>As At 31.12.2017 RM</b>
<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	757,804	88,325
Other receivables, deposits and prepayments	1,897,146	931,281
Deposits placed with licensed bank	1,350,000	3,920,000
Cash and bank balances	2,248,888	430,521
	<b>6,253,838</b>	<b>5,370,127</b>
<b>TOTAL ASSETS</b>	<b>568,253,838</b>	<b>567,370,127</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	9,031,115	4,092,336
Borrowings	100,000	100,000
Deferred tax liability	10,550,000	10,550,000
	<b>19,681,115</b>	<b>14,742,336</b>
<b><u>Current liabilities</u></b>		
Trade payables	422,024	422,950
Other payables and provisions	3,678,188	1,463,087
Borrowings	1,700,000	-
Tenants' deposits	975,868	5,139,469
	<b>6,776,080</b>	<b>7,025,506</b>
<b>TOTAL LIABILITIES</b>	<b>26,457,195</b>	<b>21,767,842</b>
<b>NET ASSET VALUE</b>	<b>541,796,643</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	60,930,664	64,736,306
	<b>541,796,643</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>1.9315</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 QUARTER ENDED 30 SEPTEMBER 2018**

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<b>Current Year To Date</b>				
<b>At 1 January 2018</b>	<b>285,344,766</b>	<b>195,521,213</b>	<b>64,736,307</b>	<b>545,602,286</b>
<b>Operations for the period ended 30 September 2018</b>				
Net income for the year	-	-	9,938,857	9,938,857
Total comprehensive income for the year	-	-	9,938,857	9,938,857
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2017 final (paid on 28 February 2018)	-	-	(7,854,000)	(7,854,000)
- 2018 interim (paid on 30 August 2018)			(5,890,500)	(5,890,500)
	-	-	(13,744,500)	(13,744,500)
<b>At 30 September 2018</b>	<b>285,344,766</b>	<b>195,521,213</b>	<b>60,930,664</b>	<b>541,796,643</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.

The figures have not been audited.

**Current  
Year  
To Date  
30.09.2018  
RM**

**CASH FLOW FROM OPERATING ACTIVITIES**

Income before tax	9,938,857
Adjustments for:	
Interest expense	(139,268)
Interest income	(117,430)
Operating profit before working capital changes	<u>9,682,159</u>
Changes in working capital:	
Trade and other receivables	(1,635,344)
Trade and other payables	<u>2,989,354</u>
<b>Net cash generated from operating activities</b>	<u><b>11,036,169</b></u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	<u>117,430</u>
<b>Net cash generated from investing activities</b>	<u><b>117,430</b></u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Interest paid	139,268
Proceeds from borrowings	6,000,000
Repayment of borrowings	(4,300,000)
Distribution paid to unitholders	<u>(13,744,500)</u>
<b>Net cash used in financing activities</b>	<u><b>(11,905,232)</b></u>

<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(751,633)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>4,050,521</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><b>3,298,888</b></u>

Cash and cash equivalents at end of period comprise:

Cash and bank balances	2,248,888
Deposits placed with licensed financial bank	<u>1,350,000</u>
	3,598,888
Deposits pledged as security	<u>(300,000)</u>
	<u><b>3,298,888</b></u>

The Condensed Statement of Cash Flow 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 30 August 2018, paid an interim income distribution of 2.10 sen per unit, amounting to RM5,890,500 for the financial year ending 30 June 2019. On 13 September 2018, the financial year end of the Trust was subsequently changed from 31 December 2018 to 30 June 2019.

**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. Borrowing and Debt Securities**

Particulars of the Trust's borrowings as at 30 September 2018 are as follows::

	RM
<b>Long term borrowings</b>	
Secured	100,000
Unsecured	-
	<u>100,000</u>
<b>Short term borrowings</b>	
Secured	1,700,000
Unsecured	-
	<u>1,700,000</u>

The above borrowing is denominated in Ringgit Malaysia.



**A11. Material Events**

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

**A12. Changes in the Composition of the Trust**

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

**A13. Contingent Liabilities and Contingent Assets**

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

**A14. Change of Financial Year End**

The Trust had, on 13 September 2018, changed its financial year end from 31 December 2018 to 30 June 2019 to cover the 18 month period from 1 January 2018 to 30 June 2019 and thereafter, to end on 30 June each year.

**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 September 2018, the Trust recorded gross revenue of RM7.01 million and a net realised income of RM3.28 million, representing a decrease of 9.2% and 24.5% 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 rate in Menara HLA and lower rental for new tenants for both Menara HLA and HP Tower.

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

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

**B4. Changes in Net Asset Value**

	<b>As at 30.9.2018 RM</b>	<b>As at 30.6.2018 RM</b>
Net asset value ("NAV")	541,796,643	544,406,128
NAV per unit	1.9315	1.9408

The NAV per unit as at 30 September 2018 was lower as compared to the immediate preceding quarter as a result of the payment of income distribution on 30 August 2018.

**B5. Changes in Unit Price**

On 30 September 2018, Tower REIT's unit price was last traded at RM0.94 per unit (RM0.98 as at 30 June 2018).

**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 coupled by limited demand growth.

**B9. Prospects**

The business prospects 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 cost and capital expenditure incurred during the quarter under review.

**B12. Soft Commission**

During the quarter ended 30 September 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 30 September 2018, Rental Income composition of leasing income and non-leasing income are as follows:

	As at 30.9.2018 RM
Leasing income	5,067,827
Non-leasing income (service charge)	1,941,886
Rental Income	<u>7,009,713</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 (excluding taxes) shall consist of:-

- (1) a base fee of up to 0.75% per annum of the gross asset value;
- (2) a performance fee of up to 4.00% per annum of the net property income, but before deduction of property management fees payable;
- (3) an acquisition fee of 1.00% of the acquisition price of any assets acquired; and
- (4) a divestment fee of 0.50% of the sale price of any asset sold or divested.

The total base fee and performance fee for the period ended 30 September 2018 of RM935,677 and RM413,427 respectively were 0.16% 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 up to 0.03% per annum of the audited net asset value of Tower REIT with a cap of RM200,000. The total Trustee's fee for the period ended 30 September 2018 is RM121,807.

#### B16. Tax Expense

	<b>Current Year to Date 30.09.2018 RM'000</b>
Current tax expense	-
<b>Reconciliation of effective tax expense</b>	
Income before tax	9,939
Income tax using Malaysian tax rate of 24% (2017: 24%)	2,385
Non-deductible expenses	293
Effect of income exempted from tax	(2,678)
Tax expense	-

#### B17. Income Distribution

The Manager of Tower REIT has declared a second interim income distribution of 2.00 sen per unit, amounting to RM5,610,000 (nil in previous corresponding period), representing approximately 115.7% of the realised distributable net income for the ninth-month period ended 30 September 2018, payable on 28 November 2018 to the unitholders registered in the Record of Depositors on 13 November 2018.

### **B18. Units held by Related Parties**

As at 30 September 2018, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	<b>As at 30.09.2018</b>	
	<b>Number of Units '000</b>	<b>Market Value** RM'000</b>
Direct/Indirect unitholdings in Tower REIT of the related parties of the Manager:		
GLM Equities Sdn Bhd	60,769	57,123
Hong Leong Assurance Berhad	57,771	54,305
Asia Fountain Investment Company Limited	14,000	13,160
Associated Land Sendirian Berhad	13,409	12,605
Hong Leong Investment Bank Berhad	5,887	5,534
Dato' Poh Yang Hong	3,085 *	2,900

\* Indirect unitholdings.

\*\* The market value is determined by multiplying the number of units with the market price of RM0.94 per unit as at 30 September 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 30 September 2018 and of its financial performance and cash flows for the period ended 30 September 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  
25 October 2018**