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**CONDENSED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 MARCH 2019**

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The figures have not been audited.

|   | Individual Quarter                                | Cumulative Quarter                          |
|---|---|---|
|   | Current Year<br>Quarter Ended<br>31.03.2019<br>RM | Current Year<br>To Date<br>31.03.2019<br>RM |
| <b><u>Income</u></b>  |   |   |
| Gross revenue   | 6,496,119   | 36,187,846                                  |
| Property operating expenses   | (1,827,115)                                       | (14,196,970)                                |
| Net property income   | 4,669,004   | 21,990,876                                  |
| Interest income   | 25,790  | 169,484                                     |
| Other income  | 843,633   | 1,664,051                                   |
|   | <b>5,538,427</b>                                  | <b>23,824,411</b>                           |
| <b><u>Expenses</u></b>  |   |   |
| Manager's fees  | (469,400)   | (2,329,967)                                 |
| Trustee's fee   | (39,553)  | (202,343)                                   |
| Administrative expenses   | (40,880)  | (309,040)                                   |
| Interest expenses   | (37,724)  | (217,288)                                   |
|   | <b>(587,557)</b>                                  | <b>(3,058,638)</b>                          |
| <b>Net Trust Income</b>   | <b>4,950,870</b>                                  | <b>20,765,773</b>                           |
| Change in fair value of investment properties                           | -   | -   |
| <b>Income before tax</b>  | <b>4,950,870</b>                                  | <b>20,765,773</b>                           |
| Taxation  | -   | (10,550,000)                                |
| <b>Income after tax</b>   | <b>4,950,870</b>                                  | <b>10,215,773</b>                           |
| Other comprehensive income  | -   | -   |
| <b>Total comprehensive income for the period</b>                        | <b>4,950,870</b>                                  | <b>10,215,773</b>                           |
| <b>Total comprehensive income for the period is made up as follows:</b> |   |   |
| - Realised  | 4,950,870   | 20,765,773                                  |
| - Unrealised  | -   | (10,550,000)                                |
|   | <b>4,950,870</b>                                  | <b>10,215,773</b>                           |
| <b>EARNINGS PER UNIT (SEN)</b>  |   |   |
| - Basic   | 1.77  | 3.64  |

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<br>Quarter Ended<br>31.03.2019<br>RM | Current Year<br>To Date<br>31.03.2019<br>RM |
| <b>Statement of Income Distribution:</b>                |   |   |
| Rental income   | 6,496,119   | 36,187,846                                  |
| Interest income   | 25,790  | 169,484                                     |
| Other income  | 843,633   | 1,664,051                                   |
|   | 7,365,542   | 38,021,381                                  |
| Less:   |   |   |
| Expenses  | (2,414,672)                                       | (17,255,608)                                |
| Taxation  | -   | -   |
| <b>Realised income for the period/year</b>              | <b>4,950,870</b>                                  | <b>20,765,773</b>                           |
| Previous quarter/year undistributed realised income     | 61,196,710  | 64,736,307                                  |
| <b>Total realised income available for distribution</b> | <b>66,147,580</b>                                 | <b>85,502,080</b>                           |
| Less: Proposed/declared income distribution             | -   | (19,354,500)                                |
| <b>Balance undistributed realised income</b>            | <b>66,147,580</b>                                 | <b>66,147,580</b>                           |
| Distribution per unit (sen)                             | -   | 6.90  |

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<br/>31.03.2019<br/>RM</b> | <b>As At<br/>31.12.2017<br/>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                             | 519,789                            | 88,325                             |
| Other receivables, deposits and prepayments   | 1,900,613                          | 931,281                            |
| Deposits placed with licensed bank            | 3,584,000                          | 3,920,000                          |
| Cash and bank balances                        | 476,850                            | 430,521                            |
|   | <b>6,481,252</b>                   | <b>5,370,127</b>                   |
| <b>TOTAL ASSETS</b>                           | <b>568,481,252</b>                 | <b>567,370,127</b>                 |
| <b>LIABILITIES</b>                            |                                    |                                    |
| <b><u>Non-current liabilities</u></b>         |                                    |                                    |
| Tenants' deposits                             | 7,171,009                          | 4,092,336                          |
| Borrowings                                    | 100,000                            | 100,000                            |
| Deferred tax liability                        | 21,100,000                         | 10,550,000                         |
|   | <b>28,371,009</b>                  | <b>14,742,336</b>                  |
| <b><u>Current liabilities</u></b>             |                                    |                                    |
| Trade payables                                | 667,844                            | 422,950                            |
| Other payables and provisions                 | 2,671,027                          | 1,463,087                          |
| Tenants' deposits                             | 307,813                            | 5,139,469                          |
|   | <b>3,646,684</b>                   | <b>7,025,506</b>                   |
| <b>TOTAL LIABILITIES</b>                      | <b>32,017,693</b>                  | <b>21,767,842</b>                  |
| <b>NET ASSET VALUE</b>                        | <b>536,463,559</b>                 | <b>545,602,285</b>                 |
| <b><u>REPRESENTED BY :</u></b>                |                                    |                                    |
| Unitholders' capital                          | 285,344,766                        | 285,344,766                        |
| Undistributed income - unrealised             | 184,971,213                        | 195,521,213                        |
| Undistributed income - realised               | 66,147,580                         | 64,736,306                         |
|   | <b>536,463,559</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>1.9125</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.

The figures have not been audited.

|  | Undistributed Income          |                                       |                                 | Total<br>RM        |
|--|-------------------------------|---------------------------------------|---------------------------------|--------------------|
|  | Unitholders'<br>Capital<br>RM | Non-distributable<br>Unrealised<br>RM | Distributable<br>Realised<br>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 31 March 2019</b> |                               |                                       |                                 |                    |
| Net income for the year                              | -                             | (10,550,000)                          | 20,765,773                      | 10,215,773         |
| Total comprehensive income for the year              | -                             | (10,550,000)                          | 20,765,773                      | 10,215,773         |
| <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)        |
| - 2018 interim (paid on 28 November 2018)            | -                             | -                                     | (5,610,000)                     | (5,610,000)        |
|  | -                             | -                                     | (19,354,500)                    | (19,354,500)       |
| <b>At 31 March 2019</b>                              | <b>285,344,766</b>            | <b>184,971,213</b>                    | <b>66,147,580</b>               | <b>536,463,559</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.

**TOWERreit**  
**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE QUARTER ENDED 31 MARCH 2019**

The figures have not been audited.

**Current  
Year  
To Date  
31.03.2019  
RM**

**CASH FLOW FROM OPERATING ACTIVITIES**

|   |                          |
|---|--------------------------|
| Income before tax                                   | 20,765,773               |
| Adjustments for:                                    |                          |
| Interest expense                                    | (217,288)                |
| Interest income                                     | (169,484)                |
| Operating profit before working capital changes     | <u>20,379,001</u>        |
| Changes in working capital:                         |                          |
| Trade and other receivables                         | (1,400,796)              |
| Trade and other payables                            | (300,148)                |
| <b>Net cash generated from operating activities</b> | <u><b>18,678,057</b></u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |                       |
|---|-----------------------|
| Interest income                                     | <u>169,484</u>        |
| <b>Net cash generated from investing activities</b> | <u><b>169,484</b></u> |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|  |                            |
|--|----------------------------|
| Interest paid                                | 217,288                    |
| Proceeds from borrowings                     | 7,000,000                  |
| Repayment of borrowings                      | (7,000,000)                |
| Distribution paid to unitholders             | (19,354,500)               |
| <b>Net cash used in financing activities</b> | <u><b>(19,137,212)</b></u> |

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (289,671)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 4,050,521

**CASH AND CASH EQUIVALENTS AT END OF PERIOD** **3,760,850**

Cash and cash equivalents at end of period comprise:

|  |                         |
|--|-------------------------|
| Cash and bank balances                       | 476,850                 |
| Deposits placed with licensed financial bank | <u>3,584,000</u>        |
|  | 4,060,850               |
| Deposits pledged as security                 | <u>(300,000)</u>        |
|  | <u><b>3,760,850</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 statement of 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**

No income distribution was paid during the quarter ended 31 March 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 Plaza Zurich (formerly known as 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 31 March 2019 are as follows:

|                             | RM             |
|-----------------------------|----------------|
| <b>Long term borrowings</b> |                |
| Secured                     | 100,000        |
| Unsecured                   | -              |
|                             | <u>100,000</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.

**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 2019, the Trust recorded gross revenue of RM6.50 million and a net realised income of RM4.95 million, representing a decrease of 3.8% and an increase of 54.6% respectively as compared to the corresponding quarter in the preceding year.

The higher net trust income in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to assessment received and reinstatement of compensation received from tenants of 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 2019, Tower REIT's composition of investment portfolio was as follows:

|  | <b>At<br/>Valuation<br/>RM'000</b> | <b>Total Real<br/>Estate<br/>Portfolio<br/>%</b> |
|--|------------------------------------|--|
| <b><u>Real Estate</u></b>                  |                                    |  |
| Menara HLA                                 | 342,000                            | 61   |
| Plaza Zurich (formerly known as HP Towers) | 220,000                            | 39   |
|  | 562,000                            | 100  |

**B4. Changes in Net Asset Value**

|                         | <b>As at<br/>31.03.2019<br/>RM</b> | <b>As at<br/>31.12.2018<br/>RM</b> |
|-------------------------|------------------------------------|------------------------------------|
| Net asset value ("NAV") | 536,463,559                        | 531,512,689                        |
| NAV per unit            | 1.9125                             | 1.8949                             |

The NAV per unit as at 31 March 2019 was higher as compared to the immediate preceding quarter as a result of higher undistributed realised income.

**B5. Changes in Unit Price**

On 31 March 2019, Tower REIT's unit price was last traded at RM0.90 per unit (RM0.92 as at 31 December 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 difficult operating environment mainly caused by the oversupply situation. The Manager has taken active steps and shall continue to manage the portfolio to maximise the 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 31 March 2019, 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 statement of 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 2019, Rental Income composition of leasing income and non-leasing income are as follows:

|                                     | As at<br>31.03.2019<br>RM |
|-------------------------------------|---------------------------|
| Leasing income                      | 4,859,513                 |
| Non-leasing income (service charge) | 1,636,606                 |
| Rental Income                       | <u>6,496,119</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 statement of 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 31 March 2019 of RM1,559,614 and RM770,353 respectively were 0.27% 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 31 March 2019 is RM202,343.

#### B16. Tax Expense

|  | <b>Current<br/>Year to Date<br/>31.03.2019<br/>RM'000</b> |
|--|---|
| Current tax expense                                    | -   |
| <b>Reconciliation of effective tax expense</b>         |   |
| Income before tax                                      | 20,766  |
| Income tax using Malaysian tax rate of 24% (2017: 24%) | 4,984   |
| Non-deductible expenses                                | 203   |
| Effect of income exempted from tax                     | (5,187)   |
| Income tax expense                                     | -   |
| <br>   |   |
| RPGT - increase due to change of rate to 10%           | 10,550  |
| Tax Expense  | 10,550  |

#### B17. Income Distribution

No income distribution has been declared for the current quarter under review.

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

As at 31 March 2019, 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 31.03.2019</b>         |                                  |
|--|---------------------------------|----------------------------------|
|  | <b>Number of Units<br/>'000</b> | <b>Market Value**<br/>RM'000</b> |
| Direct/Indirect unitholdings in Tower REIT of<br>the related parties of the Manager: |                                 |                                  |
| GLM Equities Sdn Bhd   | 60,769                          | 54,692                           |
| Hong Leong Assurance Berhad  | 57,771                          | 51,994                           |
| Asia Fountain Investment Company Limited   | 14,000                          | 12,600                           |
| Associated Land Sendirian Berhad   | 13,409                          | 12,068                           |
| Hong Leong Investment Bank Berhad  | 5,887                           | 5,298                            |
| Dato' Poh Yang Hong  | 3,085 *                         | 2,776                            |

\* Indirect unitholdings.

\*\* The market value is determined by multiplying the number of units with the market price of RM0.90 per unit as at 31 March 2019.

### **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 2019 and of its financial performance and cash flows for the period ended 31 March 2019.

**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**

**18 April 2019**